CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)
FOR THE FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2019

	Quarter ended			Year ended		
	31.12.2019 RM'000	**31.12.2018** RM'000	***Increase/ (Decrease)***	**31.12.2019** RM'000	**31.12.2018** RM'000	***Increase/ (Decrease)***
Revenue	1,773,856	1,425,945	*24%*	7,096,067	6,246,519	*14%*
Operating expenses	(1,546,171)	(1,420,801)		(6,091,470)	(5,524,600)	
Other operating income	68,632	41,489		154,543	107,042	
Operating profit	296,317	46,633	*>100%*	1,159,140	828,961	*40%*
Finance costs	(79,331)	(63,005)		(262,349)	(186,071)	
Other gain item	550,137	210,267		550,137	726,286	
Share of results of associates and joint ventures	7,673	3,443		29,885	25,002	
Profit before tax	774,796	197,338	*>100%*	1,476,813	1,394,178	*6%*
Tax expense	(66,462)	(33,341)		(257,388)	(207,316)	
Profit for the period	708,334	163,997	*>100%*	1,219,425	1,186,862	*3%*
Profit attributable to:						
Owners of the Company	681,960	156,246	*>100%*	1,162,871	1,145,608	*2%*
Non-controlling interests	26,374	7,751		56,554	41,254	
	708,334	163,997		1,219,425	1,186,862	
Earnings per share (sen)						
Basic	27.39	6.28	*>100%*	46.71	46.01	*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 FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2019

	Quarter ended		Year ended	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	708,334	163,997	1,219,425	1,186,862
Other comprehensive income/(expense) net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	17,539	(1,733)	10,024	(3,555)
Share of foreign currency translation differences of associates and joint ventures	(6,397)	(59)	5,709	1,936
Foreign currency translation differences for foreign operations reclassified to profit or loss	13,285	-	13,285	17,796
Change in fair value of cash flow hedge	1,505	(1,767)	2,312	1,404
	25,932	(3,559)	31,330	17,581
Items that will not be reclassified subsequently to profit or loss				
Remeasurement loss on defined benefit liabilities	-	(13)	-	(13)
	-	(13)	-	(13)
Total other comprehensive income/(expense) for the period	25,932	(3,572)	31,330	17,568
Total comprehensive income for the period	734,266	160,425	1,250,755	1,204,430
Total comprehensive income attributable to:				
Owners of the Company	708,116	152,429	1,194,846	1,164,380
Non-controlling interests	26,150	7,996	55,909	40,050
	734,266	160,425	1,250,755	1,204,430

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 DECEMBER 2019

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	3,234,620	3,157,916
Prepaid lease payments	171,042	180,323
Right-of-use assets	123,864	-
Investment properties	1,795,079	1,600,502
Investment in associates	469,185	440,587
Investment in joint ventures	8,760	7,522
Land held for property development	1,311,767	1,070,354
Intangible assets	43,803	52,847
Trade and other receivables	2,187,918	1,907,341
Other non-current financial assets	21,091	30,282
Deferred tax assets	70,634	35,469
	9,437,763	8,483,143
Current assets		
Inventories	1,779,121	1,724,276
Property development costs	1,085,073	1,243,440
Biological assets	25,714	16,437
Trade and other receivables	2,192,833	2,210,942
Contract assets	465,602	201,405
Tax recoverable	32,497	51,354
Other current financial assets	81,835	4,459
Money market deposits	1,217,369	1,026,716
Cash and bank balances	1,090,206	613,632
	7,970,250	7,092,661
TOTAL ASSETS	17,408,013	15,575,804

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

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000 *(Audited)*
Equity attributable to owners of the Company		
Share capital	3,519,554	3,519,554
Reserves	3,820,789	3,505,927
	7,340,343	7,025,481
Less: Treasury shares	(113)	(93)
	7,340,230	7,025,388
Non-controlling interests	1,278,690	1,271,355
TOTAL EQUITY	8,618,920	8,296,743
Non-current liabilities		
Payables and provisions	156,523	148,997
Borrowings	2,954,093	2,810,553
Lease liabilities	110,245	-
Other non-current financial liabilities	2,267	3,026
Deferred tax liabilities	480,207	483,955
	3,703,335	3,446,531
Current liabilities		
Payables and provisions	1,516,189	1,145,235
Contract liability	8,856	-
Tax payable	91,630	64,925
Borrowings	3,428,062	2,618,430
Lease liabilities	26,745	-
Other current financial liabilities	14,276	3,940
	5,085,758	3,832,530
TOTAL LIABILITIES	8,789,093	7,279,061
TOTAL EQUITY AND LIABILITIES	17,408,013	15,575,804
Net assets per share (RM)	2.95	2.82
Number of shares net of treasury shares ('000)	2,489,670	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 ENDED 31 DECEMBER 2019

	Attributable to Owners of the Company						
	Share capital RM'000	**Non-distributable reserves** RM'000	**Distributable reserves** RM'000	**Treasury shares** RM'000	**Total** RM'000	**Non-controlling interests** RM'000	**Total equity** RM'000
At 1 January 2019							
- 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	-	-	(8,600)	-	(8,600)	(3,035)	(11,635)
- As restated	3,519,554	119,629	3,377,698	(93)	7,016,788	1,268,320	8,285,108
Profit for the period	-	-	1,162,871	-	1,162,871	56,554	1,219,425
Total other comprehensive income for the period	-	31,975	-	-	31,975	(645)	31,330
Total comprehensive income for the period	-	31,975	1,162,871	-	1,194,846	55,909	1,250,755
Purchase of treasury shares	-	-	-	(20)	(20)	-	(20)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(3)	(3)
Dividends	-	-	(871,384)	-	(871,384)	-	(871,384)
Dividends paid/payable to non-controlling interests	-	-	-	-	-	(45,536)	(45,536)
At 31 December 2019	3,519,554	151,604	3,669,185	(113)	7,340,230	1,278,690	8,618,920
At 1 January 2018	3,519,554	69,814	2,548,547	(54)	6,137,861	969,340	7,107,201
Profit for the period	-	-	1,145,608	-	1,145,608	41,254	1,186,862
Total other comprehensive income for the period	-	18,785	(13)	-	18,772	(1,204)	17,568
Total comprehensive income for the period	-	18,785	1,145,595	-	1,164,380	40,050	1,204,430
Changes in ownership interest in a subsidiary	-	57	594,514	-	594,571	310,846	905,417
Transfer to retained profits	-	30,973	(30,973)	-	-	-	-
Purchase of treasury shares	-	-	-	(39)	(39)	-	(39)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(9)	(9)
Dividends	-	-	(871,385)	-	(871,385)	-	(871,385)
Dividends to paid non-controlling interests	-	-	-	-	-	(48,872)	(48,872)
At 31 December 2018	3,519,554	119,629	3,386,298	(93)	7,025,388	1,271,355	8,296,743

