HAP SENG

Creating
Value
Together

3rd Quarter Ended 30 September 2018 Results

23 November 2018

Scope

1 Group financials

2 Operations review

SECTION 1

Group financials

Consolidated income statement summary

- The Group revenue for 3Q18 and YTD were above prior year corresponding period by 26% and 24% respectively with higher contribution from Property, Credit Financing, Automotive and Trading Divisions*.
- The Property, Credit Financing and Trading Divisions contributed positively towards the Group's operating profit for 3Q18 and YTD, however, the overall results were dampened by lower contribution from Plantation and Building Materials Divisions.
- Nonetheless, the Group PAT for 3Q18 and YTD were marginally higher than last year, benefitting from investment tax allowance on its Plantation Division's biogas plant.
- EPS for the YTD at 39.74 was above last year by 3%.

** Building materials Trading and Fertilizers Trading have been restructured to form the Trading Division.*

(RM' Million)	3Q18	3Q17 (restated)	Change	YTD 2018	YTD 2017 (restated)	Change
Revenue	1,762.9	1,399.7	26%	4,820.6	3,884.6	24%
Gross profit [1]	402.4	419.4	(4%)	1,206.5	1,086.4	11%
EBITDA	335.5	356.0	(6%)	931.6	938.1	(1%)
Operating profit [2]	292.0	307.6	(5%)	798.8	800.8	-
Finance expenses	(41.6)	(36.6)	14%	(123.1)	(111.8)	10%
Profit before tax	252.9	275.1	(8%)	1,196.8	1,191.4	-
Taxation	(47.1)	(69.8)	(32%)	(173.9)	(174.0)	-
Profit after tax	205.8	205.3	-	1,022.9	1,017.4	1%
Attributable to MI	15.1	22.8	(34%)	33.5	53.2	(37%)
Attributable to shareholders	190.7	182.5	4%	989.4	964.2	3%
EPS (sen)	7.66	7.33	4%	39.74	38.73	3%

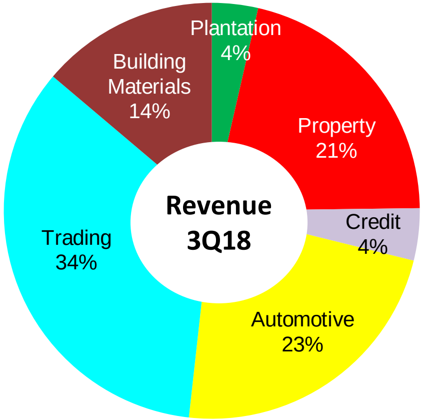
Note:
1. *Includes share of Inverfin's PBIT*
2. *Includes Interest Income, Share of Inverfin's PBIT by Property Division and share of associate and JV's PAT by Hafary*

