

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2020**

	Quarter ended			Year-to-date ended		
	31.3.2020 RM'000	31.3.2019 RM'000	Increase/ (Decrease)	31.3.2020 RM'000	31.3.2019 RM'000	Increase/ (Decrease)
Revenue	1,475,001	1,749,847	(16%)	1,475,001	1,749,847	(16%)
Operating expenses	(1,238,332)	(1,480,621)		(1,238,332)	(1,480,621)	
Other operating income	55,099	19,529		55,099	19,529	
Operating profit	291,768	288,755	1%	291,768	288,755	1%
Finance costs	(63,594)	(56,163)		(63,594)	(56,163)	
Share of results of associates and joint ventures	6,125	6,717		6,125	6,717	
Profit before tax	234,299	239,309	(2%)	234,299	239,309	(2%)
Tax expense	(70,722)	(71,028)		(70,722)	(71,028)	
Profit for the period	163,577	168,281	(3%)	163,577	168,281	(3%)
Profit attributable to:						
Owners of the Company	160,377	157,982	2%	160,377	157,982	2%
Non-controlling interests	3,200	10,299		3,200	10,299	
	163,577	168,281		163,577	168,281	
Earnings per share (sen)						
Basic	6.44	6.35	1%	6.44	6.35	1%
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 2019 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 2020**

	Quarter ended		Year-to-date ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Profit for the period	163,577	168,281	163,577	168,281
Other comprehensive (expense)/income net of tax:				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	(12,862)	(3,021)	(12,862)	(3,021)
Share of foreign currency translation differences of associates and joint ventures	(1,735)	32	(1,735)	32
Change in fair value of cash flow hedge	(5,766)	6,700	(5,766)	6,700
Total other comprehensive (expense)/income for the period	(20,363)	3,711	(20,363)	3,711
Total comprehensive income for the period	<u>143,214</u>	<u>171,992</u>	<u>143,214</u>	<u>171,992</u>
Total comprehensive income attributable to:				
Owners of the Company	139,690	162,727	139,690	162,727
Non-controlling interests	3,524	9,265	3,524	9,265
	<u>143,214</u>	<u>171,992</u>	<u>143,214</u>	<u>171,992</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 2019 and the accompanying explanatory notes attached to the Interim Financial Statements

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2020**

	As at 31.3.2020	As at 31.12.2019
	RM'000	RM'000
		<i>(Audited)</i>
Non-current assets		
Property, plant and equipment	3,509,467	3,529,565
Investment properties	1,883,079	1,851,957
Investment in associates	474,427	469,185
Investment in joint ventures	8,079	8,760
Land held for property development	1,306,043	1,311,767
Intangible assets	42,347	43,803
Trade and other receivables	2,126,130	2,187,918
Other financial assets	25,511	21,091
Deferred tax assets	79,832	70,634
	<hr/>	<hr/>
	9,454,915	9,494,680
Current assets		
Inventories	1,629,018	1,779,121
Property development costs	1,113,649	1,084,535
Biological assets	16,226	25,714
Trade and other receivables	2,017,395	2,104,925
Contract assets	550,516	461,935
Tax recoverable	34,077	32,577
Other financial assets	122,766	81,835
Money market deposits	1,576,747	1,217,369
Cash and bank balances	1,115,176	1,090,193
	<hr/>	<hr/>
	8,175,570	7,878,204
	<hr/>	<hr/>
TOTAL ASSETS	17,630,485	17,372,884

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 31 MARCH 2020

	As at 31.3.2020	As at 31.12.2019
	RM'000	RM'000
		<i>(Audited)</i>
Equity attributable to owners of the Company		
Share capital	3,519,554	3,519,554
Reserves	3,960,415	3,820,725
	<hr/>	<hr/>
	7,479,969	7,340,279
Less: Treasury shares	(113)	(113)
	<hr/>	<hr/>
	7,479,856	7,340,166
Non-controlling interests	1,274,713	1,278,690
TOTAL EQUITY	<hr/>	<hr/>
	8,754,569	8,618,856
 Non-current liabilities		
Payables and provisions	183,409	184,115
Borrowings	3,095,281	2,953,537
Lease liabilities	114,104	111,134
Other financial liabilities	-	2,267
Deferred tax liabilities	478,319	480,207
	<hr/>	<hr/>
	3,871,113	3,731,260
 Current liabilities		
Payables and provisions	1,028,223	1,419,847
Contract liabilities	18,759	42,177
Tax payable	107,314	91,630
Borrowings	3,822,076	3,427,649
Lease liabilities	28,166	27,189
Other financial liabilities	265	14,276
	<hr/>	<hr/>
	5,004,803	5,022,768
TOTAL LIABILITIES	<hr/>	<hr/>
	8,875,916	8,754,028
TOTAL EQUITY AND LIABILITIES	<hr/>	<hr/>
	17,630,485	17,372,884
 Net assets per share (RM)	<hr/>	<hr/>
	3.00	2.95
Number of shares net of treasury shares ('000)	2,489,670	2,489,670

