

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)  
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

|  | Quarter ended       |                     |                         | Year-to-date ended  |                     |                         |
|--|---------------------|---------------------|-------------------------|---------------------|---------------------|-------------------------|
|  | 31.3.2019<br>RM'000 | 31.3.2018<br>RM'000 | Increase/<br>(Decrease) | 31.3.2019<br>RM'000 | 31.3.2018<br>RM'000 | Increase/<br>(Decrease) |
| <b>Revenue</b>                                       | 1,749,847           | 1,528,206           | 15%                     | 1,749,847           | 1,528,206           | 15%                     |
| Operating expenses                                   | (1,480,621)         | (1,281,366)         |                         | (1,480,621)         | (1,281,366)         |                         |
| Other operating income                               | 19,529              | 20,595              |                         | 19,529              | 20,595              |                         |
| <b>Operating profit</b>                              | 288,755             | 267,435             | 8%                      | 288,755             | 267,435             | 8%                      |
| Finance costs  | (56,163)            | (41,117)            |                         | (56,163)            | (41,117)            |                         |
| Share of results of associates and<br>joint ventures | 6,717               | 4,438               |                         | 6,717               | 4,438               |                         |
| <b>Profit before tax</b>                             | 239,309             | 230,756             | 4%                      | 239,309             | 230,756             | 4%                      |
| Tax expense  | (71,028)            | (67,078)            |                         | (71,028)            | (67,078)            |                         |
| <b>Profit for the period</b>                         | 168,281             | 163,678             | 3%                      | 168,281             | 163,678             | 3%                      |
| <b>Profit attributable to:</b>                       |                     |                     |                         |                     |                     |                         |
| Owners of the Company                                | 157,982             | 154,453             | 2%                      | 157,982             | 154,453             | 2%                      |
| Non-controlling interests                            | 10,299              | 9,225               |                         | 10,299              | 9,225               |                         |
|  | 168,281             | 163,678             |                         | 168,281             | 163,678             |                         |
| <b>Earnings per share (sen)</b>                      |                     |                     |                         |                     |                     |                         |
| Basic  | 6.35                | 6.20                | 2%                      | 6.35                | 6.20                | 2%                      |
| Diluted  | N/A                 | N/A                 |                         | N/A                 | N/A                 |                         |

*The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements*

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2019**

|  | Quarter ended  |                | Year-to-date ended |                |
|--|----------------|----------------|--------------------|----------------|
|  | 31.3.2019      | 31.3.2018      | 31.3.2019          | 31.3.2018      |
|  | RM'000         | RM'000         | RM'000             | RM'000         |
| <b>Profit for the period</b>   | 168,281        | 163,678        | 168,281            | 163,678        |
| <b>Other comprehensive income /(expense) net of tax:</b>                           |                |                |                    |                |
| <i>Items that will be reclassified subsequently to profit or loss</i>              |                |                |                    |                |
| Foreign currency translation differences for foreign operations                    | (3,021)        | (30,335)       | (3,021)            | (30,335)       |
| Share of foreign currency translation differences of associates and joint ventures | 32             | (1,947)        | 32                 | (1,947)        |
| Change in fair value of cash flow hedge  | 6,700          | 3,089          | 6,700              | 3,089          |
| <b>Total other comprehensive income/(expense) for the period</b>                   | 3,711          | (29,193)       | 3,711              | (29,193)       |
| <b>Total comprehensive income for the period</b>                                   | <u>171,992</u> | <u>134,485</u> | <u>171,992</u>     | <u>134,485</u> |
| <b>Total comprehensive income attributable to:</b>                                 |                |                |                    |                |
| Owners of the Company  | 162,727        | 129,389        | 162,727            | 129,389        |
| Non-controlling interests  | 9,265          | 5,096          | 9,265              | 5,096          |
|  | <u>171,992</u> | <u>134,485</u> | <u>171,992</u>     | <u>134,485</u> |

*The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements*

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**  
**AS AT 31 MARCH 2019**

|                                    | <b>As at</b>     | <b>As at</b>      |
|------------------------------------|------------------|-------------------|
|                                    | <b>31.3.2019</b> | <b>31.12.2018</b> |
|                                    | RM'000           | RM'000            |
|                                    |                  | <i>(Audited)</i>  |
| <b>Non-current assets</b>          |                  |                   |
| Property, plant and equipment      | 3,142,512        | 3,157,916         |
| Prepaid lease payments             | 177,167          | 180,323           |
| Right-of-use assets                | 143,379          | -                 |
| Investment properties              | 1,681,210        | 1,600,502         |
| Investment in associates           | 447,442          | 440,587           |
| Investment in joint ventures       | 7,416            | 7,522             |
| Land held for property development | 1,054,323        | 1,070,354         |
| Intangible assets                  | 50,607           | 52,847            |
| Trade and other receivables        | 2,192,569        | 1,907,341         |
| Other non-current financial assets | 25,584           | 30,282            |
| Deferred tax assets                | 46,097           | 35,469            |
|                                    | <hr/>            | <hr/>             |
|                                    | 8,968,306        | 8,483,143         |
| <b>Current assets</b>              |                  |                   |
| Inventories                        | 1,650,646        | 1,724,276         |
| Property development costs         | 1,306,127        | 1,243,440         |
| Biological assets                  | 12,963           | 16,437            |
| Trade and other receivables        | 2,247,029        | 2,210,942         |
| Contract assets                    | 276,525          | 201,405           |
| Tax recoverable                    | 42,818           | 51,354            |
| Other current financial assets     | 2,705            | 4,459             |
| Money market deposits              | 1,414,789        | 1,026,716         |
| Cash and bank balances             | 602,524          | 613,632           |
|                                    | <hr/>            | <hr/>             |
|                                    | 7,556,126        | 7,092,661         |
| <b>TOTAL ASSETS</b>                | <hr/> <hr/>      | <hr/> <hr/>       |
|                                    | 16,524,432       | 15,575,804        |

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)**  
**AS AT 31 MARCH 2019**

|   | <b>As at<br/>31.3.2019</b> | <b>As at<br/>31.12.2018</b> |
|---|----------------------------|-----------------------------|
|   | RM'000                     | RM'000<br><i>(Audited)</i>  |
| <b>Equity attributable to owners of the Company</b> |                            |                             |
| Share capital                                       | 3,519,554                  | 3,519,554                   |
| Reserves  | 3,662,653                  | 3,505,927                   |
|   | <hr/>                      | <hr/>                       |
|   | 7,182,207                  | 7,025,481                   |
| Less: Treasury shares                               | (93)                       | (93)                        |
|   | <hr/>                      | <hr/>                       |
|   | 7,182,114                  | 7,025,388                   |
| <b>Non-controlling interests</b>                    | 1,274,136                  | 1,271,355                   |
|   | <hr/>                      | <hr/>                       |
| <b>TOTAL EQUITY</b>                                 | 8,456,250                  | 8,296,743                   |
|   | <hr/>                      | <hr/>                       |
| <b>Non-current liabilities</b>                      |                            |                             |
| Payables and provisions                             | 140,709                    | 148,997                     |
| Borrowings  | 3,133,438                  | 2,810,553                   |
| Lease liabilities                                   | 107,047                    | -                           |
| Other non-current financial liabilities             | 3,874                      | 3,026                       |
| Deferred tax liabilities                            | 480,644                    | 483,955                     |
|   | <hr/>                      | <hr/>                       |
|   | 3,865,712                  | 3,446,531                   |
|   | <hr/>                      | <hr/>                       |
| <b>Current liabilities</b>                          |                            |                             |
| Payables and provisions                             | 1,152,286                  | 1,145,235                   |
| Tax payable   | 93,336                     | 64,925                      |
| Borrowings  | 2,907,529                  | 2,618,430                   |
| Lease liabilities                                   | 45,169                     | -                           |
| Other current financial liabilities                 | 4,150                      | 3,940                       |
|   | <hr/>                      | <hr/>                       |
|   | 4,202,470                  | 3,832,530                   |
|   | <hr/>                      | <hr/>                       |
| <b>TOTAL LIABILITIES</b>                            | 8,068,182                  | 7,279,061                   |
|   | <hr/>                      | <hr/>                       |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 | 16,524,432                 | 15,575,804                  |
|   | <hr/>                      | <hr/>                       |
| <b>Net assets per share (RM)</b>                    | 2.88                       | 2.82                        |
|   | <hr/>                      | <hr/>                       |
| Number of shares net of treasury shares ('000)      | 2,489,672                  | 2,489,672                   |

