HAP SENG

Creating
Value
Together

4th Quarter Ended 31 December 2018 Results

28 February 2019

Scope

1 Group financials

2 Operations review

SECTION 1

Group financials

Consolidated income statement summary

- The Group revenue of RM1.4b for 4Q18 and RM6.2b for FY2018 were 1% and 18% above prior year corresponding period respectively with higher FY2018 revenue from Property, Credit Financing, Automotive and Trading Divisions.
- The Property, Credit Financing and Trading Divisions contributed positively towards the Group's FY2018 operating profit, however, the overall FY2018 results were dampened by lower contribution from Plantation, Automotive and Building Materials Divisions.
- Nonetheless, the Group PAT for 4Q18 and FY2018 were higher than last year, benefitting from investment tax allowance on its Plantation Division's biogas plant and other one-off items.
- EPS for the year at 46.01 sen was above last year by 4%.

(RM' Million)	4Q18	4Q17 (restated)	Change	2018	2017 (restated)	Change
Revenue	1,425.9	1,409.4	1%	6,246.5	5,294.0	18%
Gross profit [1]	274.7	330.7	(17%)	1,481.2	1,417.1	5%
EBITDA	87.8	225.9	(61%)	1,019.4	1,164.0	(12%)
Operating profit [2]	52.9	182.1	(71%)	851.7	982.8	(13%)
Finance expenses	(63.2)	(34.5)	83%	(186.2)	(146.3)	27%
Profit before tax	197.3	185.5	6%	1,394.2	1,376.9	1%
Taxation	(33.3)	(35.1)	(5%)	(207.3)	(209.1)	(1%)
Profit after tax	164.0	150.4	9%	1,186.9	1,167.8	2%
Attributable to MI	7.8	15.3	(49%)	41.3	68.4	(40%)
Attributable to shareholders	156.2	135.1	16%	1,145.6	1,099.4	4%
EPS (sen)	6.28	5.43	16%	46.01	44.16	4%