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019 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 2020**

	← Attributable to Owners of the Company →				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Non- distributable reserves RM'000	Distributable reserves RM'000	Treasury shares RM'000			
At 1 January 2020	3,519,554	151,604	3,669,121	(113)	7,340,166	1,278,690	8,618,856
Profit for the period	-	-	160,377	-	160,377	3,200	163,577
Total other comprehensive expense for the period	-	(20,687)	-	-	(20,687)	324	(20,363)
Total comprehensive income for the period	-	(20,687)	160,377	-	139,690	3,524	143,214
Changes in ownership interest in a subsidiary	-	-	-	-	-	9	9
Dividends paid to non-controlling interests	-	-	-	-	-	(7,510)	(7,510)
At 31 March 2020	3,519,554	130,917	3,829,498	(113)	7,479,856	1,274,713	8,754,569
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	-	-	157,982	-	157,982	10,299	168,281
Total other comprehensive income for the period	-	4,745	-	-	4,745	(1,034)	3,711
Total comprehensive income for the period	-	4,745	157,982	-	162,727	9,265	171,992
Dividends paid to non-controlling interests	-	-	-	-	-	(3,755)	(3,755)
31 March 2019	3,519,554	124,374	3,535,680	(93)	7,179,515	1,273,830	8,453,345

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 2019 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 2020

	Year-to-date ended	
	31.3.2020	31.3.2019
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	234,299	239,309
Adjustments for:		
Non-cash items	74,055	78,292
Non-operating items	(6,221)	(9,343)
Dividend income	(4,826)	(5,685)
Net interest expense	54,272	53,487
Operating profit before working capital changes	351,579	356,060
Net changes in working capital	(192,941)	(63,552)
Net changes in loan receivables	(70,319)	(327,744)
Net tax paid	(69,050)	(47,798)
Net interest paid	(61,536)	(61,842)
Net changes in land held for property development	9,619	20,602
Net cash flows used in operating activities	(32,648)	(124,274)
Cash flows from investing activities		
Dividends received from money market deposits	4,676	5,424
Increase in money market deposits	(359,242)	(387,997)
Proceeds from issuance of shares to non-controlling interests	9	-
Proceeds from disposal of property, plant and equipment	343	5,068
Purchase of property, plant and equipment	(23,470)	(32,823)
Additions to investment properties	(31,191)	(80,798)
Net cash flows used in investing activities	(408,875)	(491,126)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(7,510)	(3,755)
Net drawdown of borrowings	480,140	629,348
Payment of lease liabilities	(7,670)	(7,818)
Net cash flows generated from financing activities	464,960	617,775
Net increase in cash and cash equivalents	23,437	2,375
Effects on exchange rate changes	(467)	(13,826)
Cash and cash equivalents at beginning of the period	1,090,193	613,632
Cash and cash equivalents at end of the period	1,113,163	602,181
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	394,468	291,966
Cash in hand and at bank	720,708	310,558
Bank overdrafts	(2,013)	(343)
	1,113,163	602,181

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 2019.

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 2019 except for segment information which has been changed by combining the ceramic tiles business (previously included in the Building Materials segment) into Trading segment. This is to reflect the changes in the basis of internal reports which are regularly reviewed by the management of the Group in order to allocate resources to the segment and assess its performance. Accordingly, the comparatives for segment information have been restated to conform with the current year presentation.

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 2020, 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.