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 ENDED 31 DECEMBER 2019

	Year ended	
	31.12.2019	**31.12.2018**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,476,813	1,394,178
Adjustments for:		
Non-cash items	181,760	65,458
Non-operating items	(507,464)	(542,860)
Dividend income	(32,389)	(8,705)
Net interest expense	233,779	163,945
Operating profit before working capital changes	1,352,499	1,072,016
Net changes in working capital	(34,489)	34,359
Net changes in loan receivables	(271,096)	(665,242)
Net tax paid	(246,335)	(241,107)
Net interest paid	(269,293)	(192,819)
Net changes in land held for property development	(221,318)	(455,620)
Net cash flows generated from/(used in) operating activities	309,968	(448,413)
Cash flows from investing activities		
Dividends received from associates and a joint venture	21,917	12,093
Dividends received from equity investment at fair value through other comprehensive income	1,080	720
Dividends received from equity investment at fair value through profit or loss	9,229	-
Dividends received from money market deposits	22,490	7,944
Profit guarantee shortfall received from holding company	175,307	35,578
Increase in money market deposits	(190,645)	(932,134)
Investment in joint ventures	(1,900)	(15)
Acquisition of business	-	(83,928)
Disposal of subsidiaries net of cash disposed	606,210	737,509
Proceeds from disposal of 20% equity interest in a subsidiary	-	905,417
Proceeds from disposal of property, plant and equipment	19,281	9,329
Proceeds from disposal of equity investment at fair value through profit or loss	117,163	14,633
Proceeds from redemption of equity investment at fair value through other comprehensive income	3,000	-
Purchase of equity investment at fair value through profit or loss	(204,674)	(14,217)
Purchase of property, plant and equipment	(263,927)	(194,404)
Additions to investment properties	(174,537)	(104,198)
Net cash flows generated from investing activities	139,994	394,327
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(898,320)	(920,257)
Net drawdown of borrowings	963,848	939,770
Shares repurchased at cost	(23)	(48)
Payment of lease liabilities	(34,368)	-
Net cash flows generated from financing activities	31,137	19,465
Net increase/(decrease) in cash and cash equivalents	481,099	(34,621)
Effects on exchange rate changes	(4,525)	(4)
Cash and cash equivalents at beginning of the period	613,632	648,257
Cash and cash equivalents at end of the period	1,090,206	613,632

Cash and cash equivalents comprise the following amounts:

Deposits with licensed banks	503,888	250,670
Cash in hand and at bank	586,318	362,962
Bank overdrafts	-	-
	1,090,206	613,632

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/ (Decrease) RM’000
Right-of-use assets	177,161
Trade and other receivables	(5,580)
Lease liabilities	183,216
Retained profits	(8,600)
Non-controlling interests	(3,035)

2. **Comments on the seasonality or cyclicality 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 interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

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

Shares buyback

During the current quarter, there was no buyback of shares, resale nor cancellation of treasury shares. Accordingly, the total number of shares bought back and retained as treasury shares during the interim period remained unchanged at 2,000.

As at 31 December 2019, the Company held 12,000 ordinary shares as treasury shares and the issued share capital of the Company remained unchanged at 2,489,681,583 ordinary shares.

(The remainder of this page has been intentionally left blank)

6. **Dividends**

The dividend paid out of shareholders' equity for ordinary shares during the interim period and preceding year corresponding period were as follows:

	Year ended	
	31.12.2019	**31.12.2018**
	RM'000	RM'000
Dividend in respect of financial year ended 31 December 2018:		
- first interim (15 sen) under the single tier system approved by the Directors on 31 May 2018 and paid on 28 June 2018	-	373,451
- second interim (20 sen) under the single tier system approved by the Directors on 22 November 2018 and paid on 19 December 2018	-	497,934
Dividend in respect of financial year ended 31 December 2019:		
- first interim (15 sen) under the single tier system approved by the Directors on 31 May 2019 and paid on 26 June 2019	373,450	-
- second interim (20 sen) under the single tier system approved by the Directors on 21 November 2019 and paid on 18 December 2019	497,934	-
	871,384	871,385

(The remainder of this page has been intentionally left blank)

7. **Segment information**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Current quarter ended 31 December 2019									
Revenue									
External revenue	124,863	569,223	62,397	418,074	397,614	201,685	-	-	1,773,856
Inter-segment revenue	-	6,938	15,564	2,819	14,674	18,543	-	(58,538)	-
Total revenue	124,863	576,161	77,961	420,893	412,288	220,228	-	(58,538)	1,773,856
Operating profit	32,659	263,900	60,080	(20,284)	(3,798)	(1,204)	(21,026)	(14,010)	296,317
Finance costs									(79,331)
Other gain items									550,137
Share of results of associates and joint ventures									7,673
Profit before tax									774,796
Preceding year quarter ended 31 December 2018									
Revenue									
External revenue	96,094	190,817	63,736	324,432	517,442	233,424	-	-	1,425,945
Inter-segment revenue	-	4,372	16,886	1,999	23,611	16,379	-	(63,247)	-
Total revenue	96,094	195,189	80,622	326,431	541,053	249,803	-	(63,247)	1,425,945
Operating profit	9,989	82,466	69,714	(11)	4,950	(134,252)	2,664	11,113	46,633
Finance costs									(63,005)
Other gain items									210,267
Share of results of associates and joint ventures									3,443
Profit before tax									197,338