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*

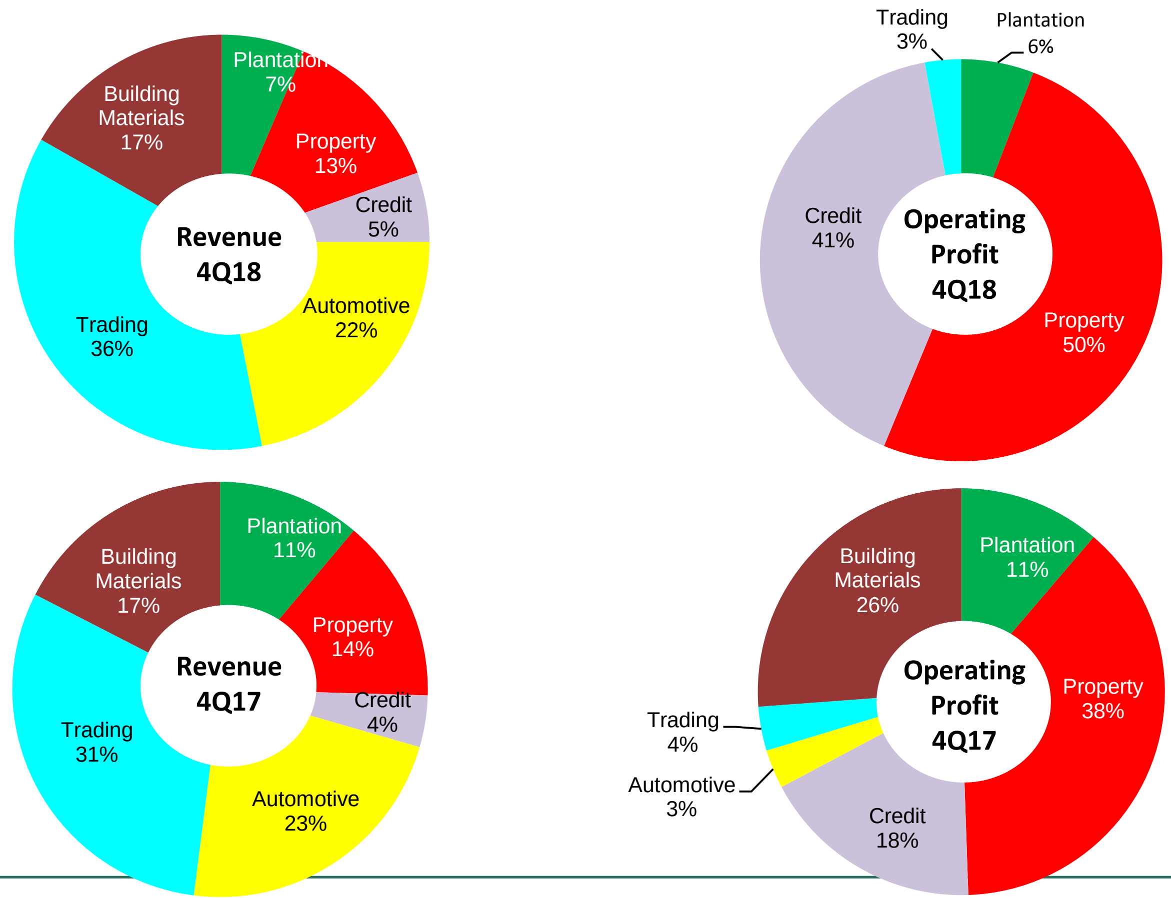
Group segment results

(RM' Million)	REVENUE			OPERATING PROFIT			REVENUE			OPERATING PROFIT		
	4Q18	4Q17	Change	4Q18	4Q17	Change	2018	2017	Change	2018	2017	Change
Plantation	96.1	163.9	(41%)	10.0	30.1	(67%)	390.8	555.1	(30%)	37.2	147.9	(75%)
Property [1]	195.2	210.9	(7%)	86.0	102.2	(16%)	1,171.1	943.7	24%	663.8	551.4	20%
Credit Financing	80.6	59.3	36%	69.7	47.6	46%	291.8	198.7	47%	246.9	166.1	49%
Automotive	326.4	331.8	(2%)	-	8.3	(100%)	1,425.3	1,153.4	24%	19.0	27.3	(31%)
Trading	541.1	449.5	20%	5.0	9.3	(47%)	2,228.6	1,635.6	36%	53.6	43.7	23%
Building Materials [2]	249.8	256.9	(3%)	(131.7)	70.1	(288%)	979.0	1,024.0	(4%)	(127.8)	167.0	(177%)
Subtotal	1,489.2	1,472.3	1%	39.0	267.6	(85%)	6,486.6	5,510.5	18%	892.7	1,103.4	(19%)
Consolidation adjustments & others	(63.3)	(62.9)		13.9	(85.5)		(240.1)	(216.5)		(41.0)	(120.6)	
Group	1,425.9	1,409.4	1%	52.9	182.1	(71%)	6,246.5	5,294.0	18%	851.7	982.8	(13%)

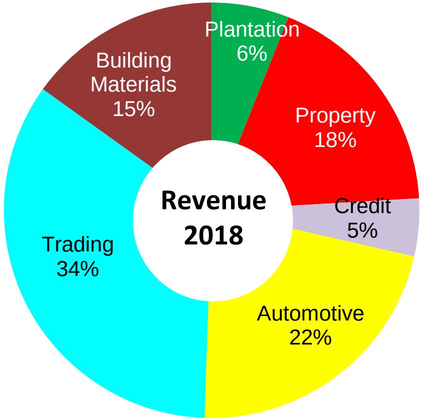
Note:

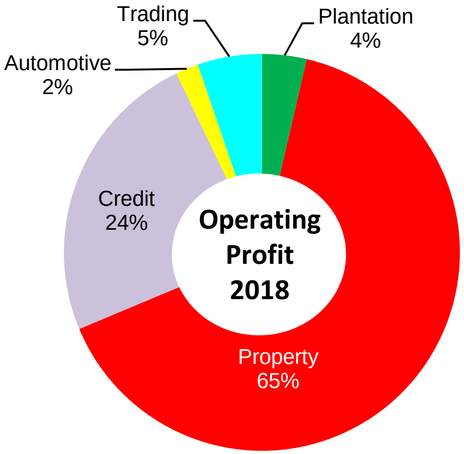
1. *Includes share of Inverfin's PBIT from Menara Citibank*
2. *Includes share of associate and JV's results by Hafary*

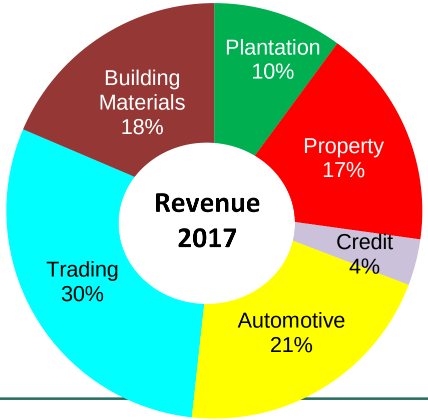
Group segment results – 4th Quarter

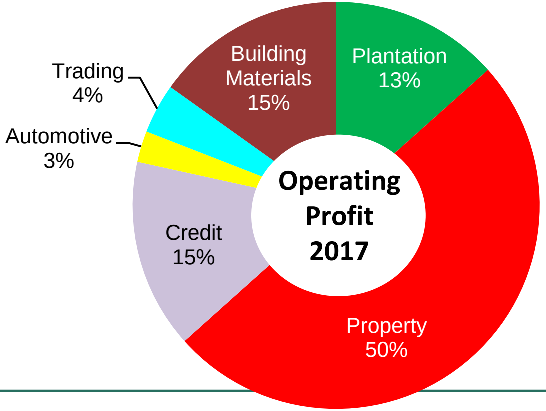


Group segment results – Full Year









SECTION 2

Operations review

Plantations

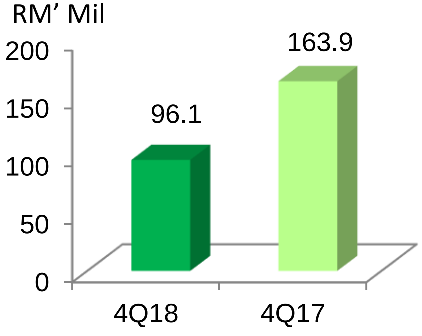
Results affected by lower selling prices and lower sales volume

- Revenue and operating profit for 4Q18 and 2018 were adversely impacted by lower average selling prices and lower sales volume.

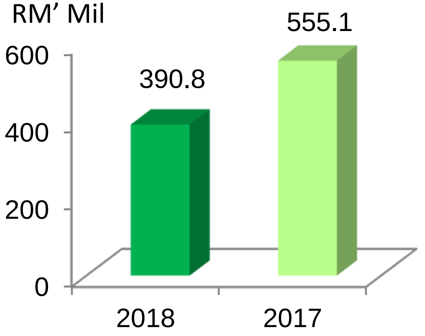
	4Q18	4Q17	FY 2018	FY 2017
Average Prices • CPO • PK	 1,922 1,485	 2,676 2,595	 2,300 1,825	 2,885 2,560
Sales Volume • CPO • PK	 40,230 11,445	 49,907 10,718	 139,691 34,452	 158,567 34,925

- CPO production costs for 2018 at RM1,432/mt (2017: RM1,352/mt), was higher by RM104/mt primarily due to lower PK credit.
- FFB yield for 4Q18 was 11% above last year at 6.75mt/ha (4Q17 : 6.07mt/ha), benefitting from seasonal yield trend. Consequently, 4Q18 production volume of CPO & PK were 7% and 8% above last year.
- FFB yield for the year at 20.45mt/ha (2017: 20.48mt/ha) and CPO production volume at 148,651mt (2017: 150,695) were lower than last year with lower OER of 20.6% (2017: 20.77%) and lower FFB purchase.