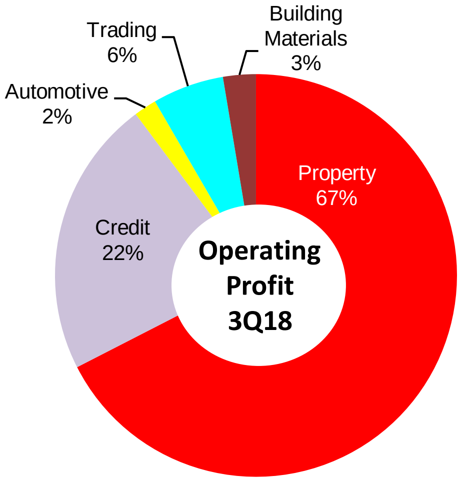
Group segment results

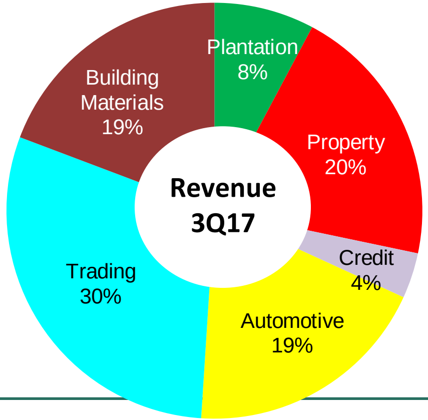
(RM' Million)	REVENUE			OPERATING PROFIT			REVENUE			OPERATING PROFIT		
	3Q18	3Q17	Change	3Q18	3Q17	Change	YTD 2018	YTD 2017	Change	YTD 2018	YTD 2017	Change
Plantation	65.6	113.6	(42%)	(2.4)	48.4	(105%)	294.7	391.2	(25%)	27.2	117.8	(77%)
Property [1]	387.6	298.9	30%	195.4	193.2	1%	975.9	732.7	33%	577.8	449.2	29%
Credit Financing	74.0	51.6	43%	64.7	43.3	50%	211.2	139.4	51%	177.2	118.5	50%
Automotive	418.7	279.8	50%	5.3	5.2	2%	1,098.9	821.6	34%	19.0	19.0	-
Trading	628.6	433.5	45%	16.6	12.6	32%	1,687.6	1,186.2	42%	48.6	34.3	42%
Building Materials [2]	252.8	280.7	(10%)	7.6	20.3	(62%)	729.2	767.1	(5%)	3.9	96.9	(96%)
Subtotal	1,827.3	1,458.1	25%	287.2	323.0	(11%)	4,997.5	4,038.2	24%	853.7	835.7	2%
Consolidation adjustments & others	(64.4)	(58.4)		4.8	(15.4)		(176.9)	(153.6)		(54.9)	(34.9)	
Group	1,762.9	1,399.7	26%	292.0	307.6	(5%)	4,820.6	3,884.6	24%	798.8	800.8	-

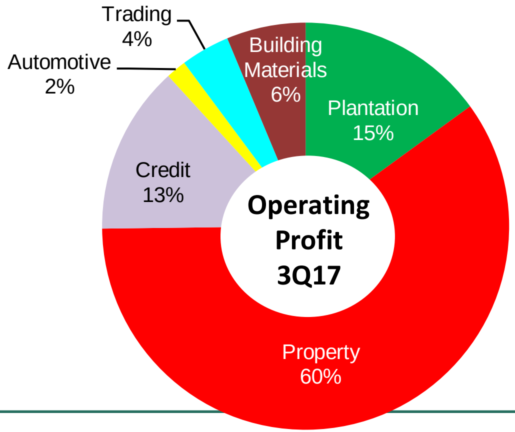
Note:
1. *Includes share of Inverfin's PBIT from Menara Citibank*
2. *Includes share of associate and JV's results by Hafary*

