HAP SENG

Creating
Value
Together

2nd Quarter Ended 30 June 2019 Results

30 August 2019

Scope

1. Group financials
2. Operations review

SECTION 1

Group financials

Consolidated income statement summary

- The Group revenue for 2Q19 at RM1.75 billion and YTD 2019 at 3.5 billion were both 14% above last year with higher contribution from all Divisions except for Plantation and Building Materials Divisions.
- The Group operating profit for 2Q19 and YTD were also higher than last year at RM256 million and RM550.2 million respectively with higher contribution from Property, Credit Financing and Building Materials Divisions. The YTD results also benefitted from higher contribution from Trading Division. However, the overall results were dampened by lower contribution from Plantation and Automotive Divisions.
- Group PAT for 2Q19 and YTD were 79% and 62% lower than last year respectively as last year results included gain on disposal of a subsidiary (HSC Sydney Holding Limited).
- Excluding the aforementioned gain, the Group PBT and PAT for 2Q19 were 2.7% below last year and 1.3% above last year respectively whilst the Group YTD PBT and PAT were better than last year by 0.8% and 2.1% respectively.

(RM' Million)	2Q19	2Q18	Change	YTD 2019	YTD 2018	Change
Revenue	1,745.8	1,529.5	14%	3,495.7	3,057.7	14%
Gross profit [1]	370.9	385.8	(4%)	826.6	804.1	3%
EBITDA	308.9	279.4	11%	657.5	596.1	10%
Operating profit [2]	256.0	234.8	9%	550.2	506.8	9%
Finance expenses	(65.2)	(40.3)	62%	(121.3)	(81.5)	49%
Profit before tax	191.9	713.2	(73%)	431.2	944.0	(54%)
Taxation	(52.7)	(59.8)	(12%)	(123.8)	(126.9)	(2%)
Profit after tax	139.2	653.4	(79%)	307.4	817.1	(62%)
Attributable to shareholders	129.8	644.2	(80%)	287.8	798.7	(64%)
Attributable to MI	9.3	9.2	1%	19.6	18.4	7%
EPS (sen)	5.21	25.88	(80%)	11.56	32.08	(64%)

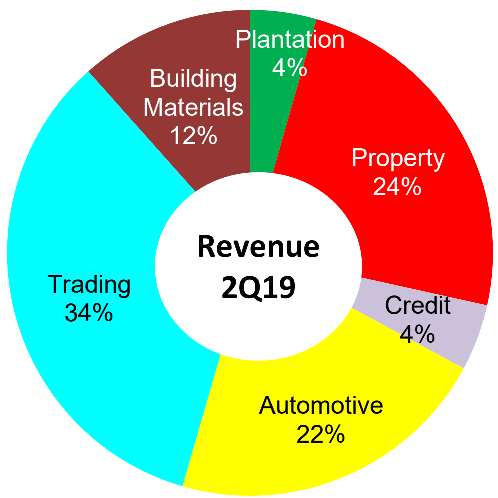
Note:
1. *Includes share of Inverfin's PBIT*
2. *Includes Interest Income, Share of Inverfin's PBIT by Property Division and share of associate and JV's PAT by Hafary*