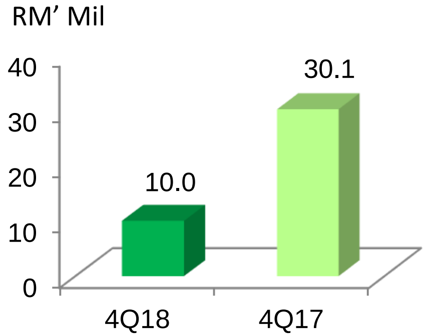
4Q Revenue



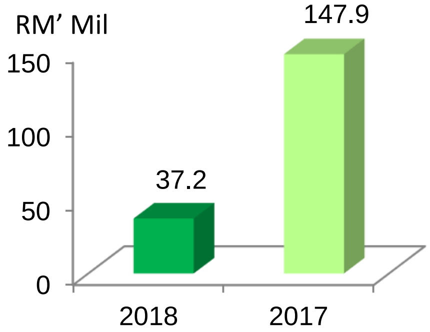
FY Revenue



4Q Operating Profit



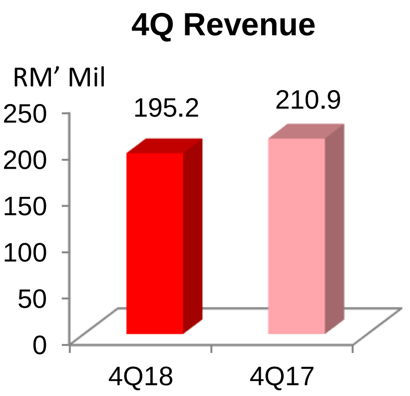
FY Operating Profit

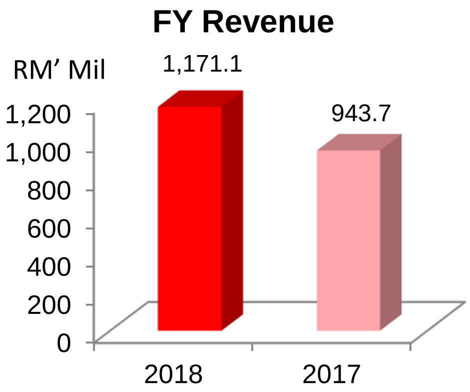


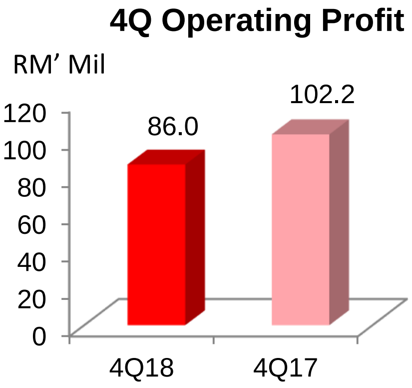
Property Investment and Development

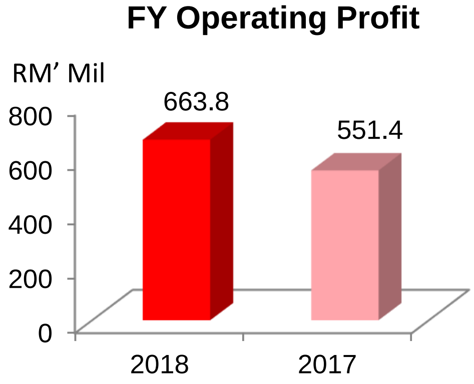
Higher FY results from construction activities & sales of non-strategic properties

- Revenue and operating profit for 4Q18 were affected by lower contribution from property development and lower sales of non-strategic properties.
- However, revenue and operating profit for the year were above last year with higher contribution from construction activities and higher sales of non-strategic properties.
- Property development were affected by timing of development projects and lower number of unit sold with weak consumer sentiment and stringent housing loan approval.
- Project revenue for the year 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.