Group segment results – 3rd Quarter

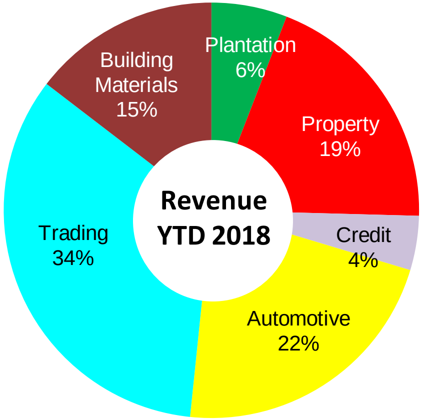


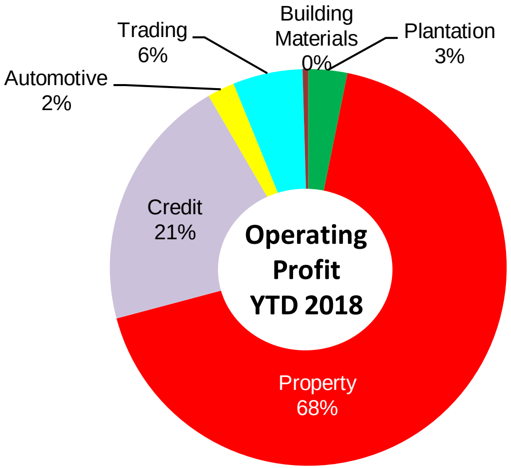


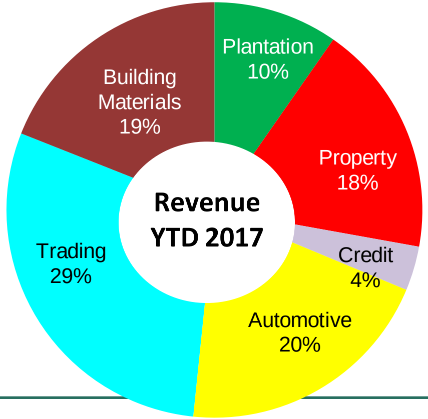


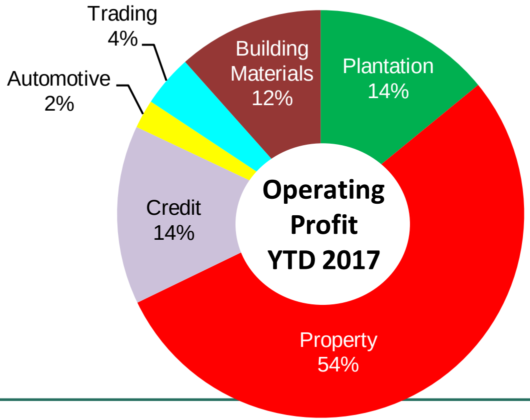


Group segment results – YTD









SECTION 2

Operations review

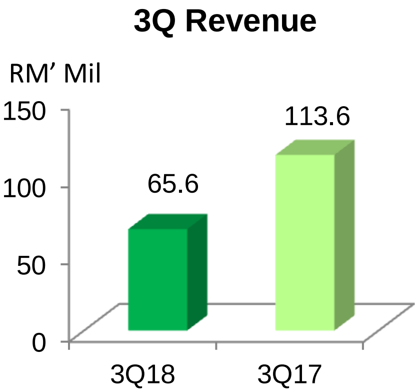
Plantations

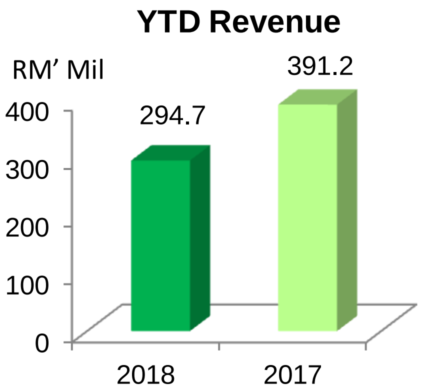
Results weighed down by lower selling prices and lower sales volume

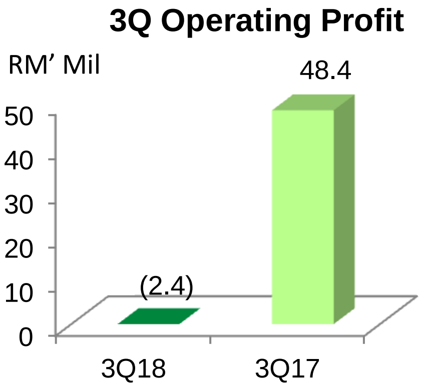
- Revenue and operating profit for 3Q18 and YTD were adversely impacted by lower average selling prices coupled with lower sales volume of CPO and PK arising from lower production volume and timing of deliveries.

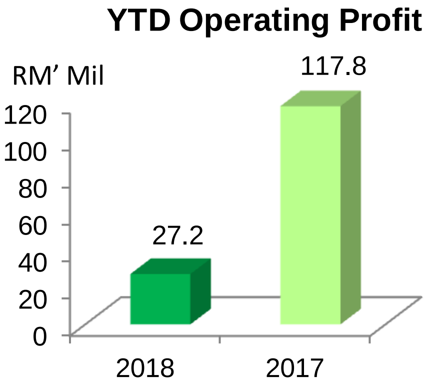
	3Q18	3Q17	YTD 2018	YTD 2017
Average Prices • CPO • PK	 2,217 1,827	 2,765 2,327	 2,453 1,994	 2,980 2,544
Sales Volume • CPO • PK	 23,279 6,742	 33,376 8,331	 99,461 23,007	 108,660 24,207