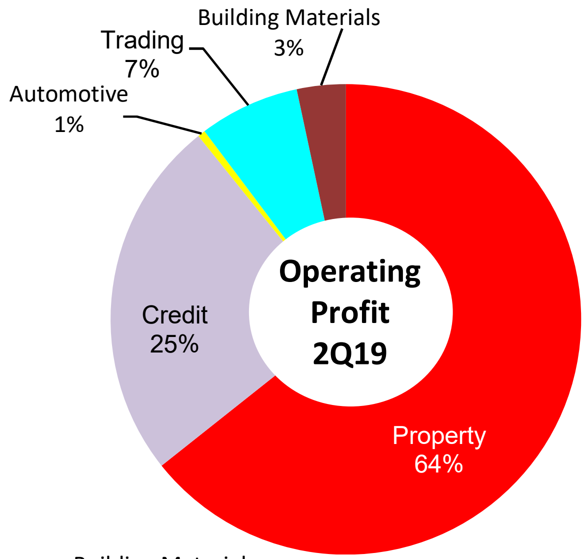
Group segment results

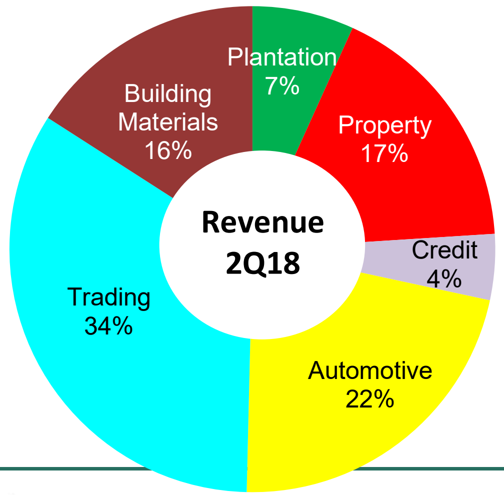
(RM' Million)	REVENUE			OPERATING PROFIT			REVENUE			OPERATING PROFIT		
	2Q19	2Q18	Change	2Q19	2Q18	Change	YTD 2019	YTD 2018	Change	YTD 2019	YTD 2018	Change
Plantation	80.0	107.9	(26%)	(4.1)	7.2	(157%)	206.2	229.1	(10%)	3.6	29.6	(88%)
Property [1]	435.5	273.9	59%	173.5	167.7	3%	920.0	588.3	56%	415.5	382.4	9%
Credit Financing	80.2	69.9	15%	67.2	59.2	13%	156.4	137.2	14%	130.8	112.5	16%
Automotive	390.9	350.2	12%	1.4	7.7	(82%)	705.9	680.2	4%	1.9	13.7	(86%)
Trading	614.3	536.7	14%	18.6	19.0	(2%)	1,209.8	1,059.0	14%	35.3	32.0	10%
Building Materials [2]	209.9	253.2	(17%)	9.1	4.4	105%	422.9	476.4	(11%)	16.5	(3.7)	543%
Subtotal	1,810.8	1,591.8	14%	265.7	265.2	-	3,621.2	3,170.2	14%	603.6	566.5	7%
Consolidation adjustments & others	(65.0)	(62.3)		(9.7)	(30.4)		(125.5)	(112.5)		(53.4)	(59.7)	
Group	1,745.8	1,529.5	14%	256.0	234.8	9%	3,495.7	3,057.7	14%	550.2	506.8	9%

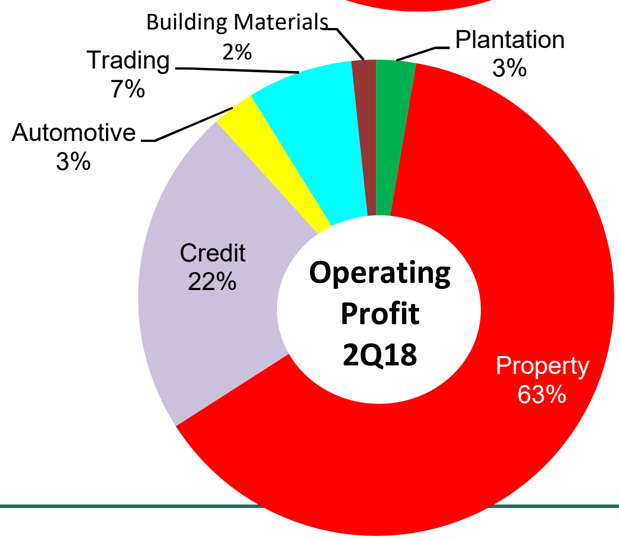
Note:
1. *Includes share of Inverfin's PBIT from Menara Citibank*
2. *Includes share of associate and JV's results by Hafary*