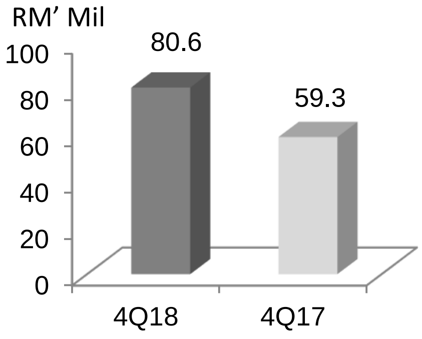


Credit Financing

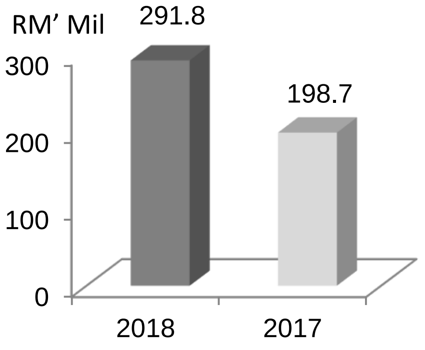
18% higher Loan Base

- The Division's revenue and operating profit for 4Q18 were 36% and 46% above last year whilst the revenue and operating profit for the year were 47% and 49% higher than prior year period, supported by higher loan base.
- Loan base as at end 2018 of RM3.6 billion was 18% higher than last year (2017: RM3.1 billion) with growth from both term loan and industrial hire purchase portfolios.
- NPL ratio as at Dec 2018 was at 1.67% (Dec 2017: 1.38%).
- West Malaysia and East Malaysia accounted for 73% and 23% of the total loan base respectively with HS Credit Melbourne contributed the remaining 4%.