7. **Segment information (continued)**

	Plantation RM'000	Property RM'000	Credit financing RM'000	Automotive RM'000	Trading RM'000	Building materials RM'000	Other non-reportable segments RM'000	Eliminations RM'000	Consolidated RM'000
Year ended 31 December 2019									
Revenue									
External revenue	418,598	2,046,665	245,554	1,489,256	2,108,680	787,314	-	-	7,096,067
Inter-segment revenue	-	21,752	69,695	5,166	71,615	75,682	-	(243,910)	-
Total revenue	418,598	2,068,417	315,249	1,494,422	2,180,295	862,996	-	(243,910)	7,096,067
Operating profit	39,351	914,849	259,097	(34,392)	41,580	22,141	(15,835)	(67,651)	1,159,140
Finance costs									(262,349)
Other gain item									550,137
Share of results of associates and joint ventures									29,885
Profit before tax									1,476,813
Segment assets	2,159,884	6,344,058	3,458,129	1,178,818	850,575	1,757,792	1,077,681	-	16,826,937
Segment liabilities	73,779	1,629,031	2,128,228	482,344	782,184	760,265	2,361,425	-	8,217,256
Year ended 31 December 2018									
Revenue									
External revenue	390,756	1,155,565	231,400	1,420,230	2,132,959	915,609	-	-	6,246,519
Inter-segment revenue	-	15,512	60,412	5,101	95,684	63,424	-	(240,133)	-
Total revenue	390,756	1,171,077	291,812	1,425,331	2,228,643	979,033	-	(240,133)	6,246,519
Operating profit	37,151	648,921	246,936	18,963	53,585	(135,474)	(2,980)	(38,141)	828,961
Finance costs									(186,071)
Other gain item									726,286
Share of results of associates and joint ventures									25,002
Profit before tax									1,394,178
Segment assets	2,084,732	5,234,840	2,795,266	884,664	1,017,887	1,802,335	1,221,148	-	15,040,872
Segment liabilities	21,022	1,394,281	1,829,101	223,100	833,261	742,445	1,686,971	-	6,730,181

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 20 February 2020 that have not been reflected in these financial statements are as follows:-

(a) On 17 October 2019, *Hap Seng Land Development Sdn Bhd ["HSLD"] incorporated a wholly-owned subsidiary namely, Sierra Ventures Sdn Bhd ["Sierra"]. Sierra has an issued share capital of RM1.00 comprising 1 ordinary share and to carry out food and beverage business. Subsequently, on 15 January 2020, Sierra had issued and allotted 44,999 ordinary shares at an issue price of RM1.00 per share for cash as capital of Sierra to the following allottees:-

Name of Allottees	No. of ordinary shares	Consideration (RM)
HSLD	35,999	35,999.00
Trip Dynasty Sdn Bhd	9,000	9,000.00

With the aforesaid allotment, Sierra has become a 80%-owned subsidiary of the Company.

(b) On 22 January 2020, *Hap Seng Auto Sdn Bhd incorporated a wholly-owned subsidiary namely, Empire Translink Sdn Bhd ["Empire Translink"]. Empire Translink has an issued share capital of RM1.00 comprising 1 ordinary share and is currently dormant.

(c) On 11 February 2020, *HSC International Limited incorporated four wholly-owned subsidiaries in Singapore namely, HSC London Holding Pte Ltd, HSC Leeds Holding Pte Ltd, HSC Bristol Holding Pte Ltd and HSC Nottingham Holding Pte Ltd. All the subsidiaries have an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and are principally involved in investment holding.

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

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 Sino Ceramics Sdn Bhd *(formerly known as MMSB2 Factory Sdn Bhd)* ["Sino"] comprising 1 ordinary share at a cash consideration of RM1.00. Sino is a private limited company incorporated in Malaysia and is principally involved in the manufacture and sale of porcelain and ceramic tiles. On 29 April 2019, Sino had issued and allotted 9,999,999 ordinary shares at an issue price of RM1.00 per share for cash as capital of Sino 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, Sino has become a 19% joint venture of the Company.

(b) On 7 February 2019, *HSC Melbourne Pty Ltd ['HMPL"] 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.

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 (continued)**

(c) On 7 February 2019, *HSC Brisbane Pty Ltd [‘HBPL”] 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 principally involved in dealing in commercial vehicles, spare parts and servicing of commercial vehicles.

(e) On 23 July 2019 [“said date”], *HSC Melbourne Holding Pte Ltd [“HSC Melbourne”] entered into a shares sale agreement with Lei Shing Hong Capital Limited [“LSHCL”], a wholly-owned subsidiary of Lei Shing Hong Limited [“LSH”], pursuant to which HSC Melbourne had agreed to dispose 80,000,100 ordinary shares representing 100% of the issued share capital of HS Credit (Melbourne) Pty Ltd [“HCMPL”] for a cash consideration of USD175.50 million (translated to RM721.74 million based on the Bank Negara Malaysia’s middle exchange rate as at 5.00 p.m. on 22 July 2019 rate of USD1.00: RM 4.1125) [“Sale Consideration” and “Proposed HCMPL Disposal”].

The Proposed HCMPL Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd [“Gek Poh”] and was a 56.00% major shareholder and director of Gek Poh.

As at said date, Gek Poh’s aggregate shareholdings in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd [“HSIS”], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited [“LSHI”], a company incorporated in Hong Kong and a wholly-owned subsidiary of LSHCL which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed HCMPL Disposal.

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HCMPL Disposal.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH. Premised on Datuk Simon Shim Kong Yip’s common directorship in the Company and LSH, he was interested in the Proposed HCMPL Disposal.

The interested or deemed interested directors and shareholders had abstained from voting and that they had ensured that persons connected to them have abstained from voting in respect of their direct and/or indirect shareholdings on the resolution in relation to the Proposed HCMPL Disposal during the extraordinary general meeting of the Company held on 8 November 2019 [“EGM”], during which shareholders’ approval was obtained in respect of the Proposed HCMPL Disposal. On 13 November 2019, HSC Melbourne had received the balance sum of USD157.95 million representing 90% of the Sales Consideration from LSHCL with which the Proposed HCMPL Disposal was completed on even date.