Group segment results – 2nd Quarter

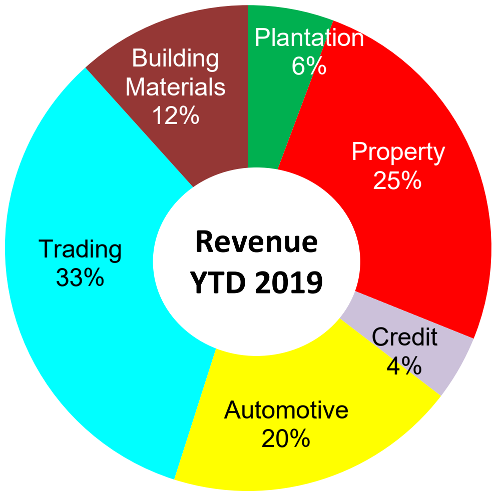


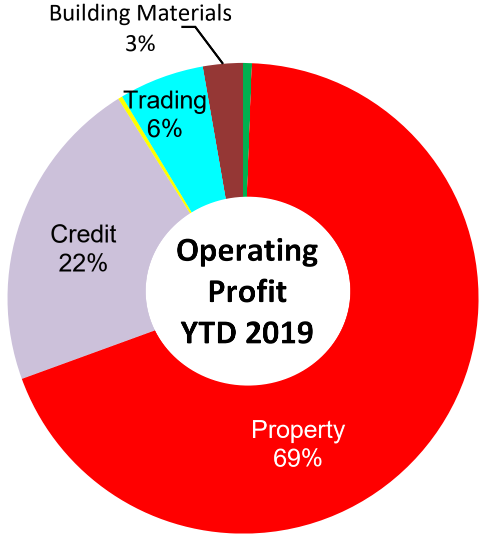


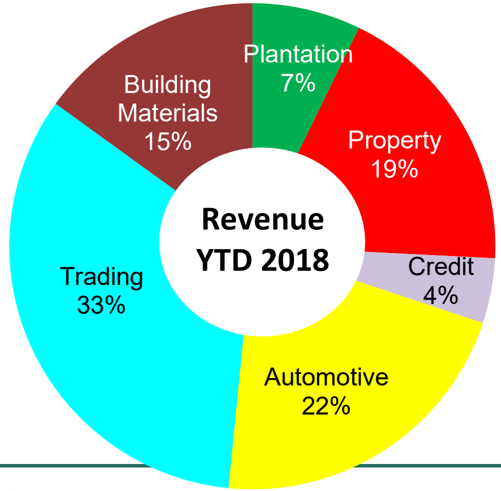


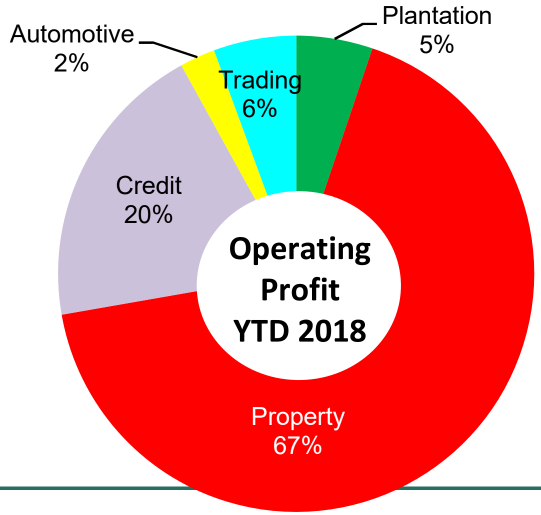


Group segment results – YTD June









SECTION 2

Operations review

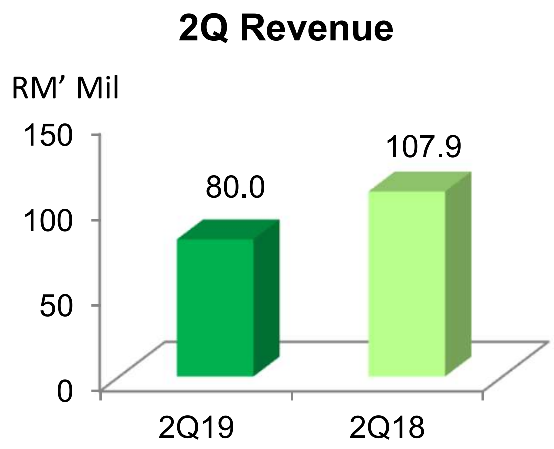
Plantations

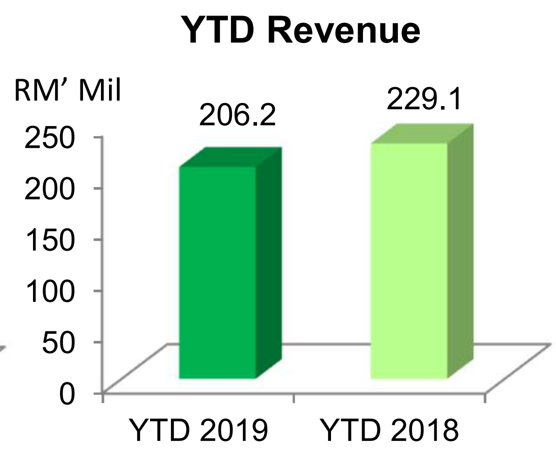
Results affected by lower average selling prices