*The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements*

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2019**

|   | ← Attributable to Owners of the Company → |   |                                     |                              | Total<br>RM'000  | Non-<br>controlling<br>interests<br>RM'000 | Total<br>equity<br>RM'000 |
|---|---|---|-------------------------------------|------------------------------|------------------|--|---------------------------|
|   | Share<br>capital<br>RM'000                | Non-<br>distributable<br>reserves<br>RM'000 | Distributable<br>reserves<br>RM'000 | Treasury<br>shares<br>RM'000 |                  |  |                           |
| <b>At 1 January 2019</b>                            |   |   |                                     |                              |                  |  |                           |
| - As previously reported                            | 3,519,554                                 | 119,629                                     | 3,386,298                           | (93)                         | 7,025,388        | 1,271,355                                  | 8,296,743                 |
| - Effect of adoption of MFRS 16                     | -   | -   | (6,001)                             | -                            | (6,001)          | (2,729)                                    | (8,730)                   |
| - As restated                                       | 3,519,554                                 | 119,629                                     | 3,380,297                           | (93)                         | 7,019,387        | 1,268,626                                  | 8,288,013                 |
| Profit for the period                               | -   | -   | 157,982                             | -                            | 157,982          | 10,299                                     | 168,281                   |
| Total other comprehensive<br>income for the period  | -   | 4,745                                       | -                                   | -                            | 4,745            | (1,034)                                    | 3,711                     |
| Total comprehensive income<br>for the period        | -   | 4,745                                       | 157,982                             | -                            | 162,727          | 9,265                                      | 171,992                   |
| Dividends paid to<br>non-controlling interests      | -   | -   | -                                   | -                            | -                | (3,755)                                    | (3,755)                   |
| <b>At 31 March 2019</b>                             | <b>3,519,554</b>                          | <b>124,374</b>                              | <b>3,538,279</b>                    | <b>(93)</b>                  | <b>7,182,114</b> | <b>1,274,136</b>                           | <b>8,456,250</b>          |
| <b>At 1 January 2018</b>                            | 3,519,554                                 | 69,814                                      | 2,548,547                           | (54)                         | 6,137,861        | 969,340                                    | 7,107,201                 |
| Profit for the period                               | -   | -   | 154,453                             | -                            | 154,453          | 9,225                                      | 163,678                   |
| Total other comprehensive<br>expense for the period | -   | (25,064)                                    | -                                   | -                            | (25,064)         | (4,129)                                    | (29,193)                  |
| Total comprehensive income<br>for the period        | -   | (25,064)                                    | 154,453                             | -                            | 129,389          | 5,096                                      | 134,485                   |
| Dividends paid to<br>non-controlling interests      | -   | -   | -                                   | -                            | -                | (22,530)                                   | (22,530)                  |
| <b>At 31 March 2018</b>                             | <b>3,519,554</b>                          | <b>44,750</b>                               | <b>2,703,000</b>                    | <b>(54)</b>                  | <b>6,267,250</b> | <b>951,906</b>                             | <b>7,219,156</b>          |

*The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements*

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE YEAR-TO-DATE ENDED 31 MARCH 2019**

|  | Year-to-date ended |                |
|--|--------------------|----------------|
|  | 31.3.2019          | 31.3.2018      |
|  | RM'000             | RM'000         |
| <b>Cash flows from operating activities</b>  |                    |                |
| Profit before tax  | 239,309            | 230,756        |
| Adjustments for:   |                    |                |
| Non-cash items   | 78,292             | 63,371         |
| Non-operating items  | (9,343)            | (4,928)        |
| Dividend income  | (5,685)            | (766)          |
| Net interest expense   | 53,487             | 38,388         |
| Operating profit before working capital changes  | 356,060            | 326,821        |
| Net changes in working capital   | (63,552)           | 45,721         |
| Net changes in loan receivables  | (327,744)          | (139,658)      |
| Net tax paid   | (47,798)           | (63,295)       |
| Net interest paid  | (61,842)           | (46,801)       |
| Net changes in land held for property development  | 20,602             | (93,885)       |
| <b>Net cash flows (used in)/generated from operating activities</b>                        | <b>(124,274)</b>   | <b>28,903</b>  |
| <b>Cash flows from investing activities</b>  |                    |                |
| Dividends received from a joint venture  | -                  | 44             |
| Dividends received from equity investment at fair value through other comprehensive income | -                  | 720            |
| Dividends received from money market deposits  | 5,424              | 568            |
| (Increase)/decrease in money market deposits   | (387,997)          | 63,682         |
| Proceeds from disposal of property, plant and equipment                                    | 5,068              | 3,756          |
| Proceeds from disposal of equity investment at fair value through profit or loss           | -                  | 14,633         |
| Purchase of equity investment at fair value through profit or loss                         | -                  | (14,217)       |
| Purchase of property, plant and equipment  | (32,823)           | (36,031)       |
| Additions to investment properties   | (80,798)           | (12,497)       |
| <b>Net cash flows (used in)/generated from investing activities</b>                        | <b>(491,126)</b>   | <b>20,658</b>  |
| <b>Cash flows from financing activities</b>  |                    |                |
| Dividends paid to owners of the Company and non-controlling interests                      | (3,755)            | (22,530)       |
| Net drawdown of borrowings   | 629,348            | 129,261        |
| Payment of lease liabilities   | (7,818)            | -              |
| <b>Net cash flows generated from financing activities</b>                                  | <b>617,775</b>     | <b>106,731</b> |
| <b>Net increase in cash and cash equivalents</b>   | <b>2,375</b>       | <b>156,292</b> |
| Effects on exchange rate changes   | (13,826)           | (13,803)       |
| <b>Cash and cash equivalents at beginning of the period</b>                                | <b>613,632</b>     | <b>648,257</b> |
| <b>Cash and cash equivalents at end of the period</b>                                      | <b>602,181</b>     | <b>790,746</b> |
| Cash and cash equivalents comprise the following amounts:                                  |                    |                |
| Deposits with licensed banks   | 291,966            | 430,640        |
| Cash in hand and at bank   | 310,558            | 365,733        |
| Bank overdrafts  | (343)              | (5,627)        |
|  | <b>602,181</b>     | <b>790,746</b> |

*The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the Interim Financial Statements*

## Basis of Preparation

These interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard [“MFRS”] 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad [“Bursa Securities”], and should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2018.

### Part A: Explanatory Notes Pursuant to MFRS 134

#### 1. Significant accounting policies

The accounting policies and presentation adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2018 except for changes arising from the adoption of MFRS 16, *Leases* as disclosed below.

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss. A lessor continues to classify all leases as either operating leases or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option [“short-term leases”], and lease contracts for which the underlying asset is low value [“low-value assets”].

The effects of adoption MFRS 16 as at 1 January 2019 are as follows:

|                           | Increase/<br>(Decrease)<br>RM’000 |
|---------------------------|-----------------------------------|
| Right-of-use assets       | 150,191                           |
| Lease liabilities         | 158,921                           |
| Retained profits          | (6,001)                           |
| Non-controlling interests | (2,729)                           |

**2. Comments on the seasonality or cyclicity of operations**

The seasonal or cyclical factors affecting the results of the operations of the Group are as follows:

- (a) The performances of the Group's Property Division and Building Materials Division were influenced by the slowdown in construction activities in the first quarter of the financial year attributable to the timing of seasonal festive period.
- (b) The Group's Plantation Division performance was influenced by general climatic conditions, age profile of oil palms, the cyclical nature of annual production and movements in commodity prices.

**3. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

Save for the information disclosed in this interim financial report, there were no unusual items affecting assets, liabilities, equity, net income or cash flow during the interim period.

**4. Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years**

There were no changes in estimates of amounts reported in prior financial years.

**5. Issues, cancellations, repurchases, resale and repayments of debt and equity securities**

During the current quarter, there was no buyback of shares, resale nor cancellation of treasury shares.

As at 31 March 2019, the Company held 10,000 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 2,489,681,583 ordinary shares.