- FFB yield for 3Q18 at 4.56mt/ha and YTD at 13.7mt/ha were 11% and 5% lower than prior year corresponding period respectively. Consequently, CPO production volume for 3Q18 at 33,377mt and YTD at 100,409mt were lower by 13% and 5% respectively despite improved YTD OER (YTD 2018: 20.75%, YTD 2017: 20.68%).
- The YTD production costs of CPO at RM1,574/mt was higher than last year (YTD 2017: RM1,352/mt), mainly due to lower PK credit and lower CPO production volume.





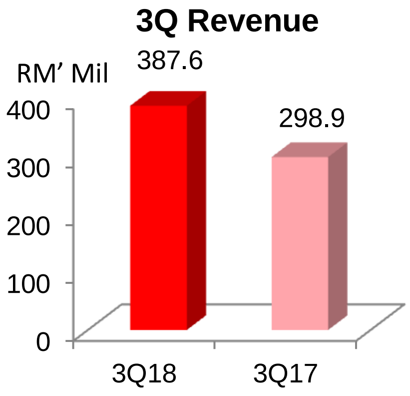


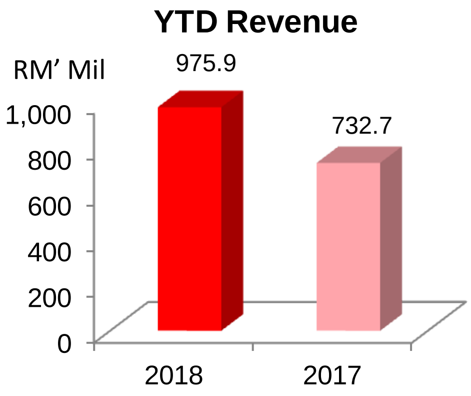


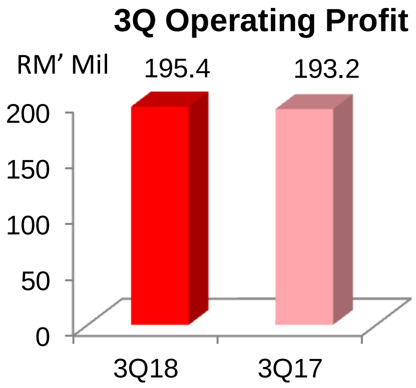
Property Investment and Development

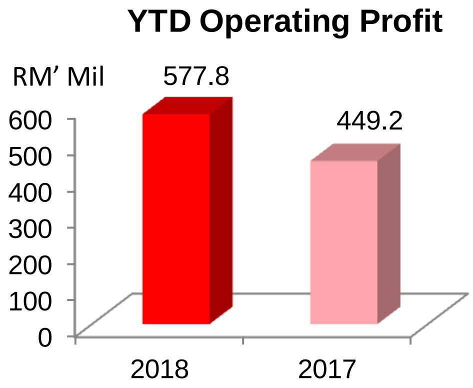
Results benefitted from rationalization of non-strategic land & improved IP results

- Division's revenue and operating profit for 3Q18 and YTD were higher than last year with higher contribution from investment properties ("IP"), sales of non-strategic properties and construction activities.
- IP benefitted from higher occupancy rates and higher average rental rates for its IP in the Klang Valley and Kota Kinabalu.
- However, the property development revenue were affected by lower number of unit sold and timing of development projects.
- The YTD project revenue were contributed mainly by Aria Residence and Akasa projects in West Malaysia and Bandar Sri Indah Tawau, Kingfisher Inanam and Kingfisher Putatan projects in Sabah. Last year, the YTD results benefitted from sales of completed units and sales of units at advanced stage of project completion.