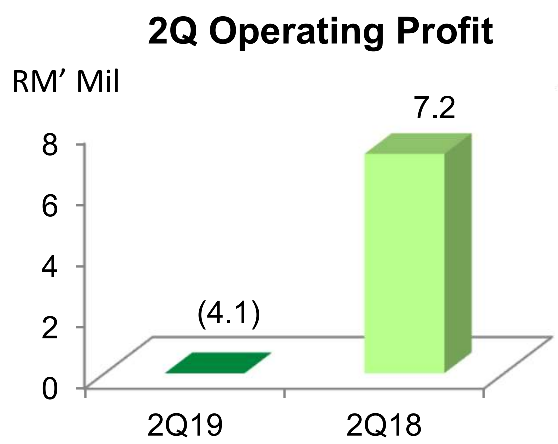
- Revenue for 2Q19 was impacted by lower average selling prices of CPO and PK; and lower sales volume of CPO due to timing of deliveries. Consequently, operating loss was recorded for the current quarter.
- The YTD sales volume of both CPO and PK were higher than last year, benefitting from higher YTD production volume. However, the overall YTD revenue and operating profit were dampened by lower average selling prices realized for both CPO and PK.

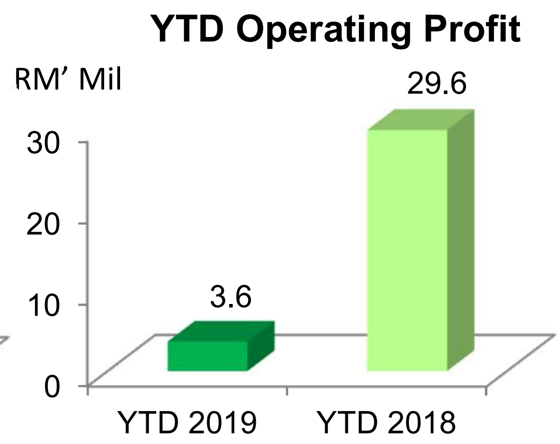
	2Q19	2Q18	YTD 2019	YTD 2018
Average Prices				
• CPO	2,017	2,460	2,067	2,526
• PK	1,178	1,822	1,291	2,063
Sales Volume				
• CPO	34,647	37,791	87,056	76,182
• PK	7,596	7,391	18,404	16,265

- YTD production volume of CPO at 73,946 mt was higher by 10% (YTD 2018: 67,032 mt) due to higher FFB yield by 11% at 10.12 mt/Ha (YTD 2018: 9.15 mt/Ha) and higher OER at 20.84% (YTD 2018: 20.57%).
- Consequently, the YTD unit production costs of CPO at RM1,526/mt was lower by 1% (YTD 2018: RM1,536/mt) despite lower PK credit by 36% (YTD 2019: RM321/mt, YTD 2018: RM500/mt).









Property Investment and Development

Higher contribution from projects and construction segments

- Revenue and Operating Profit for 2Q19 and YTD were higher than last year with higher contribution from project and construction segments.
- Project revenue for 2Q19 and YTD benefitted from completion of Aria Residence project and progress completion of its projects in Klang Valley and Sabah.
- Construction revenue were contributed by the construction of the Shah Alam Industrial Hub which is expected to be completed by early 2020.
- Investment properties in Klang Valley and Sabah continue to maintain healthy occupancy and rental rates.
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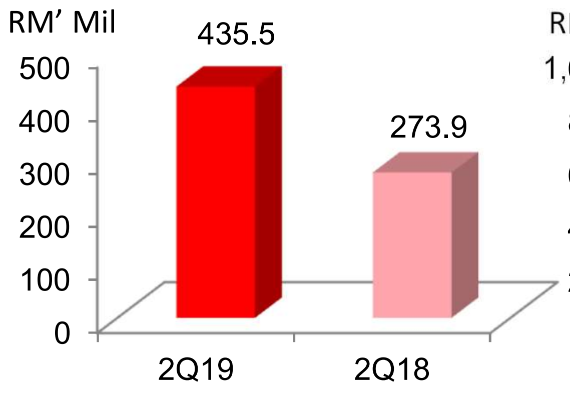
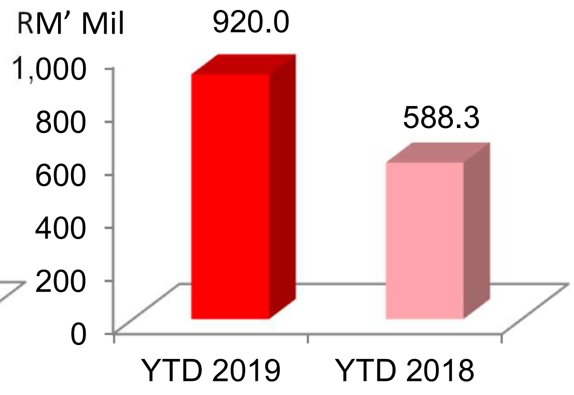
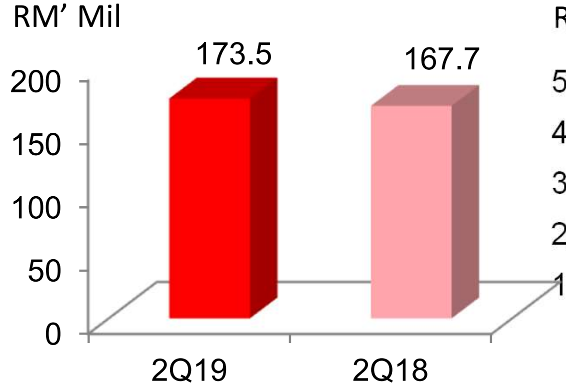
2Q Revenue