**6. Dividends**

There was no dividend paid out of shareholders' equity for ordinary shares during the interim period and preceding year corresponding period.

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7. Segment information

|   | Plantation<br>RM'000 | Property<br>RM'000 | Credit<br>financing<br>RM'000 | Automotive<br>RM'000 | Trading<br>RM'000 | Building<br>materials<br>RM'000 | Other non-<br>reportable<br>segments<br>RM'000 | Eliminations<br>RM'000 | Consolidated<br>RM'000 |
|---|----------------------|--------------------|-------------------------------|----------------------|-------------------|---------------------------------|--|------------------------|------------------------|
| <b><u>Current quarter/Year-to-date ended 31 March 2019</u></b>        |                      |                    |                               |                      |                   |                                 |  |                        |                        |
| <b>Revenue</b>  |                      |                    |                               |                      |                   |                                 |  |                        |                        |
| External revenue  | 126,270              | 479,679            | 58,661                        | 314,391              | 576,486           | 194,360                         | -  | -                      | 1,749,847              |
| Inter-segment revenue   | -                    | 4,765              | 17,451                        | 628                  | 18,967            | 18,595                          | -  | (60,406)               | -                      |
| Total revenue   | 126,270              | 484,444            | 76,112                        | 315,019              | 595,453           | 212,955                         | -  | (60,406)               | 1,749,847              |
| <b>Operating profit</b>   |                      |                    |                               |                      |                   |                                 |  |                        |                        |
| Finance costs   | 7,672                | 238,458            | 63,593                        | 535                  | 16,719            | 5,409                           | (14,126)                                       | (29,505)               | 288,755                |
| Share of results of associates and joint ventures                     |                      |                    |                               |                      |                   |                                 |  |                        | (56,163)               |
| <b>Profit before tax</b>  |                      |                    |                               |                      |                   |                                 |  |                        | 6,717                  |
|   |                      |                    |                               |                      |                   |                                 |  |                        | 239,309                |
| <b>Segment assets</b>   | 2,116,908            | 5,378,766          | 3,119,669                     | 1,005,814            | 961,865           | 1,823,566                       | 1,574,071                                      | -                      | 15,980,659             |
| <b>Segment liabilities</b>  | 67,996               | 1,422,904          | 2,169,112                     | 313,809              | 762,169           | 769,106                         | 1,989,106                                      | -                      | 7,494,202              |
| <b><u>Preceding year quarter/Year-to-date ended 31 March 2018</u></b> |                      |                    |                               |                      |                   |                                 |  |                        |                        |
| <b>Revenue</b>  |                      |                    |                               |                      |                   |                                 |  |                        |                        |
| External revenue  | 121,200              | 310,613            | 53,473                        | 328,939              | 504,990           | 208,991                         | -  | -                      | 1,528,206              |
| Inter-segment revenue   | -                    | 3,808              | 13,816                        | 1,119                | 17,261            | 14,218                          | -  | (50,222)               | -                      |
| Total revenue   | 121,200              | 314,421            | 67,289                        | 330,058              | 522,251           | 223,209                         | -  | (50,222)               | 1,528,206              |
| <b>Operating profit</b>   |                      |                    |                               |                      |                   |                                 |  |                        |                        |
| Finance costs   | 22,393               | 210,723            | 53,279                        | 6,001                | 12,996            | (8,845)                         | (11,565)                                       | (17,547)               | 267,435                |
| Share of results of associates and joint ventures                     |                      |                    |                               |                      |                   |                                 |  |                        | (41,117)               |
| <b>Profit before tax</b>  |                      |                    |                               |                      |                   |                                 |  |                        | 4,438                  |
|   |                      |                    |                               |                      |                   |                                 |  |                        | 230,756                |
| <b>Segment assets</b>   | 2,089,648            | 4,609,823          | 2,816,496                     | 710,938              | 803,337           | 1,875,358                       | 67,058   | -                      | 12,972,658             |
| <b>Segment liabilities</b>  | 31,662               | 1,198,518          | 1,744,413                     | 121,980              | 622,613           | 785,503                         | 1,211,818                                      | -                      | 5,716,507              |

## 8. Events after the end of interim period

Save for the subsequent events as disclosed in Note 10 of Part B, events after the end of the interim period and up to 24 May 2019 that have not been reflected in these financial statements are as follows:-

On 29 April 2019, MMSB2 Factory Sdn Bhd (*formerly known as Empire Addition Sdn Bhd*) ["MMSB2"], a wholly-owned subsidiary of the Company had issued and allotted 9,999,999 ordinary shares at an issue price of RM1.00 per share for cash in capital of MMSB2 to the following allottees:-

| Name of Allottees         | No. of ordinary shares | Consideration (RM) |
|---------------------------|------------------------|--------------------|
| Kito Trading Sdn Bhd      | 5,300,000              | 5,300,000.00       |
| Yi Bo                     | 1,400,000              | 1,400,000.00       |
| Lin Qingyang              | 1,400,000              | 1,400,000.00       |
| Malaysian Mosaics Sdn Bhd | 1,899,999              | 1,899,999.00       |

With the aforesaid allotment, MMSB2 has become a 19% joint venture of the Company.

## 9. Effect of changes in the composition of the Group during the interim period, including business combinations, obtaining or losing control of subsidiaries and long-term investments, restructuring and discontinued operations

There were no changes in the composition of the Group during the interim period, except for the following:

- (a) On 30 January 2019, \*Malaysian Mosaics Sdn Bhd acquired the entire issued share capital of MMSB2 Factory Sdn Bhd (*formerly known as Empire Addition Sdn Bhd*) ["MMSB2"] comprising 1 ordinary share at a cash consideration of RM1.00. MMSB2 is a private limited company incorporated in Malaysia and is principally involved in the manufacture and sale of porcelain and ceramic tiles. As disclosed in Note 8 of Part A, MMSB2 has become a joint venture of the Company.
- (b) On 7 February 2019, \*HSC Melbourne Pty Ltd ["HMPL"], a wholly-owned subsidiary of HSC Manchester Holding Limited had been successfully deregistered from Australian Securities & Investments Commission. HMPL was incorporated in Australia on 28 August 2017 as a private limited company. Prior to the deregistration, HMPL had an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and was dormant.
- (c) On 7 February 2019, \*HSC Brisbane Pty Ltd ["HBPL"], a wholly-owned subsidiary of HSC Birmingham Holding Limited had been successfully deregistered from Australian Securities & Investments Commission. HBPL was incorporated in Australia on 28 August 2017 as a private limited company. Prior to the deregistration, HBPL had an issued and paid-up share capital of AUD100.00 comprising 100 ordinary shares and was dormant.
- (d) As part of the Group's re-organisation, \*Sunrise Addition Sdn Bhd had on 15 March 2019 transferred 20,000 ordinary shares representing the entire issued share capital of \*Hap Seng Trucks Sdn Bhd (*formerly known as Super8 Capital Sdn Bhd*) ["HST"] to \*Hap Seng Auto Sdn Bhd for a cash consideration of RM14,618.00. HST is a private limited company incorporated in Malaysia and is currently dormant.

\* *These are the Company's wholly-owned subsidiaries.*

## 10. Significant events and transactions

There were no events or transactions which are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period and up to 24 May 2019.

**11. Changes in contingent liabilities or contingent assets since the end of the last annual reporting period**

Since the end of the last annual reporting period, the Group does not have any changes in contingent liability or contingent asset as at the end of the interim period which is expected to have an operational or financial impact on the Group.

**12. Capital commitments**

The Group has the following capital commitments:

|                                 | <b>As at</b>     | <b>As at</b>      |
|---------------------------------|------------------|-------------------|
|                                 | <b>31.3.2019</b> | <b>31.12.2018</b> |
|                                 | RM'000           | RM'000            |
|                                 |                  | <i>(Audited)</i>  |
| Contracted but not provided for |                  |                   |
| - property, plant and equipment | 92,748           | 36,504            |
| - investment properties         | 219,482          | 286,621           |
|                                 | <u>312,230</u>   | <u>323,125</u>    |

**13. Significant related party transactions**

During the interim period, the Company and its subsidiaries did not enter into any related party transactions or recurrent related party transactions of a revenue or trading nature that had not been included or exceeded by 10% of the estimated value which had been mandated by the shareholders at the annual general meetings held on 30 May 2018.