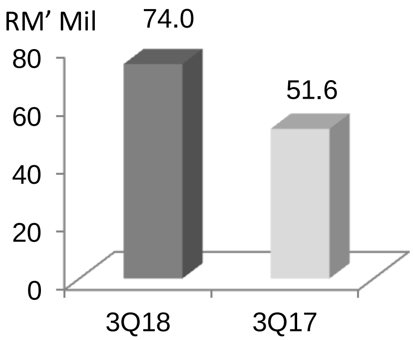


Credit Financing

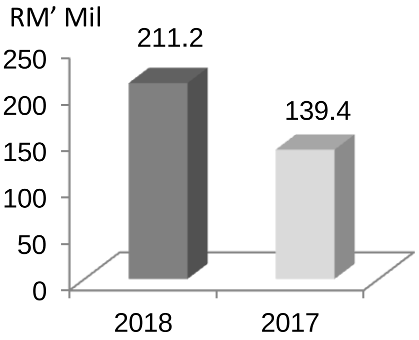
Results supported by higher loan base

- The Division recorded loan base of RM3.8 billion as at end September 2018 which was 43% above last year (September 2017: RM2.6 billion) with growth from both term loan and industrial hire purchase portfolios.
- NPL ratio improved to 1.68% as at end September 2018 (September 2017: 1.77%).
- Consequently the Division's revenue for 3Q18 and YTD improved by 43% and 45% respectively and operating profit were higher by 51% for 3Q18 and 48% for YTD as compared to prior year corresponding period.
- West Malaysia and East Malaysia accounted for 76% and 22% of the total loan base respectively and HS Credit Melbourne contributed the remaining 2%.