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 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
<u>Current quarter/Year-to-date ended 31 March 2020</u>									
Revenue									
External revenue	101,861	481,817	58,762	276,927	447,070	108,564	-	-	1,475,001
Inter-segment revenue	-	8,997	15,615	916	30,088	11,161	-	(66,777)	-
Total revenue	101,861	490,814	74,377	277,843	477,158	119,725	-	(66,777)	1,475,001
Operating profit									
Finance costs	(6,345)	248,792	67,051	(10,060)	16,093	5,398	(6,848)	(22,313)	291,768
Share of results of associates and joint ventures									(63,594)
Profit before tax									6,125
									234,299
Segment assets									
	2,143,259	6,290,094	3,343,154	937,005	1,276,944	1,139,106	1,904,508	-	17,034,070
Segment liabilities									
	73,954	1,620,763	2,176,869	310,957	708,829	525,972	2,872,939	-	8,290,283
<u>Preceding year quarter/Year-to-date ended 31 March 2019</u>									
Revenue									
External revenue	126,270	479,679	58,661	314,391	650,941	119,905	-	-	1,749,847
Inter-segment revenue	-	4,765	17,451	628	25,578	14,673	-	(63,095)	-
Total revenue	126,270	484,444	76,112	315,019	676,519	134,578	-	(63,095)	1,749,847
Operating profit									
Finance costs	7,672	238,458	63,593	535	16,149	5,979	(14,126)	(29,505)	288,755
Share of results of associates and joint ventures									(56,163)
Profit before tax									6,717
									239,309
Segment assets									
	2,116,908	5,378,766	3,119,669	1,005,814	1,523,437	1,261,994	1,574,071	-	15,980,659
Segment liabilities									
	67,996	1,422,904	2,169,112	313,809	838,468	692,807	1,989,106	-	7,494,202

8. Events after the end of interim period

Save for the subsequent events as disclosed in Note 10 of Part B, event after the end of the interim period and up to 22 May 2020 that have not been reflected in these interim financial statements is as follows:-

On 20 May 2020, Hap Seng Land Development Sdn Bhd ["HSLD"], a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary namely, Future Golden Development Sdn Bhd ["FGD"]. FGD has an issued share capital of RM1.00 comprising 1 ordinary share and is currently 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

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

- (a) *Hap Seng Land Development Sdn Bhd ["HSLD"] incorporated a wholly-owned subsidiary namely, Sierra Ventures Sdn Bhd ["Sierra"] on 17 October 2019. 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, Hap Seng Body & Paint Sdn Bhd (*formerly known as Empire Translink Sdn Bhd*) ["HSBP"]. HSBP 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.
- (d) On 26 February 2020, *HSC London Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (London) Ltd ["HC London"]. HC London has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.
- (e) On 26 February 2020, *HSC Leeds Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Leeds) Ltd ["HC Leeds"]. HC Leeds has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.
- (f) On 26 February 2020, *HSC Bristol Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Bristol) Ltd ["HC Bristol"]. HC Bristol has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.
- (g) On 26 February 2020, *HSC Nottingham Holding Pte Ltd incorporated a wholly-owned subsidiary in United Kingdom namely, HS Credit (Nottingham) Ltd ["HC Nottingham"]. HC Nottingham has an issued and paid-up share capital of GBP1.00 comprising 1 ordinary share and is currently dormant.
- (h) On 5 March 2020, *Hap Seng Realty Sdn Bhd incorporated a wholly-owned subsidiary namely, Prosperity Sunland Sdn Bhd ["Prosperity Sunland"]. Prosperity Sunland has an issued share capital of RM1.00 comprising 1 ordinary share and is principally involved in property investment.

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)

- (i) On 12 March 2020, *Hap Seng Land Development (Balakong) Sdn Bhd incorporated a wholly-owned subsidiary namely, Sunrise Strategy Sdn Bhd [“Sunrise Strategy”]. Sunrise Strategy has an issued share capital of RM1.00 comprising 1 ordinary share 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 22 May 2020.

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:

	As at	As at
	31.3.2020	31.12.2019
	RM’000	RM’000
		<i>(Audited)</i>
Contracted but not provided for		
- property, plant and equipment	317,306	67,500
- investment properties	52,828	52,073
	<u>370,134</u>	<u>119,573</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 meeting held on 30 May 2019.

Part B: Explanatory Notes Pursuant to paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities**1. Review of performance**

Generally, the Group's businesses in the current quarter were affected by the slowing Malaysian economy exacerbated by the Covid-19 pandemic that disrupted global supply chain and negatively affected most businesses and consumers sentiments. The implementation of the Covid-19 Movement Control Order ["MCO"] which commenced on 18 March 2020 by the Malaysian government has shortened the number of operating days of the Group's businesses in the current quarter and negatively impacted operating performances.

The Group's revenue for the current quarter at RM1.48 billion was 16% lower than the preceding year corresponding quarter of RM1.75 billion with lower revenue from all divisions except for Property Division. The Group's operating profit for the current quarter at RM291.8 million was marginally above the preceding year corresponding quarter of RM288.8 million mainly attributable to better results from Property and Credit Financing Divisions but offset by lower results from Plantation, Automotive, Trading and Building Materials Divisions.