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## Part B: Explanatory Notes Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities

### 1. Review of performance

The Group's revenue for the current quarter at RM1.75 billion was 15% above the preceding year corresponding quarter with higher revenue contribution from Plantation, Property, Credit Financing and Trading Divisions. Generally, the Group's operating profit for the current quarter at RM288.8 million was 8% higher than the preceding year corresponding quarter with better results from all divisions except for Plantation and Automotive Divisions.

Plantation Division's revenue for the current quarter at RM126.3 million was higher than the preceding year corresponding quarter by 4%, mainly benefitted from higher sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] despite lower average selling price realization of both products. CPO sales volume for the current quarter at 52,409 tonnes was 37% above preceding year corresponding quarter whilst PK sales volume was 22% higher at 10,805 tonnes. The higher sales volume of CPO and PK were attributable to higher CPO and PK production and more favourable inventory movements in the current quarter. Average selling price for CPO and PK at RM2,099 per tonne and RM1,370 per tonne respectively were lower as compared to the preceding year corresponding quarter of RM2,590 per tonne for CPO and RM2,262 per tonne for PK. CPO and PK production were both 17% higher than the preceding year corresponding quarter attributable to higher fresh fruit bunches yield as well as better extraction rates of CPO and PK. Consequently, unit production cost of CPO for the current quarter was lower than the preceding year corresponding quarter. Overall, operating profit for the current quarter at RM7.7 million was lower than the preceding year corresponding quarter by 66% mainly due to lower average selling price of CPO and PK.

The Property Division's revenue for the current quarter at RM484.4 million was 54% higher than the preceding year corresponding quarter of RM314.4 million mainly attributable to higher project and construction sales as well as higher sales of non-strategic properties. The higher project sales were mainly from higher number of units sold and progress completion of its ongoing projects in both Sabah and Klang Valley. The division's investment properties in Kuala Lumpur City Centre and Kota Kinabalu continue to maintain healthy occupancy rates and rental yield. Consequently, the division's operating profit for the current quarter at RM238.5 million was 13% higher than the preceding year corresponding quarter.

Credit Financing Division continues to register improved performance on the back of higher loan base in particular its term loan portfolio. The division's loan base at the end of the current quarter was RM4.02 billion, 22% above the preceding year corresponding quarter of RM3.3 billion. Non-performing loans ratio reduced to 1.58% at the end of the current quarter from 1.67% at end of 2018 and 1.89% at end of the preceding year corresponding quarter. Consequently, the division's revenue and operating profit for the current quarter at RM76.1 million and RM63.6 million were higher than the preceding year corresponding quarter by 13% and 19% respectively.

The Automotive Division's revenue for the current quarter at RM315 million was 5% lower than the preceding year corresponding quarter mainly affected by lower sales of passenger vehicles but mitigated somewhat by higher sales from its after sales and services segment as well as contribution from its commercial vehicles wholesale distribution business which commenced operations on 1 November 2018. Sales of passenger vehicles were 31% lower with a decline of 17% in total number of passenger vehicles sold for the current quarter as compared to the preceding year corresponding quarter due to weaker market conditions. The after sales and services segment continues to benefit from its service excellence and wider market coverage of its expanded network of autohauses and recorded 26% increase in revenue with 20% higher throughput. Overall, the division's operating profit for the current quarter at RM0.5 million was 91% below the preceding year corresponding quarter of RM6 million.

## 1. Review of performance (continued)

Trading Division which comprises the fertilizers trading and general trading businesses registered total revenue of RM595.5 million for the current quarter, 14% higher than the preceding year corresponding quarter. Fertilizers trading business' revenue for the current quarter was 33% above the preceding year corresponding quarter attributable to higher sales volume and higher average selling prices whilst general trading revenue was 9% lower than the preceding year corresponding quarter mainly affected by the slowdown in construction and property sectors. Margins for both fertilizers trading and general trading were close to the preceding year corresponding quarter. Overall, the division registered higher operating profit of RM16.7 million, 29% above the preceding year corresponding quarter of RM13 million, mainly attributable to better profit contribution from fertilizers trading business arising from the higher sales.

Building Materials Division comprises the quarry, asphalt and bricks businesses as well as the trading and manufacturing of building materials by Malaysian Mosaics Sdn Bhd ["MMSB"] and trading of building materials by Hafary Holdings Limited ["Hafary"]. The division's revenue for the current quarter at RM213 million was 5% below the preceding year corresponding quarter of RM223.2 million. In the current quarter, the division's revenue from quarry, asphalt and bricks businesses and MMSB were lower than the preceding year corresponding quarter by 9% and 4% respectively mainly due to lower sales volume. Revenue from Hafary was marginally below the preceding year corresponding quarter mainly due to lower project sector sales which continued to be affected by the slowdown of construction activities in Singapore. In spite of this, the division achieved operating profit of RM5.4 million as compared to the preceding year corresponding quarter's operating loss of RM8.8 million as MMSB, quarry and bricks businesses turned in improved performance following their respective rationalization exercise in the second half of 2018.

Overall, Group profit before tax ["PBT"] and profit after tax for the current quarter at RM239.3 million and RM168.3 million were higher than the preceding year corresponding quarter by 4% and 3% respectively. Profit attributable to owners of the Company for the current quarter at RM158 million was 2% higher than the preceding year corresponding quarter. Similarly, basic earnings per share at 6.35 sen was 2% above the last year corresponding quarter of 6.20 sen.

## 2. Comments on material changes in the profit before tax for the quarter reported as compared with the immediate preceding quarter

|                   | Current<br>Quarter<br>ended<br><b>31.3.2019</b><br>RM'000 | Immediate<br>Preceding<br>Quarter<br>ended<br><b>31.12.2018</b><br>RM'000 | <i>Increase/<br/>(Decrease)</i> |
|-------------------|---|---|---------------------------------|
| Revenue           | <u>1,749,847</u>  | <u>1,425,945</u>  | 23%                             |
| Operating profit  | <u>288,755</u>  | <u>46,633</u>   | >100%                           |
| Profit before tax | <u>239,309</u>  | <u>197,338</u>  | 21%                             |

Group PBT for the current quarter at RM239.3 million was 21% higher than the immediate preceding quarter mainly attributable to higher contribution from Property, Automotive, Trading and Building Materials Divisions but offset somewhat by the lower contribution from Plantation and Credit Financing Divisions.

Property Division's operating profit for the current quarter at RM238.5 million was 189% higher than the immediate preceding quarter of RM82.5 million mainly due to higher sales of non-strategic properties in the current quarter.

Automotive Division registered an operating profit for the current quarter of RM0.5 million as compared to an operating loss of RM11,000 in the immediate preceding quarter. The immediate preceding quarter's results were mainly affected by the higher operating expenses due to the initial start-up cost of the commercial vehicle wholesale distribution business.

**2. Comments on material changes in the profit before tax for the quarter reported as compared with the immediate preceding quarter (continued)**

Trading Division's operating profit for the current quarter of RM16.7 million more than tripled the immediate preceding quarter of RM5 million mainly attributable to better performance from its fertilizer trading business which recorded higher sales volume and higher selling prices in both the Malaysian and Indonesian markets.

Building Materials Division turned in a much improved performance from an operating loss of RM134.3 million in the immediate preceding quarter to an operating profit of RM5.4 million in the current quarter. In the immediate preceding quarter, the division results were impacted by impairment loss and shutdown costs for MMSB 2 plant as well as impairment losses on certain plant and equipment of the quarry and brick businesses arising from the rationalization of their operations.

Plantation Division's operating profit for the current quarter at RM7.7 million was 23% lower than the immediate preceding quarter of RM10 million mainly affected by higher operating expenses inspite of higher revenue. Revenue was higher by 31%, benefitted from higher average selling price by 9% over the immediate preceding quarter of RM1,922 per tonne and higher sales volume by 30% over the immediate preceding quarter of 40,230 tonnes attributable mainly to favourable inventory movements. Operating expenses were mainly affected by higher unit production cost of CPO in the current quarter due to lower CPO production by 12% and timing variance of certain production costs in the immediate preceding quarter.

Credit Financing Division's operating profit for the current quarter at RM63.6 million was 9% below the immediate preceding quarter of RM69.7 million, mainly due to lower average loan base in the current quarter.