The Proposed HCMPL Disposal resulted in a gain of approximately RM472 million to the Group.

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 (continued)**

(f) On 25 October 2019, *HSC International Limited incorporated a wholly-owned subsidiary in Singapore namely, HSC Manchester Holding Pte Ltd [“HSC Manchester”]. HSC Manchester has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.

(g) As part of the Group’s re-organisation, *HSC Manchester Holding Limited had on 31 October 2019 transferred 1 ordinary share representing the entire issued and paid-up share capital of *HS Credit (Manchester) Ltd [“HCML”] to *HSC Manchester Holding Pte Ltd for a cash consideration of GBP1.00. HCML is a private limited company incorporated in United Kingdom 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 20 February 2020, other than the following:

On 23 October 2017, Malaysian Mosaics Sdn Bhd [“MMSB”], a wholly-owned subsidiary of the Company, the registered and beneficial owner of all that parcel of 60-year leasehold land which lease is due to expire on 3 April 2060 (with an unexpired term of 43 years) with a provisional titled land area of approximately 12.1406 hectares and actual surveyed area of 12.06 hectares held under H.S.(D) 43799, Lot No. PTD 53638 (New Lot No. 44876), Mukim and District of Kluang, State of Johor Darul Ta’zim [the “Kluang Land”] entered into a sale and purchase agreement [“MMSB SPA”] to dispose of the Kluang Land together with various buildings for the production and manufacturing of floor and wall tiles [the “MMSB Buildings”] erected thereon [the “Kluang Land” and the “MMSB Buildings” are collectively referred to as the “said Property”] to Byorion Sdn Bhd [“Byorion”], a wholly-owned subsidiary of Akal Megah Sdn Bhd which in turn is wholly-owned by Lei Shing Hong Limited, for a cash consideration of RM97.5 million [“MMSB Disposal”].

Simultaneous with the execution of MMSB SPA, MMSB entered into a lease agreement with Byorion [“Lease Agreement”] whereby MMSB as the lessee shall lease back from Byorion as the lessor, the said Property for an initial period of 10 years [“Initial Period”] at a monthly rental of RM337,949.00 with an option to renew for a further term of 10 years subject to the terms contained therein which Initial Period shall commence upon completion of the MMSB SPA [“Leaseback”].

The MMSB SPA was completed on 25 October 2017 with the full purchase consideration paid by Byorion and accordingly, the Leaseback has become effective on the same day.

On 15 November 2019, MMSB and Byorion had entered into a deed of rescission and revocation mutually agreeing to rescind MMSB SPA and the Lease Agreement upon the terms and conditions contained therein due to the inability of Byorion to register the transfer in its favour.

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

Except for the contingent consideration receivable as disclosed in Note 4(c) of Part B, the Group does not have any contingent liability or contingent asset as at the end of the year which is expected to have an operational or financial impact on the Group.

12. **Capital commitments**

The Group has the following capital commitments:

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000 *(Audited)*
Contracted but not provided for		
- property, plant and equipment	67,500	36,504
- investment properties	52,073	286,621
	119,573	323,125

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 and 30 May 2019, except for the followings:

(a) On 13 June 2019 ["said date"], Hap Seng Properties Development Sdn Bhd ["HSPD"], a wholly-owned subsidiary of the Company, was the registered owner of all that parcel of vacant leasehold land held under CL 105241245 measuring approximately 20.77 acres situated at Mukim of Tinagat, located within the Bandar Sri Indah development at Mile 10, Apas Road, District of Tawau, State of Sabah [the "said Land"] entered into a sale and purchase agreement to dispose the said Land, to Goldcoin Ventures Sdn Bhd, the wholly-owned subsidiary of Akal Megah Sdn Bhd ["Akal Megah"] which in turn was wholly-owned by Lei Shing Hong Limited ["LSH"], for a cash consideration of RM27,142,000 ["Proposed HSPD Disposal"].

The Proposed HSPD Disposal was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ["Tan Sri Lau"] was deemed to have a 50.10% shareholding in LSH comprising 37.68% shareholding held via Lead Star Business Limited and 12.42% shareholding held via Gek Poh (Holdings) Sdn Bhd ["Gek Poh"] and was a 56.00% major shareholder and director of Gek Poh.

As at said date, Gek Poh's aggregate shareholding in the Company was 60.83%, comprising 54.63% direct shareholding and 6.20% indirect shareholding through Hap Seng Insurance Services Sdn Bhd ["HSIS"], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited ["LSHI"], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited ["LSHCL"] which in turn is the wholly-owned subsidiary of LSH, was a 13.08% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the Proposed HSPD Disposal.

As at said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh, which held 12.42% equity interest in LSH and therefore a major shareholder of LSH. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the Proposed HSPD Disposal.

As at said date, Datuk Simon Shim Kong Yip was a non-independent non-executive director of the Company and a non-executive director of LSH and a director of Akal Megah. Premised on Datuk Simon Shim Kong Yip's common directorship in the Company, LSH and Akal Megah, he was interested in the Proposed HSPD Disposal.

The Proposed HSPD Disposal was completed on 25 June 2019 with the full purchase consideration paid by the purchaser and resulted in a net gain of approximately RM20.27 million to the Group.

(b) Proposed HCMPL Disposal as disclosed in Note 9(e) above.

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 RM1.77 billion was 24% higher than the preceding year corresponding quarter of RM1.43 billion with higher revenue from Plantation, Property and Automotive Divisions but reduced somewhat by lower revenue from Credit Financing, Trading and Building Materials Divisions. Operating profit of the Group for the current quarter was RM296.3 million, significantly higher than the preceding year corresponding quarter of RM46.6 million with improved contribution from Plantation, Property and Building Materials Divisions. In the current quarter, the Group's results also included a gain of RM472 million from the disposal of HSCMPL as disclosed in Note 9(e) of Part A. Consequently, Group profit before tax ["PBT"] and profit after tax ["PAT"] for the current quarter at RM774.8 million and RM708.3 million were substantially higher than the preceding year corresponding quarter by 293% and 332% respectively.