Plantation Division's revenue for the current quarter at RM101.9 million was 19% lower than the preceding year corresponding quarter, mainly affected by lower sales volume of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] but mitigated somewhat by higher average selling price realization of both products. Average selling price of CPO and PK for the current quarter were RM2,814 per tonne and RM1,702 per tonne respectively as compared to the preceding year corresponding quarter of RM2,099 per tonne for CPO and RM1,370 per tonne for PK. CPO sales volume for the current quarter at 31,120 tonnes was 41% below the preceding year corresponding quarter whilst PK sales volume was 30% lower at 7,585 tonnes in tandem with the lower fresh fruit bunches ["FFB"] production. The lower CPO sales volume in the current quarter was also due to favourable inventories movement in the preceding year corresponding quarter. FFB production for the current quarter was 30% below the preceding year corresponding quarter affected by lower FFB yield due to seasonal yield trend and changes in cropping patterns, further aggravated by the suspension of operations for the plantation sector in Tawau, Lahad Datu and Kinabatangan from 25 March to 9 April by the Sabah State Government as a consequence of the MCO. Consequently, production for CPO and PK for the current quarter were lower by 28% and 31% respectively as compared to the preceding year corresponding quarter. The lower CPO production has resulted in higher production cost per tonne of CPO. Overall, the division registered an operating loss of RM6.3 million for the current quarter as compared to the preceding year corresponding quarter's operating profit of RM7.7 million.

The Property Division's revenue for the current quarter at RM490.8 million was marginally higher than the preceding year corresponding quarter of RM484.4 million. The higher revenue was contributed by higher non-strategic properties sales, higher progress completion from its construction activities, better performance from its investment properties segment but dampened by lower sales from property development projects. Construction activities on the Shah Alam Industrial Hub is at its advance stage of completion. The division's investment properties of Menara Hap Seng, Menara Hap Seng 2 and Plaza Shell continue to maintain healthy occupancy rates and rental yield. Project sales were affected by lower units sold in both Sabah and Klang Valley. Consequently, the division's operating profit for the current quarter at RM248.8 million was 4% higher than the preceding year corresponding quarter of RM238.5 million.

Credit Financing Division's revenue for the current quarter at RM74.4 million was 2% lower than the preceding year corresponding quarter of RM76.1 million, mainly due to lower loan disbursements and consequently lower loan base. The division's loan base at the end of the current quarter was RM3.87 billion, 4% below the preceding year corresponding quarter of RM4.02 billion. Non-performing loans ratio was 1.48% at the end of the current quarter as compared to 1.58% at the end of the preceding year corresponding quarter and 1.34% at the end of 2019. Overall, the division's operating profit for the current quarter at RM67.1 million was 5% higher than the preceding year corresponding quarter of RM63.6 million, benefitted from foreign exchange gains in its overseas credit operations.

1. Review of performance (continued)

Automotive Division's revenue for the current quarter at RM277.8 million was 12% below the preceding year corresponding quarter of RM315 million, affected by weak demand and the suspension of operations from 18 March to 31 March 2020 under the 1st phase of MCO. Sales of passenger cars in the current quarter was 9% below the preceding year corresponding quarter mainly due to lower number of cars sold by 28%. The after sales and services segment registered comparable sales to preceding year corresponding quarter with 3% increase in throughput. The commercial vehicle wholesale distribution and retail businesses which commenced operations in November 2018 and July 2019 respectively contributed 17% to the division's current quarter revenue. Passenger car segment registered lower margins 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. Consequently, the division incurred an operating loss of RM10.1 million as compared to the preceding year corresponding quarter's operating profit of RM0.5 million.

Trading Division comprises the fertilizers trading and general trading businesses as well as the ceramic tiles business under Malaysian Mosaics Sdn Bhd ["MMSB"]. The division's revenue for the current quarter was RM477.2 million, 29% below the preceding year corresponding quarter of RM676.5 million with lower revenue from all its business segments. Fertilizers trading business' revenue for the current quarter at RM327.9 million was 14% below the preceding year corresponding quarter mainly due to lower average selling prices, affected by competitive pricing but mitigated somewhat by higher sales volume achieved. General trading business registered 47% decline in revenue for the current quarter at RM114.2 million mainly due to weak demand arising from the slowdown in construction activities. MMSB's revenue for the current quarter at RM35.1 million was 57% below the preceding year corresponding quarter mainly due to lower sales volume and lower average selling price. In spite of the lower revenue, the division's operating profits for the current quarter at RM16.1 million approximates that of the preceding year corresponding quarter mainly attributable to lower operating costs in all its business segments and foreign exchange gains from fertilizers trading business.