**3. Current year prospects**

CPO prices have somewhat recovered in the first quarter of 2019 with monthly average CPO price of between RM1,903 per tonne to RM2,100 per tonne as compared to RM1,794 per tonne in December 2018. In April 2019, average CPO price was RM2,018 per tonne whilst the daily average prices for the first half of May ranges between RM1,910 to RM1,974 per tonne. Generally, CPO prices continued to be depressed, affected by high global palm oil inventories and low prices of competing edible oils, particularly soybean oil. Malaysia's palm oil inventories at end April 2019 was 2.73 million tonnes, 7% lower month-on-month and 15% lower than December 2018 of 3.2 million tonnes but remained high as compared to the same period last year of 2.17 million tonnes. The deferment of export duties on crude palm oil by the Malaysia government for the balance of the year may help to boost palm oil exports and reduce inventories. During the first half of May 2019, Malaysian palm oil exports rose between 4% and 15% over the corresponding period last month, according to data from three cargo surveyors namely Amspec Agri Malaysia, Intertek Testing Services and Societe Generale de Surveillance. Stronger demand from China and India as well as higher consumption during the Ramadan month are expected to reduce the current high palm oil inventories and provide some support to the near term CPO prices. Price of soybeans has plunged to a ten-year low amidst rising concerns of oversupply of global soybeans and lower demand in China due to the outbreak of African swine flu in the country. The situation is further aggravated by the escalating trade war between US and China with the recent tariffs hike by both countries. China has increased tariff on soybeans to 25% recently and this will further exert pressure on global soybean prices as US farmers are under pressure to sell at lower prices which will result in lower soybean oil prices. The increase in minimum wage of employees from RM920 per month since 1 July 2016 to RM1,100 per month with effect from 1 January 2019, will further exert pressure on the cost of production of CPO.

Property Division is cautiously optimistic of the Malaysian residential property market amidst an overhang of large quantity of unsold residential properties. The various initiatives by the Government such as waiver of stamp duty for residential homes valued below RM1 million and incentives under the Home Ownership Campaign are expected to provide some impetus to the property market. The division anticipates its development projects in good locations in Klang Valley and Sabah to generate encouraging market interest. Concerted efforts will be placed to drive sales and progress completion of its current development projects as well as sourcing for suitable land bank. Optimising the occupancy rates and rental yield of its strategically located investment properties in Kuala Lumpur City Centre and Kota Kinabalu remained a key focus.

### 3. Current year prospects (continued)

Credit Financing Division expects the market demand for funding to remain robust whilst the banking industry continues to be selective in granting loans. The division will continue to grow its term loan portfolio as an alternative source of funding, supplementing the coverage extended by the banking industry. The division remains prudent and cautious in its business approach by procuring quality businesses/customers whilst placing emphasis on its cost of funds management and funding requirements to improve interest yield as well as ensuring timely collections and loans recovery to manage its non-performing loans at an acceptable level.

Automotive Division expects the premium passenger vehicles segment to remain competitive in view of the modest growth in total industry volume as projected by the Malaysian Automotive Association in its 2019 review. Nevertheless, the division will continue its strategy of expanding its dealer network which includes the new autohauses in Puchong South and Setia Alam and pre-owned car centre at Kinrara that were launched last year which enable it to service a wider network of customer base and grow its market share in the premium passenger vehicles segment. Concerted efforts are made to gain market share in the commercial vehicle segment and the division will continue to upgrade its commercial vehicle dealers' network with more dedicated 3S dealerships.

The Trading Division anticipates the movements of CPO prices which continue to be uncertain to influence the demand for fertilizers. Nevertheless, the division expects planters who have deferred or reduced fertilizing activities in 2018 to resume in 2019 albeit cautious in their fertilizers applications. The general trading business will continue to grow its sales and market share through expansion of its customer base and market coverage, leveraging on Group's synergy and network whilst exercising stringent credit control and maintaining optimum inventory levels to improve profitability.

Building Materials Division expects to achieve better operating results following the rationalisation of its quarry, bricks and MMSB businesses last year which are expected to be completed by mid 2019. MMSB will continue to grow its OEM products through strategic alliances with reputable tiles manufacturers in the region. In Singapore, the division's operations via Hafary are expected to remain positive, benefitting from the active private property resale market and higher public housing projects.

Based on the foregoing, the Group is optimistic of achieving satisfactory results for the financial year ending 31 December 2019.

### 4. Variances between actual profit and forecast profit

Variances between actual profit and forecast profit are not applicable as the Company has not provided any profit forecast in any public document.

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**5. Profit before tax**

|   | Quarter ended |           | Year-to-date ended |           |
|---|---------------|-----------|--------------------|-----------|
|   | 31.3.2019     | 31.3.2018 | 31.3.2019          | 31.3.2018 |
|   | RM'000        | RM'000    | RM'000             | RM'000    |
| Profit before tax is arrived at after crediting/(charging):                             |               |           |                    |           |
| Interest income   | 2,676         | 2,729     | 2,676              | 2,729     |
| Dividend income from equity investment at fair value through other comprehensive income | 180           | 180       | 180                | 180       |
| Dividend income from money market deposits  | 5,505         | 586       | 5,505              | 586       |
| Gain on equity investment at fair value through profit or loss                          | -             | 416       | -                  | 416       |
| Gain on money market deposits at fair value   | 76            | -         | 76                 | -         |
| Interest expense  | (56,163)      | (41,117)  | (56,163)           | (41,117)  |
| Depreciation and amortisation   | (55,782)      | (47,572)  | (55,782)           | (47,572)  |
| Net allowance of impairment losses  |               |           |                    |           |
| - trade receivables   | (4,027)       | (3,529)   | (4,027)            | (3,529)   |
| Net inventories written down  | (1,115)       | (3,936)   | (1,115)            | (3,936)   |
| Gain on disposal of property, plant and equipment                                       | 2,626         | 490       | 2,626              | 490       |
| Property, plant and equipment written off   | (999)         | (462)     | (999)              | (462)     |
| Bad debts written off   | (16)          | -         | (16)               | -         |
| Net foreign exchange loss   | (13,803)      | (5,230)   | (13,803)           | (5,230)   |
| Loss on hedging activities  | -             | (485)     | -                  | (485)     |
| Loss on non-hedging derivative instruments  | (357)         | (1,252)   | (357)              | (1,252)   |
| Loss on fair value of biological assets   | (3,474)       | (2,922)   | (3,474)            | (2,922)   |
| Recovery of bad debts   | 275           | 568       | 275                | 568       |

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Main Market Listing Requirements are not applicable.

**6. Tax expense**

|                              | Quarter ended |               | Year-to-date ended |               |
|------------------------------|---------------|---------------|--------------------|---------------|
|                              | 31.3.2019     | 31.3.2018     | 31.3.2019          | 31.3.2018     |
|                              | RM'000        | RM'000        | RM'000             | RM'000        |
| In respect of current period |               |               |                    |               |
| - income tax                 | 84,826        | 69,119        | 84,826             | 69,119        |
| - deferred tax               | (13,798)      | (2,041)       | (13,798)           | (2,041)       |
|                              | <u>71,028</u> | <u>67,078</u> | <u>71,028</u>      | <u>67,078</u> |

The Group's effective tax rate for the current quarter and preceding year corresponding quarter were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

**7. Status of corporate proposals announced but not completed at the latest practicable date which must not be earlier than 7 days from the date of issue of the quarterly report**

There were no other corporate proposals announced but not completed as at 24 May 2019.