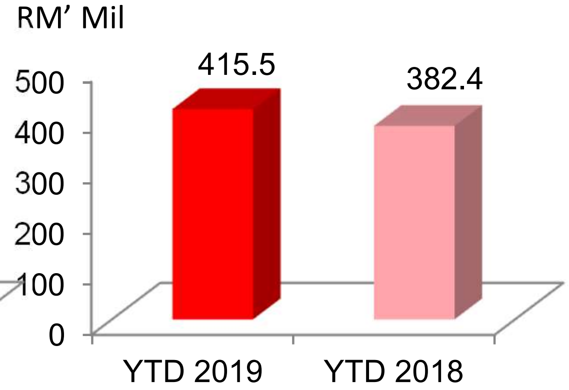
YTD Revenue



2Q Operating Profit



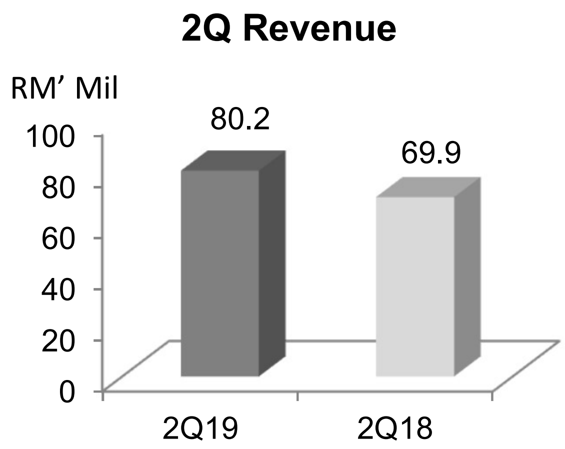
YTD Operating Profit

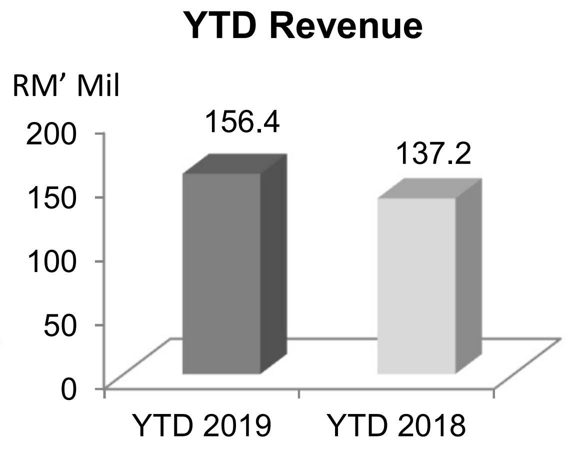


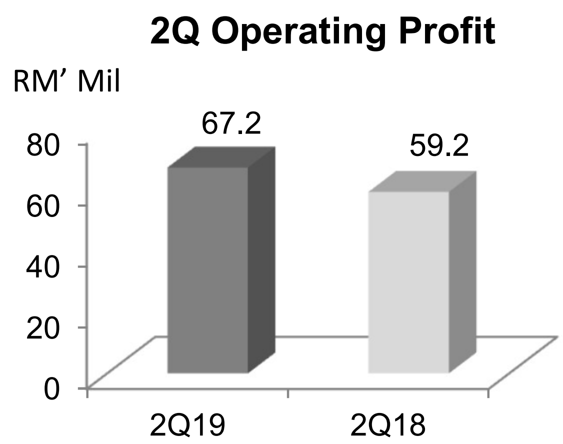
Credit Financing

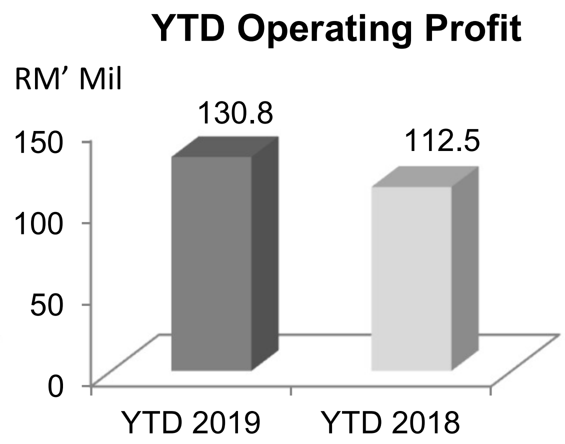
Results supported by higher loan base and lower NPL ratio