Plantation Division's revenue for the current quarter at RM124.9 million was 30% higher than the preceding year corresponding quarter, mainly attributable to higher sales volume and better average selling price realization of Crude Palm Oil ["CPO"]. CPO sales volume for the current quarter at 45,577 tonnes was 13% above the preceding year corresponding quarter, benefitted mainly from favourable inventories movement inspite of lower CPO production. PK sales volume was 12% lower at 10,079 tonnes mainly due to lower PK production. Production for both CPO and PK in the current quarter were lower by 15% and 19% as a consequence of lower fresh fruit bunches ["FFB"] production by 14% as compared to the preceding year corresponding quarter due to seasonal yield trend. The lower production has also resulted in higher unit production cost of CPO per tonne. Average selling price of CPO and PK for the current quarter were RM2,376 per tonne and RM1,435 per tonne respectively as compared to the preceding year corresponding quarter of RM1,922 per tonne for CPO and RM1,485 per tonne for PK. Overall, the division's operating profit for the current quarter at RM32.7 million was significantly higher than the preceding year corresponding quarter of RM10 million.

The Property Division's revenue and operating profit for the current quarter at RM576.2 million and RM263.9 million were significantly higher than the preceding year corresponding quarter by 195% and 220% respectively. The improved performance was mainly from higher sales of non-strategic properties and its property development and construction activities. The division's ongoing property development projects in both Sabah and Klang Valley recorded higher units sold with higher progress completion. Construction activities recorded higher revenue in tandem with the higher progress completion with respect to the construction of the Shah Alam Industrial Hub on a 20 acres land which is targeted for completion by the third quarter of 2020.

Credit Financing Division's revenue and operating profit for the current quarter at RM78 million and RM60.1 million were lower than the preceding year corresponding quarter by 3% and 14% respectively. The division's performance was affected by lower average loan base for the current quarter due to early redemption and settlement of loans although loan base at the end of the current quarter of RM3.88 billion was 7% above the preceding year corresponding quarter of RM3.64 billion. Non-performing loans ratio at the end of the current quarter and year improved further to 1.34% from 1.67% at the end of the preceding year. The division has commenced operations in Birmingham, United Kingdom and is currently building up its customers' loan base and portfolio. The credit financing business in Melbourne, Australia was divested in the current quarter via the disposal of HSCMPL as disclosed in Note 9(e) of Part A.

1. **Review of performance (continued)**

Automotive Division's revenue for the current quarter at RM420.9 million was 29% above the preceding year corresponding quarter with higher revenue from all segments. The passenger car segment recorded 6% improvement in revenue with higher number of cars sold which was 18% above the preceding year corresponding quarter whilst the after sales and services segment recorded 25% increase in revenue with 11% increase in throughput. The commercial vehicle wholesale distribution and retail businesses which commenced operations in November 2018 and July 2019 respectively contributed 26% to the division's current quarter revenue. Inspite of the higher revenue, the division incurred an operating loss of RM20.3 million as compared to the preceding year corresponding quarter's operating loss of RM11,000 mainly affected by lower margins from the passenger car segment due to the competitive and challenging market conditions whilst its commercial vehicle wholesale distribution and retail businesses were affected by start-up and dealers' network development costs.

Trading Division which comprises the fertilizers trading and general trading businesses recorded total revenue of RM412.3 million for the current quarter, 24% lower than the preceding year corresponding quarter. Fertilizers trading business' revenue for the current quarter at RM259 million was 23% below the preceding year corresponding quarter, affected by lower sales volume from all the geographical markets in which it operates but mitigated somewhat by better average selling prices from its Malaysian and Indonesian operations. General trading revenue for the current quarter at RM153.3 million was 25% lower than the preceding year corresponding quarter mainly due to slowdown in construction sector. Trading Division continues to operate under very competitive market conditions which have eroded its trading margins. Consequently, the division incurred an operating loss of RM3.8 million in the current quarter as compared to the preceding year corresponding quarter's operating profit of RM5 million.

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"]. In the current quarter, the division's revenue was RM220.2 million, 12% below the preceding year corresponding quarter of RM249.8 million with lower revenue from all its business segments. The division's revenue from quarry, asphalt and bricks businesses for the current quarter was 9% below the preceding year corresponding quarter whilst revenue from MMSB and Hafary were lower than the preceding year corresponding quarter by 20% and 8% respectively, generally affected by the soft and competitive market environment in which they operate. Overall, the division registered an operating loss of RM1.2 million for the current quarter as compared to the preceding year corresponding quarter's operating loss of RM134.3 million. In the preceding year corresponding quarter, the division's results were affected by the shutdown costs of MMSB 2 plant and impairment losses on certain plant and equipment resulting from this shutdown and from the rationalisation of its quarry and asphalt businesses.

Overall, Group PBT and PAT for the year at RM1.48 billion and RM1.22 billion were higher than the preceding year by 6% and 3% respectively. Profit attributable to owners of the Company for the year at RM1.16 billion was 2% higher than the preceding year. Similarly, basic earnings per share for the year at 46.71 sen was 2% higher than last year's 46.01 sen.

(The remainder of this page has been intentionally left blank)

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

	Current Quarter ended 31.12.2019 RM'000	**Immediate Preceding Quarter ended 30.9.2019** RM'000	***Increase/ (Decrease)***
Revenue	1,773,856	1,826,561	*(3%)*
Operating profit	296,317	323,825	*(8%)*
Profit before tax	774,796	270,822	*>100%*

Group PBT for the current quarter at RM774.8 million was 186% higher than the immediate preceding quarter. The current quarter's Group PBT included a gain of RM472 million from the disposal of HSCMPL. Excluding this gain, Group PBT at RM302.8 million was 12% higher than the immediate preceding quarter of RM270.8 million.

In the current quarter, the Group also benefitted from improved performances in Plantation and Property Divisions and the recognition of profit guarantee of RM91.9 million in relation to the acquisition of MMSB as disclosed in Note 4(b) below.