**8. Status of the utilisation of proceeds from corporate proposals**

- (a) On 8 June 2018, HSC International Limited, a wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HSC Sydney Holding Limited to Lei Shing Hong Capital Limited ["HSH Disposal"]. The status of the utilisation of proceeds from HSH Disposal is as follows:

| Purpose   | Proposed Utilisation |                      | As at 31 March 2019   |                                 | Intended<br>Timeframe<br>for Utilisation  | Deviation<br>under/(over)<br>spent |      | Explanation   |   |
|---|----------------------|----------------------|-----------------------|---------------------------------|---|------------------------------------|------|---|---|
|   | *Circular<br>RM'000  | **Adjusted<br>RM'000 | Utilisation<br>RM'000 | Balance<br>Unutilised<br>RM'000 |   | RM'000                             | %    |   |   |
| Repayment of borrowings   | 250,000              | 250,000              | -                     | 250,000                         | Within 24<br>months<br>from<br>completion | -                                  | -    | Not fully utilised yet and within<br>intended timeframe for<br>utilisation.<br>As such, deviation was not<br>computed |   |
| Working capital requirements:   |                      |                      |                       |                                 |   |                                    |      |   |   |
| (i) <u>Part finance the cost of property<br/>developments in Klang Valley</u> |                      |                      |                       |                                 |   |                                    |      |   |   |
| (a) <i>Jalan Kia Peng Service Apartment</i>                                   | 100,000              | 100,000              | 29,438                | 70,562                          |   |                                    | -    |   | - |
| (b) <i>Menara Hap Seng 3</i>  | 200,000              | 200,000              | 92,380                | 107,620                         |   |                                    | -    |   | - |
|   | 300,000              | 300,000              | 121,818               | 178,182                         |   | -                                  | -    |   |   |
| (ii) <u>Purchase of inventories</u>   |                      |                      |                       |                                 |   |                                    |      |   |   |
| (a) <i>automobile</i>   | 20,664               | 30,293               | 31,884                | -                               |   | # (1,591)                          | (5)  |   |   |
| (b) <i>fertilisers</i>  | 30,000               | 30,000               | 30,000                | -                               |   | -                                  | -    |   |   |
| (c) <i>building materials such as steel<br/>bars, wire mesh and cement</i>    | 30,000               | 30,000               | 30,000                | -                               |   | -                                  | -    |   |   |
|   | 80,664               | 90,293               | 91,884                | -                               |   | (1,591)                            | (5)  |   |   |
|   | 380,664              | 390,293              | 213,702               | 178,182                         |   | (1,591)                            | (5)  |   |   |
| Investments purposes  | 140,000              | 140,000              | 138,326               | -                               |   | 1,674                              | 1    | The net under spent has been<br>utilised for working capital<br>requirement of item (ii)(a) #                         |   |
| Estimated expenses  | 500                  | 500                  | 583                   | -                               |   | (83)                               | (17) |   |   |
|   | 771,164              | 780,793              | 352,611               | 428,182                         |   | -                                  |      |   |   |

\* Circular to Shareholders dated 16 May 2018.

\*\* The proposed utilisation was adjusted to reflect the actual proceeds in RM based on the actual foreign exchange rate at completion date. This resulted in additional proceeds of RM9.629 million which was allocated to the proposed utilisation for working capital requirement under item (ii)(a).

**8. Status of the utilisation of proceeds from corporate proposals (continued)**

- (b) On 8 June 2018, the Company completed the disposal of 20% equity interest in Hap Seng Credit Sdn Bhd to Lei Shing Hong Capital Limited [“HSCSB Disposal”]. The status of the utilisation of proceeds from HSCSB Disposal is as follows:

| <u>Purpose</u>   | As at 31 March 2019                       |                              |   | <u>Intended<br/>Timeframe<br/>for Utilisation</u> | <u>Deviation<br/>under/(over)<br/>spent</u> |          | <u>Explanation</u>  |
|--|---|------------------------------|---|---|---|----------|---|
|  | <u>Proposed<br/>Utilisation</u><br>RM'000 | <u>Utilisation</u><br>RM'000 | <u>Balance<br/>Unutilised</u><br>RM'000 |   | RM'000                                      | %        |   |
| Working capital requirements:                                      |   |                              |   |   |   |          |   |
| <u>Loan disbursements of HSCSB's credit financing<br/>division</u> |   |                              |   |   |   |          |   |
| (a) Real estate  | 350,000                                   | -                            | 350,000                                 | } Within 24<br>months<br>from<br>completion       | -   | -        | } Not fully utilised yet and within<br>intended timeframe for<br>utilisation.<br>As such, deviation was not<br>computed |
| (b) Manufacturing  | 170,000                                   | -                            | 170,000                                 |   | -   | -        |   |
| (c) Transportation   | 170,000                                   | -                            | 170,000                                 |   | -   | -        |   |
| (d) Construction   | 120,000                                   | -                            | 120,000                                 |   | -   | -        |   |
| (e) General commerce   | 95,500                                    | -                            | # 95,417                                |   | -   | -        |   |
|  | <u>905,500</u>                            | <u>-</u>                     | <u>905,417</u>                          |   | <u>-</u>                                    | <u>-</u> |   |
| Estimated expenses   | 500                                       | 583                          | -                                       |   | (83)  | (17)     | over spent was set-off against<br>the balance unutilised for<br>working capital requirement<br>under item (e) #         |
|  | <u>906,000</u>                            | <u>583</u>                   | <u>905,417</u>                          |   | <u>(83)</u>                                 |          |   |

**9. Borrowings and debt securities**

On 30 July 2018, Hap Seng Management Sdn Bhd [“HSM”], a wholly-owned subsidiary of the Company lodged with the Securities Commission Malaysia to establish an unrated medium term notes [“MTN”] programme of up to RM5.0 billion in nominal value [“MTN Programme”] and an unrated commercial papers [“CP”] programme of up to RM1.0 billion in nominal value [“CP Programme”], which have a combined limit of RM5.0 billion in nominal value. The tenures of the MTN and CP Programmes are twenty (20) years and seven (7) years respectively from the date of first issuance on 29 August 2018. The MTN Programme and the CP Programme are collectively referred to as the Programmes.

The proceeds from the Programmes will be utilised by HSM for advancing to the Group for general corporate purposes and working capital.

**9. Borrowings and debt securities (continued)**

The Group's borrowings are as follows:

|                                     | ←————— As at 31.3.2019 —————→ |                  |                |                |                |                  |
|-------------------------------------|-------------------------------|------------------|----------------|----------------|----------------|------------------|
|                                     | ←————— Denominated in —————→  |                  |                |                |                |                  |
|                                     | RM<br>RM'000                  | USD<br>RM'000    | SGD<br>RM'000  | Euro<br>RM'000 | IDR<br>RM'000  | Total<br>RM'000  |
| <b>Current</b>                      |                               |                  |                |                |                |                  |
| <b>Secured</b>                      |                               |                  |                |                |                |                  |
| - Term loans                        | -                             | -                | 13,111         | -              | -              | 13,111           |
| - Revolving credits                 | -                             | -                | 100,484        | -              | -              | 100,484          |
| - Trust receipts                    | -                             | -                | 36,499         | 28,767         | -              | 65,266           |
| - Finance leases                    | -                             | -                | 1,034          | -              | -              | 1,034            |
|                                     | -                             | -                | 151,128        | 28,767         | -              | 179,895          |
| <b>Unsecured</b>                    |                               |                  |                |                |                |                  |
| - Term loans                        | 390,462                       | 106,158          | 121,601        | -              | -              | 618,221          |
| - Revolving credits                 | 1,462,757                     | 203,059          | -              | -              | 135,318        | 1,801,134        |
| - Bankers' acceptances              | 297,936                       | -                | -              | -              | -              | 297,936          |
| - Commercial papers                 | 10,000                        | -                | -              | -              | -              | 10,000           |
| - Bank overdrafts                   | 343                           | -                | -              | -              | -              | 343              |
|                                     | 2,161,498                     | 309,217          | 121,601        | -              | 135,318        | 2,727,634        |
| <b>Total current borrowings</b>     | <b>2,161,498</b>              | <b>309,217</b>   | <b>272,729</b> | <b>28,767</b>  | <b>135,318</b> | <b>2,907,529</b> |
| <b>Non-current</b>                  |                               |                  |                |                |                |                  |
| <b>Secured</b>                      |                               |                  |                |                |                |                  |
| - Term loans                        | -                             | -                | 245,906        | -              | -              | 245,906          |
| - Finance leases                    | -                             | -                | 808            | -              | -              | 808              |
|                                     | -                             | -                | 246,714        | -              | -              | 246,714          |
| <b>Unsecured</b>                    |                               |                  |                |                |                |                  |
| - Term loans                        | 687,657                       | 809,067          | -              | -              | -              | 1,496,724        |
| - Medium term notes                 | 1,390,000                     | -                | -              | -              | -              | 1,390,000        |
|                                     | 2,077,657                     | 809,067          | -              | -              | -              | 2,886,724        |
| <b>Total non-current borrowings</b> | <b>2,077,657</b>              | <b>809,067</b>   | <b>246,714</b> | <b>-</b>       | <b>-</b>       | <b>3,133,438</b> |
| <b>Total borrowings</b>             | <b>4,239,155</b>              | <b>1,118,284</b> | <b>519,443</b> | <b>28,767</b>  | <b>135,318</b> | <b>6,040,967</b> |