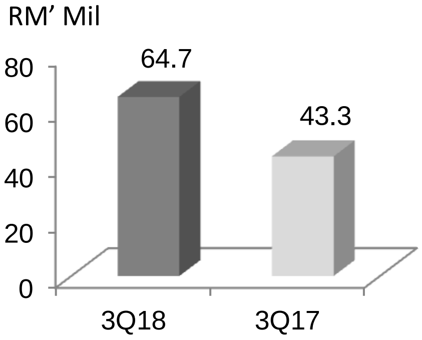
3Q Revenue



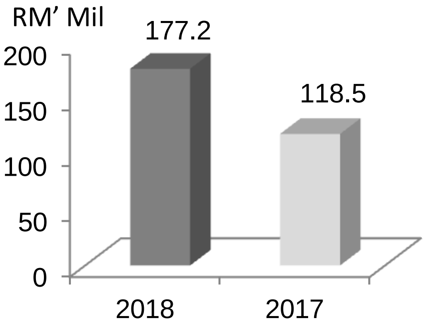
YTD Revenue



3Q Operating Profit



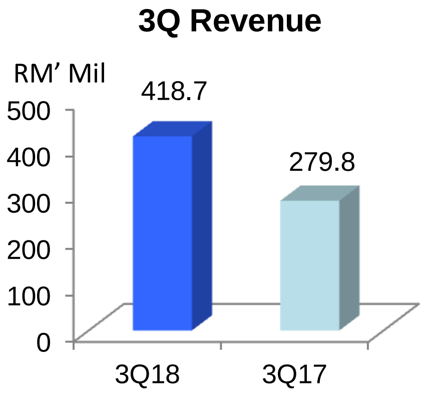
YTD Operating Profit

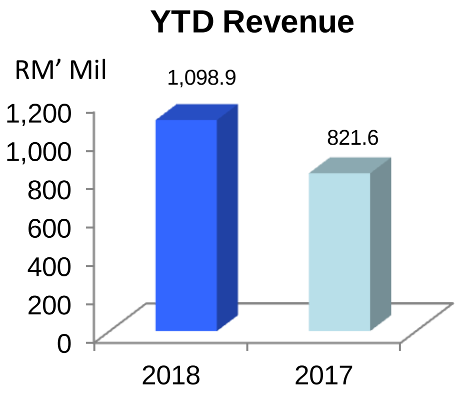


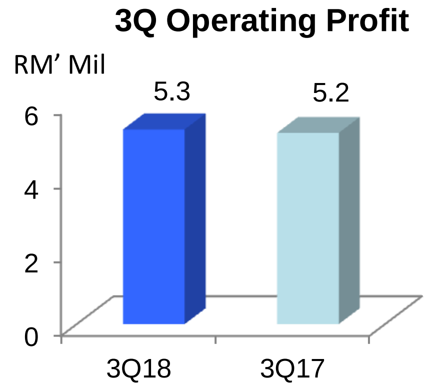
Automotive

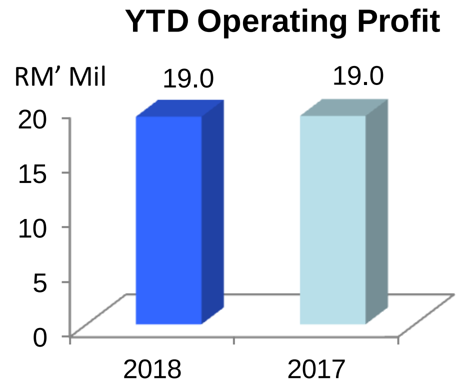
Higher sales volume of PV and After sales throughput

- The Division recorded 50% and 34% higher revenue for 3Q18 and YTD with higher contribution from both the vehicles and after sales segments, benefitted from expanded network and higher demand during the “tax holiday period” between June to August 2018.
- Sales volume of vehicles for 3Q18 and YTD were above last year by 36% and 30% respectively whilst the throughput from after sales segment increased by 16% in 3Q18 and 19% for YTD as compared to last year.
- However, operating profit for 3Q18 and YTD were affected by the initial start-up costs for its network expansion and commercial vehicles distribution business.
- Network expansion in 2018:
  - Puchong South – opened April 2018
  - Kinrara Pre-Owned center - opened 1 Nov. 2018
  - Interim 3S Autohaus Setia Alam – 4Q18
- Expected launches of new models by Mercedes-Benz Malaysia in 4Q18 – New A class and C-Class facelift .