Plantation Division's operating profit for the current quarter of RM32.7 million as compared to the immediate preceding quarter's of RM3.1 million, benefitted from better sales volume and higher average selling price for CPO and PK as well as lower unit production cost of CPO per tonne. Sales volume of CPO and PK for the current quarter were 20% and 33% above the immediate preceding quarter of 37,828 tonnes and 7,571 tonnes respectively mainly attributable to higher FFB production over the immediate preceding quarter by 17% due to changes in seasonal yield trend. Average selling price per tonne of CPO and PK were 17% and 20% higher than the immediate preceding quarter of RM2,038 and RM1,198 respectively.

Property Division's operating profit for the current quarter at RM263.9 million was 9% higher than the immediate preceding quarter of RM242.3 million mainly attributable to better performance from its property development and construction activities as well as gains from fair value adjustments of its investment properties.

(The remainder of this page has been intentionally left blank)

3. **Current year prospects**

In the 2019 fourth quarter bulletin on macroeconomic outlook by Bank Negara Malaysia, it was stated that "(g)oing into 2020, growth, particularly in the first quarter of the year, will be affected by the coronavirus outbreak. The impact will be felt largely in tourism-related sectors, and to a certain extent, in the manufacturing sector through disruptions within the global supply chain and the expected slowdown in PR China. The overall impact on the Malaysian economy will, however, depend on the duration and spread of the outbreak as well as policy responses by authorities."

Malaysian palm oil inventories as of end December 2019 was 2.01 million tonnes (December 2018: 3.22 million) and declined further to 1.76 million tonnes as at end January 2020 as compared to same period last year of 3 million tonnes in tandem with the lower CPO production. Exports in the first 10 days of February 2020 declined between 20% and 29.4% as compared to the same period in January 2020, according to cargo surveyors, Intertek Testing Services, Societe Generale de Surveillance and Amspec Agri Malaysia. Shipments to India and China are expected to be subdued in the first quarter of 2020 due to the current restriction on refined palm oil by India and the Covid-19 outbreak in China. The lower Malaysian palm oil inventories in December 2019, supported higher CPO prices of above RM3,000 per tonne from end December 2019 to first half of January 2020. However, CPO prices subsequently fell below RM3,000 per tonne on fear of demand drawback and supply disruption to major markets due to the Covid-19 outbreak. CPO production and palm oil inventories in the first quarter of 2020 are expected to remain low which may support CPO prices in the near term.

The Malaysian property market is expected to remain challenging in 2020 as it continues to be affected by affordability issues of domestic purchasers, slower economic growth affected by the Covid-19 outbreak in China and high levels of unsold stock. Nevertheless, Property Division will continue to place concerted efforts to drive sales and progress completion of its current development projects as well as optimising the occupancy rates and rental yield of its investment properties.

Credit Financing Division remains cautious in its business approach in view of the current global and domestic economic environment. Greater emphasis is placed on managing credit risks and its cost of funds and funding requirements to improve interest yield as well as ensuring its non-performing loans are at an acceptable level.

The Malaysian automotive industry expects subdued operating environment in 2020 amidst weakening consumer sentiments, intense competition, stringent hire purchase loan requirements and the Covid-19 outbreak. Notwithstanding this, the division will continue to grow its market share in the passenger car segment through its expanded network of autohauses and pre-owned car centres whilst expanding its commercial vehicle market coverage through its upgraded commercial vehicle dealers' network with more dedicated 3S dealerships. The division is focussed on continuously improving its productivity and efficiency of its after sales and services segment to provide service excellence to its customers.

The Trading Division expects the competitive business environment of its fertilizers and general trading business in all its geographical markets to remain. In addition, the Covid-19 outbreak could negatively impact its supply chain. Nevertheless, it expects fertilizers' demand to improve in 2020 after the deferment of fertilizer applications by planters in 2019 due to low CPO prices. The general trading business will continue to grow its market share whilst improving trading margins, managing credit risk and collections to protect its profitability.

Building Materials Division's operations via MMSB and Hafary are expected to be affected by supply disruptions due to the Covid-19 outbreak. Nevertheless, MMSB will continue to focus on growing its OEM products through strategic partnerships with reputable tiles manufacturers in the region and place concerted efforts on reducing costs and inventories to improve profitability. Hafary will continue to focus on renovation activities from the private property resale market and public housing projects. The division will strengthen its quarry business in Sabah to benefit from the expected potential growth in that region.

Subject to the uncertainties arising from the foregoings, the Group is cautiously optimistic of achieving satisfactory results for the financial year ending 31 December 2020.

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

(a) Profit Forecast

The Company has not provided any profit forecast in any public document.

(b) Profit Guarantee

In the acquisition of Malaysian Mosaics Sdn Bhd [“MMSB”] in the financial year 2016, the Company entered into a shares sale agreement with Gek Poh (Holdings) Sdn Bhd [“Gek Poh”], whereby Gek Poh has provided a guarantee that the consolidated profit after tax [“PAT”] of MMSB shall not be less than the amount as set out below for the 5 financial years commencing from financial year ended 31 December 2016 [“Guaranteed PAT”].

The Guaranteed PAT and the audited/unaudited PAT up to the year ended 31 December 2019 are as follows:

	Guaranteed PAT RM’000	PAT RM’000	Surplus/ (shortfall) RM’000
31 December 2016	30,710	*30,826	116
31 December 2017	40,927	**5,233	(35,694)
31 December 2018	53,897	***(121,410)	(175,307)
31 December 2019	67,523	**** (24,328)	(91,851)
31 December 2020	81,973	-	-
Total	275,030	(109,679)	(302,736)

* *audited PAT*

** *audited PAT, excluding the net gain from disposal of land and buildings of approximately RM60.33 million*

*** *audited PAT, including impairment loss and shutdown costs of MMSB 2 plant*

**** *unaudited PAT*

Based on the unaudited results of MMSB for the financial year ended 31 December 2019, the Guaranteed PAT for the financial year ended 31 December 2019 has not been fulfilled, therefore, Gek Poh has an obligation to pay the shortfall of RM91.851 million to the Company. Accordingly, the Company has recognised the aforesaid profit guarantee shortfall in the profit or loss as disclosed in Note 5 below.

(c) Contingent Consideration

The Company has reassessed the projected profits for each of the remaining profit guarantee years to determine the fair value of contingent asset, if any, to be recognised for the potential right to the return of previously transferred consideration. A reversal of contingent asset of RM27.886 million has been recognised in the profit or loss as disclosed in Note 5 below.