Building Materials Division comprises the quarry, asphalt and bricks businesses and trading of building materials by Hafary Holdings Limited ["Hafary"]. It recorded total revenue of RM119.7 million for the current quarter, 11% lower than the preceding year corresponding quarter. The division's revenue from quarry, asphalt and bricks businesses and Hafary for the current quarter were 18% and 5% below the preceding year corresponding quarter respectively, mainly due to competitive pricing and soft demand in the markets in which they operate. The quarry, asphalt and bricks businesses were also affected by the shorter number of working days for the period following the commencement of MCO on 18 March 2020. Consequently, operating profit for the division in the current quarter at RM5.4 million was 10% lower than the preceding year corresponding quarter.

Overall, Group profit before tax ["PBT"] and profit after tax for the current quarter at RM234.3 million and RM163.6 million were lower than the preceding year corresponding quarter by 2% and 3% respectively. Nevertheless, profit attributable to owners of the Company for the current quarter at RM160.4 million was 2% higher than the preceding year corresponding quarter due to lower share of results by non-controlling interests. Consequently, basic earnings per share for the current quarter at 6.44 sen was marginally above the preceding year corresponding quarter of 6.35 sen.

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

	Current Quarter ended 31.3.2020 RM'000	Immediate Preceding Quarter ended 31.12.2019 RM'000	Increase/ (Decrease)
Revenue	<u>1,475,001</u>	<u>1,773,856</u>	(17%)
Operating profit	<u>291,768</u>	<u>296,317</u>	(2%)
Profit before tax	<u>234,299</u>	<u>774,796</u>	(70%)

Group PBT for the current quarter at RM234.3 million was 70% lower than the immediate preceding quarter which included net other gain items of RM550.1 million. The net other gain items comprised mainly of the gain of RM472 million arising from the disposal of HS Credit (Melbourne) Pty Ltd (*now known as LSH Credit (Melbourne) Pty Ltd*) and profit guarantee shortfall from holding company of RM91.9 million in respect of the acquisition of MMSB by the Company in 2016. Excluding the net other gain items in the immediate preceding quarter, Group PBT for the current quarter was 4% above the immediate preceding quarter attributable to better performance from Credit Financing, Automotive and Trading Divisions offset by lower contribution mainly from Plantation and Property Divisions.

Generally, in the current quarter, businesses were affected by the slowing Malaysian economy and the Covid-19 pandemic which disrupted the supply chain, with business operations suspended from 18 March 2020 following the implementation of MCO in Malaysia.

Credit Financing's operating profit for the current quarter at RM67.1 million was 12% higher than the immediate preceding quarter of RM60.1 million, benefitted mainly from higher average loan base and foreign exchange gains in its overseas operations.

Automotive Division registered lower operating loss of RM10.1 million for the current quarter as compared to the immediate preceding quarter's operating loss of RM20.3 million. The reduced operating loss was mainly attributable to improved margins from its passenger car segment and lower operating costs, particularly in its commercial vehicle wholesale distribution and retail businesses which were affected by start-up and dealers' network development costs in the immediate preceding quarter.

Trading Division recorded operating profit of RM16.1 million for the current quarter as compared to the operating loss of RM14.6 million in the immediate preceding quarter with improved contribution from all its business segments attributable mainly to lower operating costs in all its business segments and the benefit of foreign exchange gains in its fertilizers trading business.

Plantation Division incurred an operating loss of RM6.3 million for the current quarter as compared to the immediate preceding quarter's operating profit of RM32.7 million mainly due to lower sales volume of both CPO and PK as well as higher production cost of CPO per tonne, mitigated somewhat by higher average selling prices of both CPO and PK. Sales volume of CPO and PK for the current quarter were 32% and 25% lower than the immediate preceding quarter of 45,577 tonnes and 10,079 tonnes respectively due to lower production of CPO and PK by 26% and 23% respectively in tandem with lower FFB production by 29%. The lower FFB production was affected by lower FFB yield due to seasonal yield trend and changes in cropping patterns, and the suspension of plantation operations for 7 days in March 2020 as a consequence of the Sabah State Government's MCO. Average selling price per tonne of CPO was 18% higher than the immediate preceding quarter of RM2,376 per tonne whilst average selling price of PK was 19% higher than the immediate preceding quarter of 1,435 per tonne.