- Loan base as at June 2Q19 grew by 20% to RM3.96 billion (June 2018: RM3.3 billion) with growth from both term loan and industrial hire purchase portfolios.
- NPL ratio as at June 2019 at 1.65% was lower than last year (June 2018: 2.0%).
- Consequently, the Division's revenue for 2Q19 and YTD were 15% and 14% above previous year corresponding period respectively and the Division's operating profit for 2Q19 and YTD were above previous year corresponding period by 13% and 16% respectively.





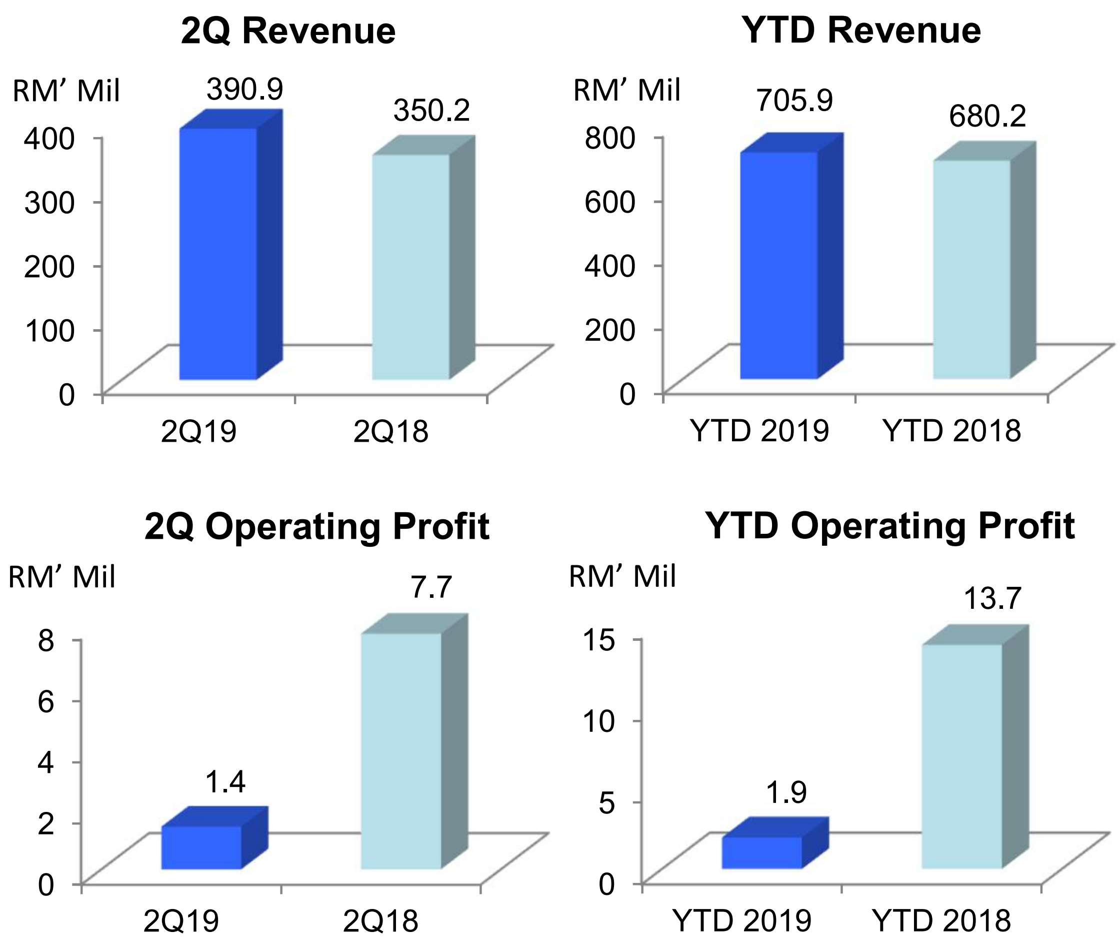




Automotive

Revenue growth from aftersales segment and CV business

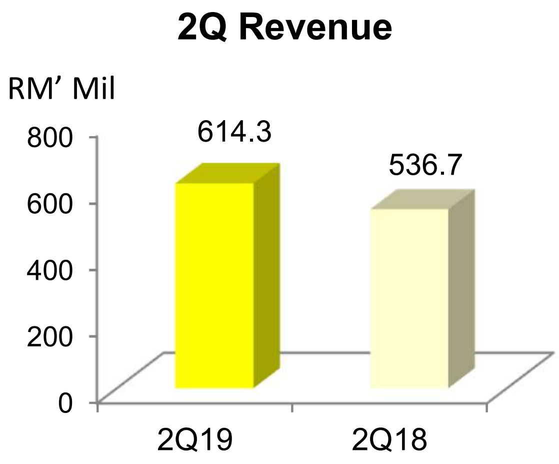
- Revenue for 2Q19 and YTD were above last year by 12% and 4% respectively with higher contribution from the aftersales segment and contribution from the commercial vehicle wholesales distribution ("CV") business which commenced operations in November 2018.
- The aftersales segment recorded 30% increase in throughput for 2Q19 and 25% for YTD with corresponding revenue growth of 30% and 28% respectively, benefitting from expanded network of autohauses.
- However, the overall revenue and operating profit for 2Q19 and YTD were affected by lower sales volume of passenger vehicles due to softer market conditions.