*Note: All secured borrowings are in respect of foreign subsidiaries' borrowings.*

**9. Borrowings and debt securities (continued)**

|                                     | As at 31.12.2018 |                |                |                |                |               | Total<br>RM'000  |
|-------------------------------------|------------------|----------------|----------------|----------------|----------------|---------------|------------------|
|                                     | RM<br>RM'000     | USD<br>RM'000  | Denominated in |                |                | RMB<br>RM'000 |                  |
|                                     |                  |                | SGD<br>RM'000  | Euro<br>RM'000 | IDR<br>RM'000  |               |                  |
| <u>Current</u>                      |                  |                |                |                |                |               |                  |
| <u>Secured</u>                      |                  |                |                |                |                |               |                  |
| - Term loans                        | -                | -              | 13,446         | -              | -              | -             | 13,446           |
| - Revolving credits                 | -                | -              | 90,915         | -              | -              | -             | 90,915           |
| - Trust receipts                    | -                | -              | 48,291         | 28,835         | -              | -             | 77,126           |
| - Finance leases                    | -                | -              | 1,227          | -              | -              | -             | 1,227            |
|                                     | -                | -              | 153,879        | 28,835         | -              | -             | 182,714          |
| <u>Unsecured</u>                    |                  |                |                |                |                |               |                  |
| - Term loans                        | 358,316          | 203,718        | 12,122         | -              | -              | -             | 574,156          |
| - Revolving credits                 | 1,429,500        | 41,242         | -              | -              | 155,884        | 1,940         | 1,628,566        |
| - Bankers' acceptances              | 222,994          | -              | -              | -              | -              | -             | 222,994          |
| - Commercial papers                 | 10,000           | -              | -              | -              | -              | -             | 10,000           |
|                                     | 2,020,810        | 244,960        | 12,122         | -              | 155,884        | 1,940         | 2,435,716        |
| <b>Total current borrowings</b>     | <b>2,020,810</b> | <b>244,960</b> | <b>166,001</b> | <b>28,835</b>  | <b>155,884</b> | <b>1,940</b>  | <b>2,618,430</b> |
| <u>Non-current</u>                  |                  |                |                |                |                |               |                  |
| <u>Secured</u>                      |                  |                |                |                |                |               |                  |
| - Term loans                        | -                | -              | 250,804        | -              | -              | -             | 250,804          |
| - Finance leases                    | -                | -              | 991            | -              | -              | -             | 991              |
|                                     | -                | -              | 251,795        | -              | -              | -             | 251,795          |
| <u>Unsecured</u>                    |                  |                |                |                |                |               |                  |
| - Term loans                        | 625,734          | 720,534        | 122,490        | -              | -              | -             | 1,468,758        |
| - Medium term notes                 | 1,090,000        | -              | -              | -              | -              | -             | 1,090,000        |
|                                     | 1,715,734        | 720,534        | 122,490        | -              | -              | -             | 2,558,758        |
| <b>Total non-current borrowings</b> | <b>1,715,734</b> | <b>720,534</b> | <b>374,285</b> | <b>-</b>       | <b>-</b>       | <b>-</b>      | <b>2,810,553</b> |
| <b>Total borrowings</b>             | <b>3,736,544</b> | <b>965,494</b> | <b>540,286</b> | <b>28,835</b>  | <b>155,884</b> | <b>1,940</b>  | <b>5,428,983</b> |

Note: All secured borrowings are in respect of foreign subsidiaries' borrowings.

10. **Changes in material litigations (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report**

Except for the following, there were no other changes in material litigation since the date of the last annual statement of financial position:

- (a) Hap Seng Plantations (River Estates) Sdn Bhd ["RESB"], the wholly-owned subsidiary of Hap Seng Plantations Holdings Berhad ["HSP"], is the registered and beneficial proprietor of all that parcel of land held under CL095310017, District of Kinabatangan, State of Sabah measuring approximately 6,454 acres ["said Land"]. On 16 January 2012, a purported sale and purchase agreement in respect of the said Land was entered into between Mr. Heng Chin Hing @ Wong Chin Hing (NRIC No. H0699157/570811-12-5731) ["HCH"] as the purported vendor and Excess Interpoint Sdn Bhd ["EISB"] as the purported purchaser ["Purported SPA"]. HCH alleged that he is the donee of a power of attorney dated 8 February 1977 allegedly created in respect of the said Land ["Alleged PA"]. On the basis of the Purported SPA, EISB entered a private caveat on the said Land on 3 April 2012.

On 23 May 2012, RESB commenced a legal suit ["KL RESB Suit"] vide a writ of summon at Kuala Lumpur High Court ["KLHC"] against EISB ["1st Defendant"] and HCH was added as the second defendant ["2nd Defendant"] to the KL RESB Suit on 16 June 2012.

On 10 August 2012, upon the 1st Defendant's application, the KL RESB Suit was transferred to the High Court of Sabah and Sarawak at Kota Kinabalu ["KKHC"]. On 7 April 2016, the Federal Court held that the KLHC has no jurisdiction to transfer a civil suit filed in the High Court of Malaya to the High Court of Sabah and Sarawak. On the basis of such ruling, the KKHC had on 19 April 2016 struck off the KL RESB Suit with no order as to costs.

On 8 April 2016, RESB commenced a fresh legal suit against the 1st and 2nd Defendants through its solicitors in Sabah, Messrs Jayasuriya Kah & Co. in KKHC vide writ of summon no. BKI-22NCvC-39/4-2016 ["KK RESB Suit"].

RESB is claiming for the following in the KK RESB Suit:

- (i) That RESB be declared as the registered and beneficial owner of the said Land;
- (ii) That the Purported SPA be declared null and void;
- (iii) That the Alleged PA be declared null and void;
- (iv) An injunction restraining the 1st Defendant from:-
  - (a) effecting any further dealings including but not limited to disposal, assignment, transfer, mortgage, charge, lease, tenancy over the said Land with any third party;
  - (b) taking any actions to fulfill the terms and conditions in the Purported SPA; and
  - (c) taking any further action to complete the Purported SPA.
- (v) An injunction restraining the 2nd Defendant from effecting any steps, actions and/or representations in respect of the Alleged PA;
- (vi) Costs of the KK RESB Suit; and
- (vii) Such further or other relief as the Court deems fit and just.

Pending disposal of the KK RESB Suit, the KKHC had on 27 July 2016 granted an interlocutory injunction in favour of RESB pursuant to which the 1st and 2nd Defendants have been restrained from effecting dealings as set out in terms (iv) and (v) above ["KK Interlocutory Injunction"].

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019.

HSP has been advised by Messrs Jayasuriya Kah & Co., that RESB has good grounds to succeed in the KK RESB Suit.



10. **Changes in material litigations (including status of any pending material litigation) since the date of the last annual statement of financial position which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report (continued)**

- (b) Chee Ah Nun @ Sia Yi Chan (NRIC No. 550808-12-5663) ["SYC" or the "Plaintiff"] has filed a separate legal suit against RESB in respect of the said Land in the KKHC vide originating summon no. BKI-24-127/5-2012, and the same was served on RESB on 11 June 2012 [the "KK Suit"].

The KK Suit is premised on a purported deed of appointment of substitute by attorney dated 24 June 2010 ["Alleged Deed of Substitute"] allegedly executed by HCH pursuant to which HCH had allegedly divested to SYC all his interests or claims on the said Land pursuant to the Alleged PA.

SYC is claiming for the following in the KK Suit:

- (i) that by virtue of the Alleged PA, RESB had allegedly divested its ownership and all interests or claims to the said Land to HCH;
- (ii) that pursuant to the Alleged Deed of Substitute, SYC is the beneficial owner and has rights to take possession of the said Land;
- (iii) an order that RESB forthwith deliver vacant possession of the said Land to SYC free of encumbrances with all fixtures and crops planted thereon;
- (iv) an injunction restraining RESB, its servants and/or employees or agents from harvesting crops on the said Land or removing anything thereon and/or otherwise from doing anything or interfering with SYC's rights thereon;
- (v) costs of the KK Suit; and
- (vi) such further or other relief as the Court deems fit and just.