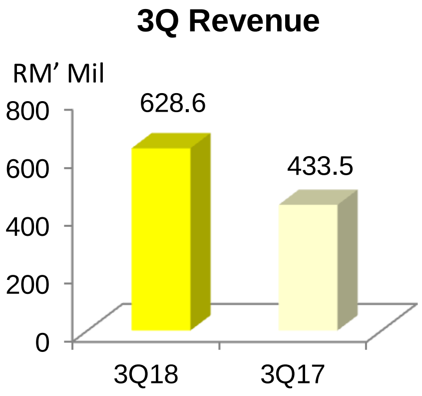


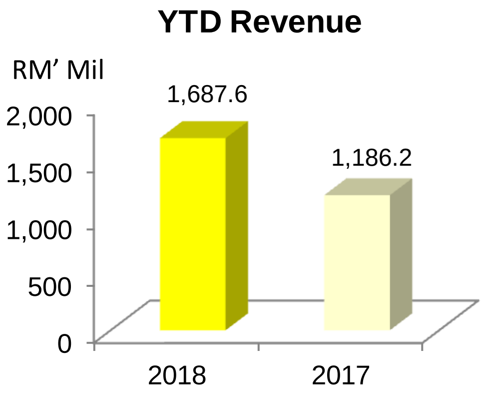


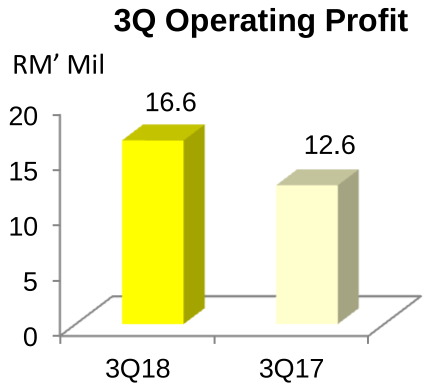
Trading

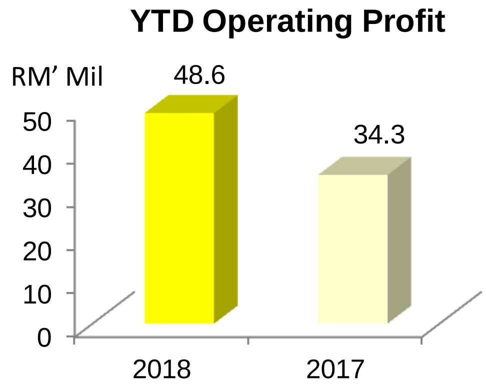
Improved results from all businesses

- The Trading Division comprises the fertilizers trading and general trading businesses.
- The fertilizers trading businesses recorded 51% and 36% higher revenue for 3Q18 and YTD with higher revenue from businesses in Malaysia, Indonesia and China due to higher sales volume and higher average selling prices. Consequently, operating profit for the segment was above last year by 31% for 3Q18 and 35% for YTD.
- The general trading business benefitted from continued efforts in expanding its market coverage. Revenue for 3Q18 and YTD from this business grew by 34% and 53% respectively with 38% and 73% improvement in operating profit for 3Q18 and YTD respectively as compared to prior year corresponding period.





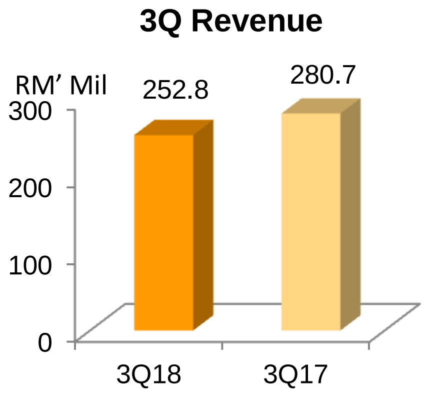


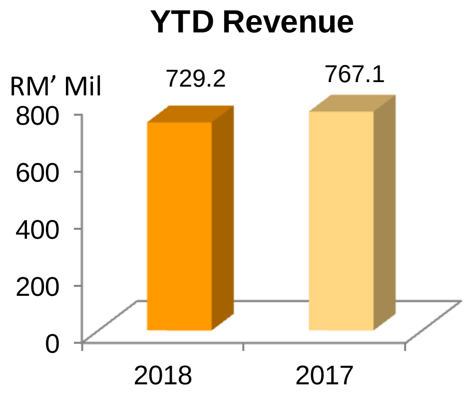


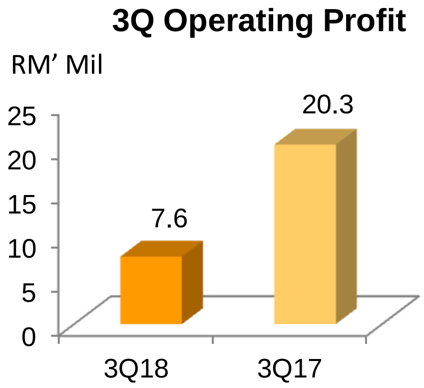
Building Materials

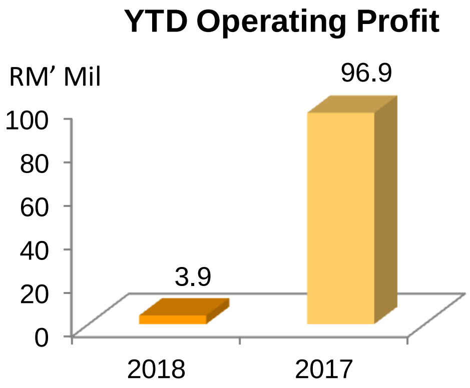
Operating profit dampened by compressed margin and lower sales volume

- The Division comprises the quarry, asphalt and bricks businesses, manufacturing and trading of building materials by MMSB and trading of building materials by Hafary.
- The quarry, asphalt, bricks and MMSB businesses were affected by competitive pricing and compressed margin amid the soft market demand resulting in lower revenue and operating profit for 3Q18 and YTD.
- Despite lower revenue, Hafary recorded higher operating profit for 3Q18 and YTD due to improved margin.
- Last year, the YTD operating profit benefitted from gain arising from assets rationalization.









Thank You