- Operating profit for 2Q19 and YTD were also affected by start-up & network development costs of the CV business.

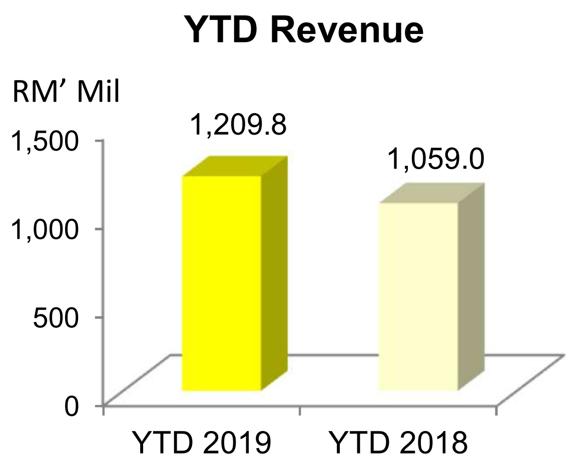


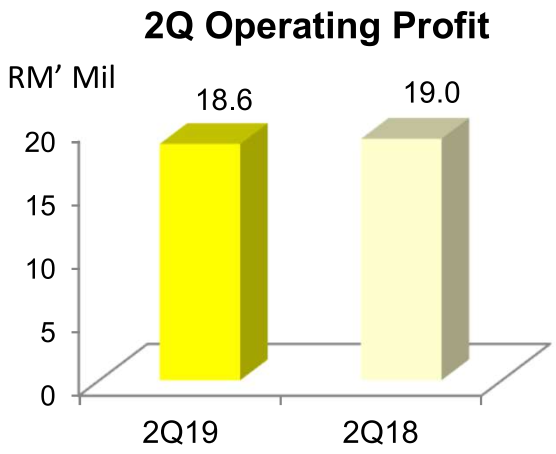
Trading

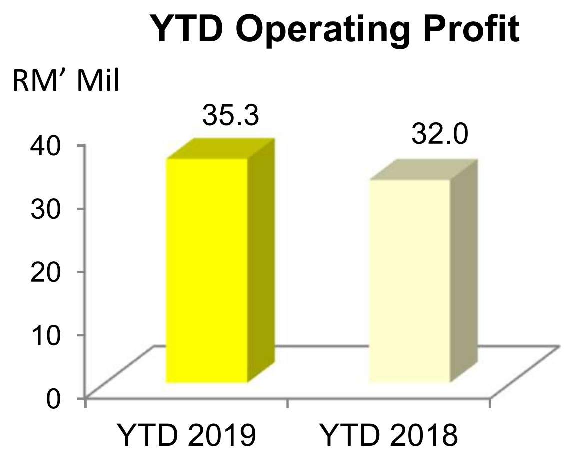
Higher 2Q19 revenue for both fertilizers trading and general trading businesses

- The Division comprises of the fertilizers trading and general trading businesses.
- Revenue for 2Q19 was above last year by 14% with higher contribution from fertilizers trading due to higher sales volume and higher average selling prices from the Malaysian market, and higher contribution from general trading business.
- However, the operating profit for 2Q19 was marginally lower than last year due to lower trading margins for both businesses.
- The fertilizers trading business contributed higher YTD revenue due to higher sales volume and higher average selling prices, however, the overall YTD revenue was partly offset by marginally lower revenue from general trading business.
- Nonetheless, both businesses recorded higher operating profit for the YTD, benefitting from higher revenue from fertilizers trading business and improved margin from the general trading business.