On 27 July 2016, the KKHC, upon application of RESB, granted an order converting the KK Suit from an originating summon to a writ action. On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB's application ["Consolidated RESB Suit"].

The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019 and 8 March 2019.

HSP has been advised by its solicitors, Messrs Jayasuriya Kah & Co., that the KK Suit is unlikely to succeed.

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## 11. Derivatives

The Group entered into forward currency contracts and cross currency interest rate swaps where appropriate to minimise its exposure on receivables, payables, borrowings and firm commitments denominated in foreign currencies. Derivatives are stated at fair value which is equivalent to the marking of the derivatives to market, using prevailing market rates.

Details of derivative financial instruments outstanding (including financial instruments designated as hedging instruments) as at 31 March 2019 are as follows:

|  | Contract/<br>Notional<br>Value<br>RM'000 | Fair Value:<br>Assets/<br>(Liabilities)<br>RM'000 | Gain/(loss)<br>On<br>Derivative<br>Instruments<br>RM'000 | Gain/(loss)<br>On Hedged<br>Items<br>RM'000 | Net<br>Gain/(loss)<br>RM'000 |
|--|--|---|--|---|------------------------------|
| Forward currency contracts<br>of less than 1 year (USD/Euro)                                       |  |   |  |   |                              |
| - Designated as hedging instruments*   | 207,345                                  | (1,227)   | (1,117)  | 1,550                                       | 433                          |
| - Not designated as hedging instruments  | 306,275                                  | (2,813)   | 26   | (383)                                       | (357)                        |
|  | 513,620                                  | (4,040)   | (1,091)  | 1,167                                       | 76                           |
| Cross currency interest rate swaps<br>on foreign currency borrowings<br>of 1 year to 3 years (USD) |  |   |  |   |                              |
| - Designated as hedging instruments*   | 905,520                                  | 5,020   | (6,410)  | 12,677                                      | 6,267                        |

\* *The hedging relationship is classified as cash flow hedge where the gain/(loss) is recognised in other comprehensive income which flow into cash flow hedge reserve.*

The Group has no significant concentration of credit and market risks in relation to the above derivative financial instruments as the forward currency contracts and cross currency interest rate swaps are entered into with reputable financial institutions and are not used for speculative purposes. The cash requirement for settling these forward currency contracts and cross currency interest rate swaps is solely from the Group's working capital.

## 12. Gains/Losses arising from fair value changes of financial liabilities

As at the end of the interim period, the Group does not have any financial liabilities that are measured at fair value through profit or loss other than the derivative financial instruments as disclosed in Note 11 above.

### 13. Provision of financial assistance

#### Moneylending operations

- (i) The Group moneylending operations are undertaken by the Company's subsidiaries, Hap Seng Credit Sdn Bhd and HS Credit (Melbourne) Pty Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 31 March 2019 given by the Company's moneylending subsidiaries are as follows:

|   | Secured<br>RM'000 | Unsecured<br>RM'000 | Total<br>RM'000 |
|---|-------------------|---------------------|-----------------|
| (a) To companies                                | 2,771,140         | 149                 | 2,771,289       |
| (b) To individuals                              | 321,215           | 1,202               | 322,417         |
| (c) To companies within the listed issuer group | 432,184           | 489,386             | 921,570         |
| (d) To related parties                          | -                 | -                   | -               |
|   | 3,524,539         | 490,737             | 4,015,276       |

- (ii) The total borrowings of the moneylending subsidiaries are as follows:

|  | As at<br>31.3.2019<br>RM'000 |
|--|------------------------------|
| (a) Loans given by corporations within the Group to the moneylending subsidiaries                            | -                            |
| (b) Borrowings which are secured by corporations within the Group in favour of the moneylending subsidiaries | -                            |
| (c) Other borrowings   | 2,103,793                    |
|  | 2,103,793                    |

- (iii) The aggregate amount of loans in default for 3 months or more are as follows:-

|  | RM'000  |
|--|---------|
| (a) Balance as at 1.1.2019                                     | 60,911  |
| (b) Loans classified as in default during the financial year   | 6,098   |
| (c) Loans reclassified as performing during the financial year | (1,801) |
| (d) Amount recovered   | (1,605) |
| (e) Amount written off   | -       |
| (f) Loans converted to securities                              | -       |
| (g) Balance as at 31.3.2019                                    | 63,603  |
| (h) Ratio of net loans in default to net loans                 | 1.58%   |



**13. Provision of financial assistance (continued)**

Moneylending operations (continued)

(iv) The top 5 loans are as follows:-

| Ranking         | Type of Facility | Limit RM'000 | Outstanding Amount RM'000 | Security Provided (Yes/No) | Value of Security RM'000 | Related Party (Yes/No) | Term of Repayment (month) |
|-----------------|------------------|--------------|---------------------------|----------------------------|--------------------------|------------------------|---------------------------|
| 1 <sup>st</sup> | Term Loan        | 420,000      | 419,337                   | Yes                        | 467,834                  | Yes*                   | 3 - 72                    |
| 2 <sup>nd</sup> | Term Loan        | 277,600      | 276,388                   | Yes                        | 274,428                  | No                     | 72                        |
| 3 <sup>rd</sup> | Term Loan        | 247,000      | 243,147                   | No                         | -                        | Yes*                   | 36                        |
| 4 <sup>th</sup> | Term Loan        | 262,000      | 148,491                   | No                         | -                        | Yes*                   | 3 - 30                    |
| 5 <sup>th</sup> | Term Loan        | 108,700      | 90,676                    | No                         | -                        | Yes*                   | 3 - 60                    |

\* Companies within the listed issuer group.

**14. Earnings per share ["EPS"]**

(a) The basic EPS is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period excluding treasury shares held by the Company.

|  | Quarter ended |           | Year-to-date ended |           |
|--|---------------|-----------|--------------------|-----------|
|  | 31.3.2019     | 31.3.2018 | 31.3.2019          | 31.3.2018 |
| Profit attributable to owners of the Company (RM'000)      | 157,982       | 154,453   | 157,982            | 154,453   |
| Weighted average number of ordinary shares in issue ('000) | 2,489,672     | 2,489,676 | 2,489,672          | 2,489,676 |
| Basic EPS (sen)  | 6.35          | 6.20      | 6.35               | 6.20      |

(b) The Company does not have any diluted EPS.

**15. Dividend**

- (a) The Board of Directors has on even date approved the following first interim dividend for the financial year ending 31 December 2019:
- |       |   |   |
|-------|---|---|
| (i)   | Amount per ordinary share<br>- First Interim Dividend   | 15 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders.                |
| (ii)  | Previous year corresponding period:<br>Amount per ordinary share<br>- First Interim Dividend    | 15 sen per ordinary share under the single tier system which was tax exempt in the hands of the shareholders.               |
| (iii) | Total dividend approved to date for the<br>current financial year:<br>Amount per ordinary share | 15 sen (2018: 15 sen) per ordinary share under the single tier system which is tax exempt in the hands of the shareholders. |
- (b) The dividend will be payable in cash on 26 June 2019; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 18 June 2019.

**NOTICE OF FIRST INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE**

**NOTICE IS HEREBY GIVEN** that a first interim dividend of 15 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967 in respect of the financial year ending 31 December 2019, will be payable in cash on 26 June 2019 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 18 June 2019. A depositor shall qualify for entitlement to the dividend only in respect of:

- (a) shares deposited into the depositor's securities account before 12.30 pm on 17 June 2019 (in respect of shares which are exempted from mandatory deposit);
- (b) shares transferred into the depositor's securities account before 4.30pm on 18 June 2019 in respect of transfers; and
- (c) shares bought on the Bursa Malaysia Securities Berhad (Bursa Securities) on a cum entitlement basis according to the rules of the Bursa Securities.

**16. Auditors' report on preceding annual financial statements**

The auditors' report in respect of the financial statements of the Company for the preceding financial year ended 31 December 2018 was not subject to any qualification.

**BY ORDER OF THE BOARD**

**LIM GUAN NEE**  
**QUAN SHEET MEI**  
Secretaries

Kuala Lumpur  
31 May 2019