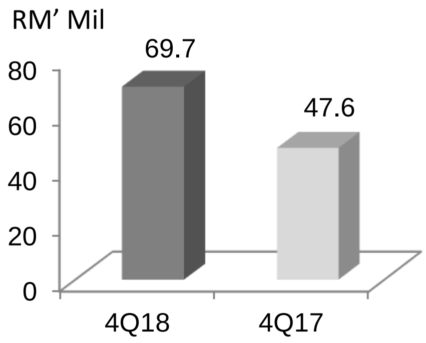
4Q Revenue



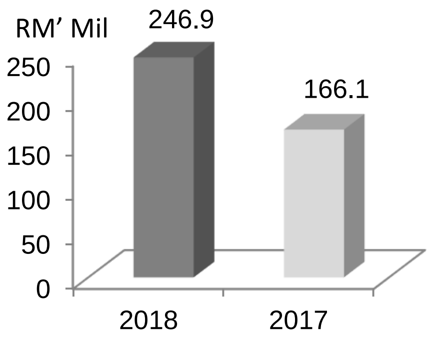
FY Revenue



4Q Operating Profit



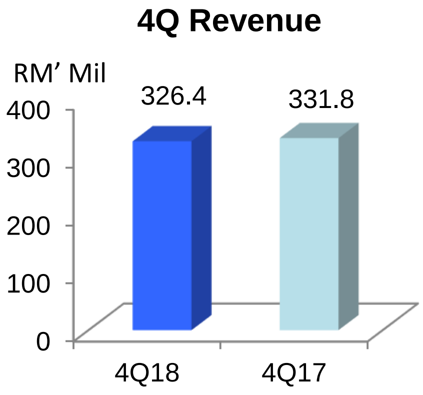
FY Operating Profit

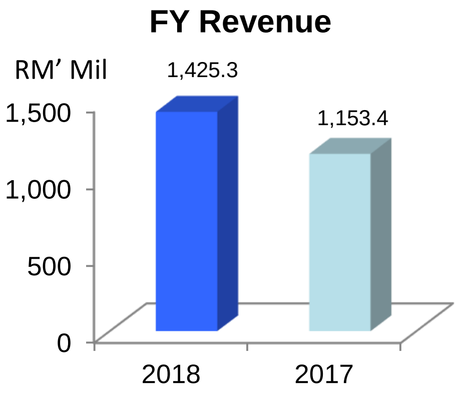


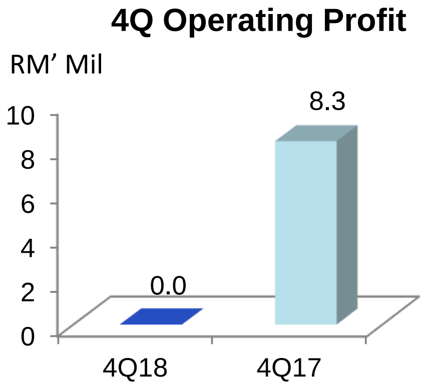
Automotive

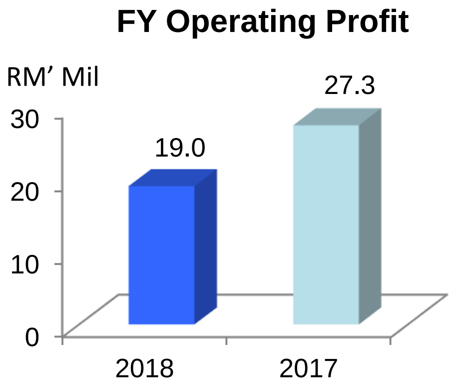
Higher FY2018 revenue backed by network expansion

- 4Q18 revenue was affected by lower vehicle sales for the quarter which was affected by the higher vehicle sales from the "tax holiday period" between June to August 2018.
- Revenue for the year was 24% higher than last year with higher contribution from passenger vehicles and after sales segments and inclusion of results from the commercial vehicle wholesale distribution business which commenced operations in November 2018.
- Sales volume of passenger vehicles and throughput from the after sales segment in 2018 increased 18% and 20% respectively as compared to 2017, backed by continuous service excellence and expanded network of autohaus.
- However, operating profit for 4Q18 and for the year were affected by the initial start-up costs for the commercial vehicle wholesale distribution business and its autohaus network expansion.







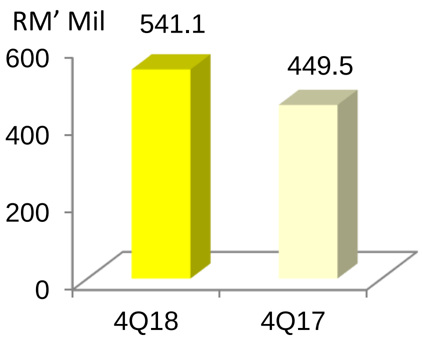


Trading

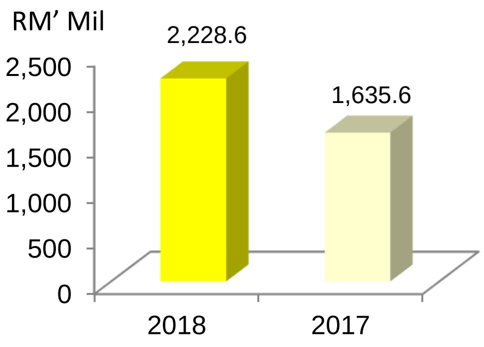
Improved FY2018 results for both fertilizers & general trading businesses

- The Trading Division comprises the fertilizers trading and general trading businesses.
- The fertilizers trading businesses recorded 39% and 37% higher revenue for 4Q18 and for FY2018 with higher revenue from businesses in Malaysia, Indonesia and China due to higher sales volume and higher average selling prices. Consequently, this segment achieved 28% improvement in its FY 2018 operating profit, despite lower profit for 4Q18 due to lower average margin for the Malaysian operations.
- The general trading business benefitted from continued efforts in expanding its market coverage. Revenue and operating profit for FY2018 grew by 35% and 60% respectively despite marginally lower revenue achieved in 4Q18.