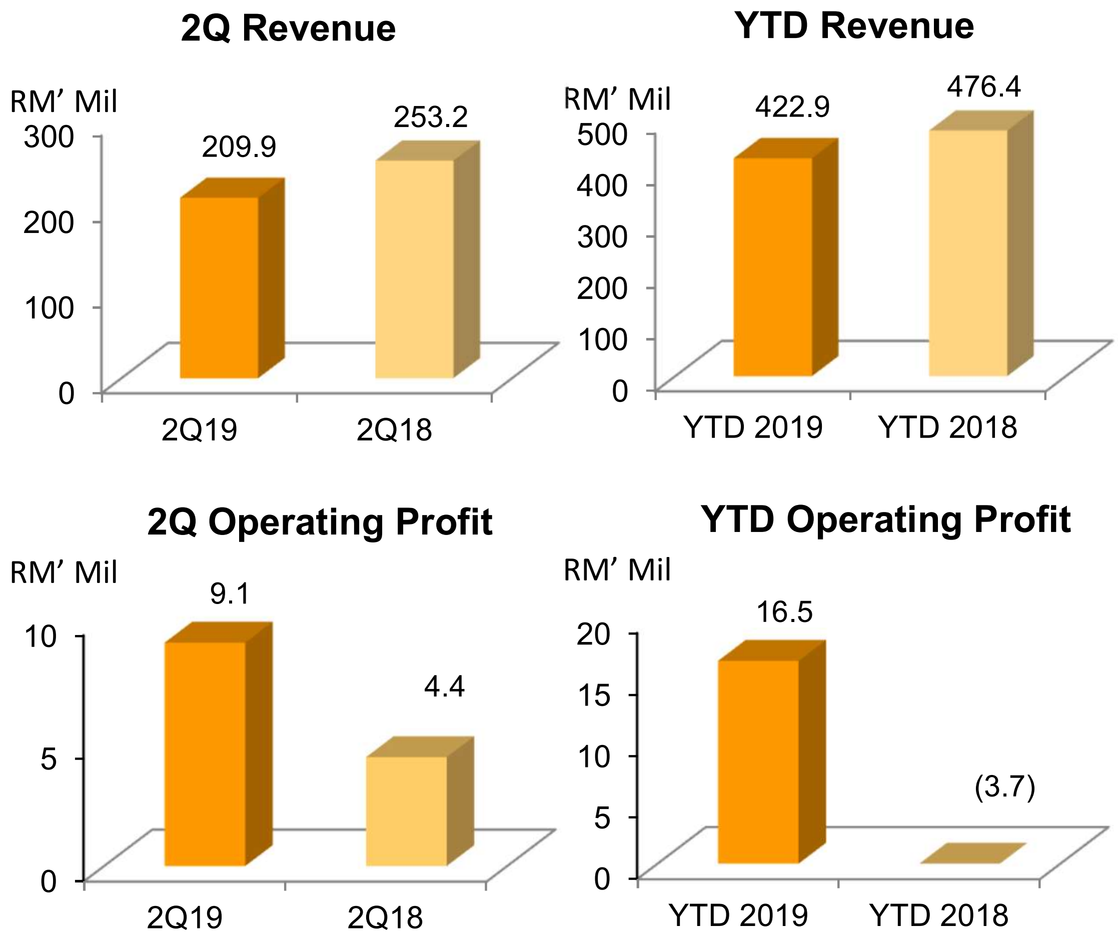




Building Materials

Improved operating profit post rationalization exercise

- ❑ The Division comprises the quarry, asphalts and bricks businesses; manufacturing and trading of building materials by MMSB and trading of building materials by Hafary.
- ❑ Revenue for 2Q19 and YTD were affected by lower sales volume achieved by the quarry, asphalt, bricks and MMSB businesses and lower contribution from Hafary due to softer market conditions.
- ❑ However, operating profit for the 2Q19 and YTD improved over last year due to:
  - ✓ Improved margin and lower expenses for quarry, asphalt, bricks and MMSB businesses subsequent to the rationalization exercise in 2H2018.
  - ✓ Higher share of profit from Hafary's associated companies.



Thank You