(The remainder of this page has been intentionally left blank)

5. **Profit before tax**

	Quarter ended		Year ended	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	14,542	9,026	28,570	22,126
Dividend income from equity investment at fair value through other comprehensive income	150	180	670	720
Dividend income from equity investment at fair value through profit or loss	-	-	9,229	-
Dividend income from money market deposits	6,456	4,692	22,490	7,985
Gain /(Loss) on equity investment at fair value through profit or loss	1,484	(494)	(8,348)	(78)
(Loss)/Gain on money market deposits at fair value	(1,351)	3,132	8	3,592
Interest expense	(79,331)	(63,005)	(262,349)	(186,071)
Depreciation and amortisation	(47,328)	(46,600)	(215,289)	(187,425)
Net allowance of impairment losses - trade receivables	(13,501)	(1,590)	(21,285)	(13,006)
Net inventories written down	(14,389)	(19,155)	(21,773)	(28,807)
Gain on disposal of property, plant and equipment	247	337	5,545	1,839
Impairment loss on property, plant and equipment	(2,325)	(42,033)	(2,325)	(42,033)
Impairment loss on right-of-use assets	(1,595)	-	(1,595)	-
Property, plant and equipment written off	(2,098)	(16,850)	(5,208)	(18,642)
Prepaid lease payments written off	(870)	-	(870)	-
Investment property written off	-	-	(318)	-
Bad debts written off	(112)	(575)	(129)	(628)
Net foreign exchange (loss)/gain	(23,687)	(7,568)	(17,622)	2,541
Gain on hedging activities	-	448	-	-
(Loss)/Gain on non-hedging derivative instruments	(3,304)	3,503	(1,422)	2,220
Gain from fair value adjustments of investment properties	25,566	1,490	25,566	1,490
Gain/(Loss) on fair value of biological assets	3,514	(9,423)	9,277	(3,113)
Recovery of bad debts	390	82	769	898
Other gain/(loss) items				
- Gain on disposal of a subsidiary	472,034	-	472,034	516,019
- Reversal of impairment loss/(Impairment loss) on investment in associates	14,138	(24,134)	14,138	(24,134)
- Reversal of impairment loss on intangible assets - customer relationship	-	10,404	-	10,404
- Profit guarantee shortfall from holding company	91,851	175,307	91,851	175,307
- Contingent consideration	(27,886)	48,690	(27,886)	48,690
	550,137	210,267	550,137	726,286

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 ended	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	68,370	32,657	294,362	230,131
- deferred tax	4,781	(16,989)	(29,975)	(31,568)
	73,151	15,668	264,387	198,563
In respect of prior period				
- income tax	2,337	(1,874)	1,980	(10,910)
- deferred tax	(9,026)	3,918	(8,979)	4,034
	(6,689)	2,044	(6,999)	(6,876)
In respect of change in Real Property Gains Tax rates				
- deferred tax	-	15,629	-	15,629
	66,462	33,341	257,388	207,316

The Group's effective tax rate (excluding tax in respect of prior periods) for the current quarter and the year as well as preceding year corresponding quarter and year were lower than the statutory tax rate mainly due to certain gains not subjected to tax.

The income tax credit in respect of prior periods in the preceding year was mainly attributable to the tax benefit derived from the investment tax allowance on the Plantation Division's biogas plant whilst the deferred tax credit in the current year was due to reversal of certain deferred tax provision in prior periods.

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 20 February 2020.

(The remainder of this page has been intentionally left blank)

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 Per *Circular RM'000	**Adjusted RM'000	As at 31 December 2019 Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	%	Explanation
Repayment of borrowings	250,000	250,000	250,000	-	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
Working capital requirements:								
(i) Part finance the cost of property developments in Klang Valley								
(a) Jalan Kia Peng Service Apartment	100,000	100,000	39,436	60,564		-	-	
(b) Menara Hap Seng 3	200,000	200,000	193,846	6,154		-	-	
	300,000	300,000	233,282	66,718		-	-	
(ii) Purchase of inventories								
(a) automobile	20,664	30,293	31,884	-		# (1,591)	(5)	
(b) fertilisers	30,000	30,000	30,000	-		-	-	
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	30,000	-		-	-	
	80,664	90,293	91,884	-		(1,591)	(5)	
	380,664	390,293	325,166	66,718		(1,591)	(5)	
Investments purposes	140,000	140,000	138,326	-		1,674	1	The net under spent has been utilised for working capital requirement of item (ii)(a) #
Estimated expenses	500	500	583	-		(83)	(17)	
	771,164	780,793	714,075	66,718		-		

* *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 of 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:

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

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

(c) The status of the utilisation of proceeds from disposal of HCMPL as disclosed in Note 9(e) of Part A is as follows:

Purpose	Proposed Utilisation Per *Circular RM'000	**Adjusted RM'000	As at 31 December 2019 Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	%	Explanation
Repayment of borrowings	500,000	500,000	170,000	330,000				
Working capital requirements:								
(i) Property development and property investment costs *Part finance the KL Midtown mixed Development and the construction of Hyatt Centric Kota Kinabalu hotel*	125,000	125,000	93,303	31,697	Within 24 months from completion	-	-	Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
(ii) Purchase of inventories								
(a) Fertilisers	40,000	40,000	6,900	33,100		-	-	
(b) Automobiles	26,044	33,064	33,148	-		# (84)	(0.3)	
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	5,000	25,000		-	-	
	96,044	103,064	45,048	58,100		(84)	(0.3)	
	221,044	228,064	138,351	89,797		(84)	(0.3)	
Estimated expenses	700	700	616	-		84	12	The net under spent has been utilised for working capital requirement of item (ii)(b) #
	721,744	728,764	308,967	419,797		-		

* *Circular to Shareholders dated 22 October 2019.*

** *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 RM7.020 million which was allocated to the proposed utilisation for working capital requirement of item (ii)(b).*

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.