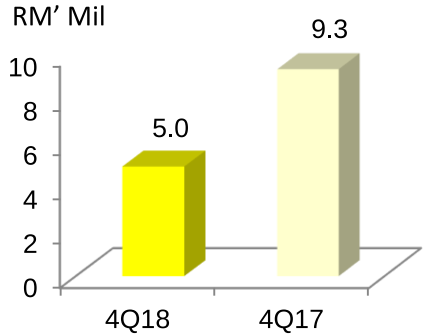
4Q Revenue



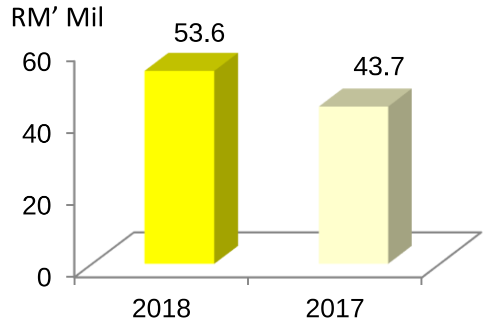
FY Revenue



4Q Operating Profit



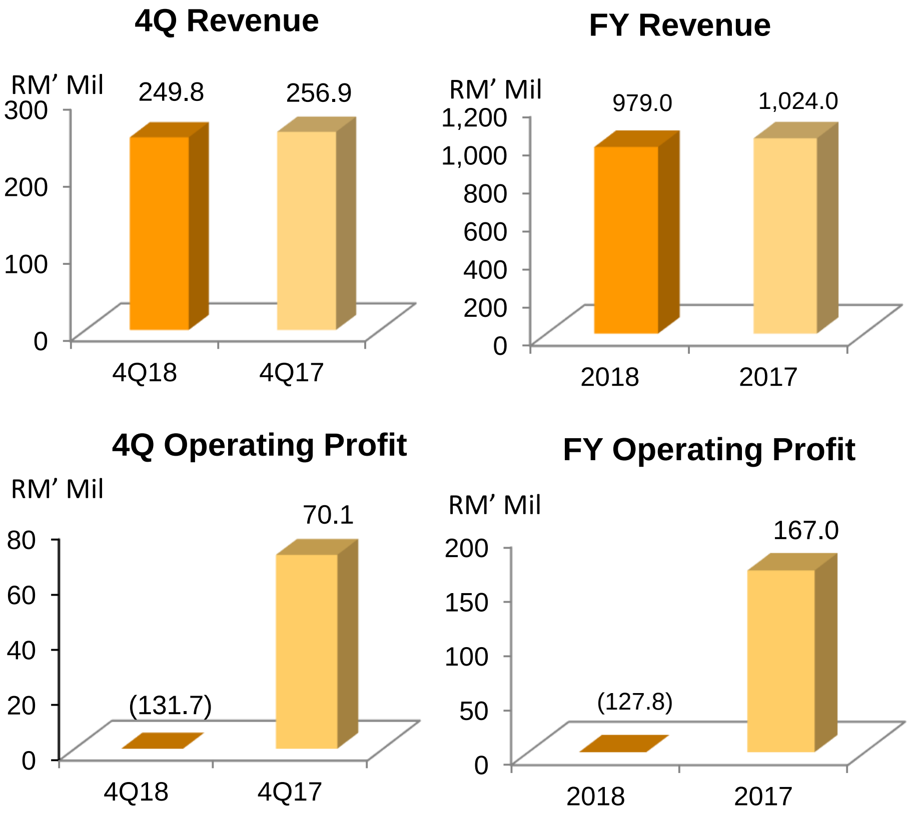
FY Operating Profit



Building Materials

Operating profit affected by operations rationalization costs

- 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:
  - compressed margin amid the soft market demand and competitive pricing resulting in lower revenue and operating losses for 4Q18 and FY2018.
  - one-off costs on rationalization of operations.
- However, Hafary achieved higher operating profit for 4Q18 and FY2018 on higher revenue and improved margin.



HAP SENG

Creating
Value
Together

Thank You