The Group's borrowings are as follows:

	As at 31.12.2019					
	Denominated in					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
Current						
Secured						
- Term loans	-	-	15,548	-	-	15,548
- Revolving credits	-	-	104,524	-	-	104,524
- Finance leases	-	-	413	-	-	413
	-	-	120,485	-	-	120,485
Unsecured						
- Term loans	422,248	450,340	122,813	-	-	995,401
- Revolving credits	1,484,600	288,816	-	-	57,805	1,831,221
- Trust receipts	-	-	30,096	17,894	-	47,990
- Bankers' acceptances	429,364	3,601	-	-	-	432,995
	2,336,212	742,757	152,909	17,894	57,805	3,307,577
Total current borrowings	2,336,212	742,757	273,394	17,894	57,805	3,428,062
Non-current						
Secured						
- Term loans	-	-	236,009	-	-	236,009
- Finance leases	-	-	556	-	-	556
	-	-	236,565	-	-	236,565
Unsecured						
- Term loans	666,300	361,228	-	-	-	1,027,528
- Medium term notes	1,690,000	-	-	-	-	1,690,000
	2,356,300	361,228	-	-	-	2,717,528
Total non-current borrowings	2,356,300	361,228	236,565	-	-	2,954,093
Total borrowings	4,692,512	1,103,985	509,959	17,894	57,805	6,382,155

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

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

	As at 31.12.2018						
	Denominated in						
	RM	USD	SGD	Euro	IDR	RMB	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Current</u>							
Secured							
- Term loans	-	-	13,446	-	-	-	13,446
- Revolving credits	-	-	90,915	-	-	-	90,915
- Finance leases	-	-	1,227	-	-	-	1,227
	-	-	105,588	-	-	-	105,588
Unsecured							
- Term loans	358,316	203,718	12,122	-	-	-	574,156
- Revolving credits	1,429,500	41,242	-	-	155,884	1,940	1,628,566
- Trust receipts	-	-	48,291	28,835	-	-	77,126
- Bankers' acceptances	222,994	-	-	-	-	-	222,994
- Commercial papers	10,000	-	-	-	-	-	10,000
	2,020,810	244,960	60,413	28,835	155,884	1,940	2,512,842
Total current borrowings	2,020,810	244,960	166,001	28,835	155,884	1,940	2,618,430
<u>Non-current</u>							
Secured							
- Term loans	-	-	250,804	-	-	-	250,804
- Finance leases	-	-	991	-	-	-	991
	-	-	251,795	-	-	-	251,795
Unsecured							
- 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
Total non-current borrowings	1,715,734	720,534	374,285	-	-	-	2,810,553
Total borrowings	3,736,544	965,494	540,286	28,835	155,884	1,940	5,428,983

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 then 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, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing on 26 to 27 March 2020.

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 then 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, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing on 26 to 27 March 2020.

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

(The remainder of this page has been intentionally left blank)

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 December 2019 are as follows:

	Contract/ Notional Value	**Fair Value: Assets/ (Liabilities)**	**Gain/(loss) On Derivative Instruments**	**Gain/(loss) On Hedged Items**	**Net Gain/(loss)**
	RM'000	RM'000	RM'000	RM'000	RM'000
Forward currency contracts of less than 1 year (USD/Euro/RMB)					
- Designated as hedging instruments*	215,901	(4,413)	(4,303)	4,536	233
- Not designated as hedging instruments	278,877	(3,364)	(525)	(897)	(1,422)
	494,778	(7,777)	(4,828)	3,639	(1,189)
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 2 years (USD)					
- Designated as hedging instruments*	885,878	(1,303)	(12,733)	14,812	2,079

* *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.

(The remainder of this page has been intentionally left blank)

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 (Birmingham) Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 31 December 2019 given by the Company's moneylending subsidiaries are as follows:

		Secured	**Unsecured**	**Total**
		RM'000	RM'000	RM'000
(a)	To companies	2,690,923	129	2,691,052
(b)	To individuals	356,639	1,181	357,820
(c)	To companies within the listed issuer group	430,062	396,509	826,571
(d)	To related parties	-	-	-
		3,477,624	397,819	3,875,443

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

		As at 31.12.2019
		RM'000
(a)	Loans given by corporations within the Group to the moneylending subsidiaries	3,390
(b)	Borrowings which are secured by corporations within the Group in favour of the moneylending subsidiaries	-
(c)	Other borrowings	2,043,293
		2,046,683

(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	39,773
(c)	Loans reclassified as performing during the financial year	(16,381)
(d)	Amount recovered	(30,937)
(e)	Amount written off	(1,485)
(f)	Loans converted to securities	-
(g)	Balance as at 31.12.2019	51,881
(h)	Ratio of net loans in default to net loans	1.34%

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)
1st	Term Loan	420,000	419,655	Yes	467,834	Yes*	3 - 72
2nd	Term Loan	228,280	226,742	Yes	224,288	No	72
3rd	Term Loan	247,000	182,785	No	-	Yes*	36
4th	Term Loan	130,000	134,351	Yes	386,540	No	8 - 84
5th	Term Loan	262,000	131,031	No	-	Yes*	3 - 30

* *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 ended	
	31.12.2019	**31.12.2018**	**31.12.2019**	**31.12.2018**
Profit attributable to owners of the Company (RM'000)	681,960	156,246	1,162,871	1,145,608
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	2,489,670	2,489,673	2,489,670	2,489,674
Basic EPS (sen)	27.39	6.28	46.71	46.01

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

(The remainder of this page has been intentionally left blank)

15. **Dividend**

Dividends for the current financial year ended 31 December 2019 were as follows:

(a) first interim dividend of 15 sen (2018: 15 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said interim dividend was approved by the Directors on 31 May 2019 and paid on 26 June 2019;

(b) second interim dividend of 20 sen (2018: 20 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders. The said second interim dividend was approved by the Directors on 21 November 2019 and paid on 18 December 2019.

(c) Total dividend for the current financial year ended 31 December 2019 was 35 sen comprising first interim dividend of 15 sen and second interim dividend of 20 sen (2018: 35 sen comprising first interim dividend of 15 sen and second interim dividend of 20 sen) per ordinary share under the single tier system which was tax exempt in the hands of the shareholders.

The Directors do not recommend any final dividend for the current financial year ended 31 December 2019.

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
26 February 2020