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

Property Division's operating profit for the current quarter at RM248.8 million was 6% lower than the immediate preceding quarter of RM263.9 million due to lower contribution from its property development and construction activities but mitigated somewhat by higher sales of non-strategic properties in the current quarter.

3. Current year prospects

The Covid-19 pandemic has disrupted economic activities across most global economies. The widespread containment measures globally, international border closures and the unprecedented lockdowns in many countries have weakened external demand and caused disruptions to supply chain networks. The weakened demand has negatively affected global oil prices and commodity prices too.

The Malaysian economy was also not spared. The MCO, though necessary to curb the virus outbreak, had constrained production capacities and reduced general demand. This was however mitigated by the various economic stimulus packages announced by the Malaysian government to support the economy. With more businesses allowed to operate under the Conditional MCO, economic activity is expected to gradually improve. The reduction of the Overnight Policy Rate ["OPR"] by 50 basis points by Bank Negara on 5 May 2020 coupled with the earlier OPR reductions on 22 January 2020 and 3 March 2020 totalling 50 basis points will lend further support to the improvement of the Malaysian economy.

Malaysian palm oil inventories increased by 18% to 2.05 million tonnes at end April 2020 from 1.73 million tonnes at end March 2020 due to weak demand and global supply chain disruptions amidst the Covid-19 pandemic. Industry analysts expect palm oil inventories in May to rise further due to the weak global demand for palm oil. India, one of the major palm oil importing countries, has suspended import licences of refined palm oil and shifted its edible oil imports to soyoil. The subdued crude oil prices have also delayed the implementation of higher biodiesel mandates in Malaysia and Indonesia, further dampening the demand of CPO. In April 2020, average CPO price was RM2,299 per tonne with daily prices in the 1st half of May 2020 hovering below RM2,100 per tonne. Nevertheless, healthy demand of CPO in the downstream oleochemicals segment for the production of personal hygiene and cleaning products during Covid-19 pandemic and post Covid-19 pandemic, coupled with the anticipated recovery in exports arising from the gradual easing of lockdowns in major palm oil importing countries such as China and EU may bolster the current depressed CPO prices. Malaysia's palm oil exports for the 1st 10 days of May 2020 rose between 7.8% and 11.9% from the previous month, according to cargo surveyors' reports.

The Property Division expects the property market sentiment to soften further amid the current Covid-19 pandemic and the uncertainties of its aftermath effects. Cautiousness in consumers' spending is expected to heighten which will weigh down further on the current property overhang. Nevertheless, the division is cautiously optimistic of the affordable residential property market due to the accommodative monetary environment. It will be more focussed on its sales and marketing activities to drive sales and participating in My Home schemes and Rumah Selangorku programme introduced by the Malaysian government. Focus will also be put on optimising occupancy rates and rental yield as it continues its efforts to retain existing tenants and attract potential tenants for its newly completed office building called Menara Hap Seng 3.

The Credit Financing Division expects financing activities to be affected by the economic slowdown and anticipates a challenging financing landscape which may result in higher non-performing loans in 2020. To mitigate expectations of higher loan impairment, the division will place concerted efforts on managing credit risks and strengthening its loan recovery and rehabilitation processes. The division will also tighten its lending policy, focusing on maintaining a stable and quality loan receivable portfolio while increasing its emphasis on credit control and debt collection. It continues to play a pivotal role in co-ordinating the Group's synergistic opportunities across all business segments.

3. Current year prospects (continued)

The Automotive Division expects the negative economic effects of the COVID-19 pandemic to affect the demand for premium passenger cars and commercial vehicles. The weak premium passenger car market is expected to persist in 2020 and the disruption in the global automotive supply chain will have a negative impact on the automotive industry. In mitigation, the division will streamline its operations and further strengthen its stringent cost management measures. It will continue to offer attractive sales and after-sales packages with a focus on service excellence to build on its market presence, despite the expected intense competition from other brands and dealers.

The Trading Division anticipates a challenging year ahead and it expects the competitive business environment of its fertilizers trading, general trading and ceramic tiles businesses in all its geographical markets to remain. The disruption in the global supply chain due to the Covid-19 pandemic has resulted in a supply-demand imbalance in the regional and global markets and its dampening effect on the global economy are expected to affect fertilizers trading business. Fertilizers trading business also expects pricing risks due to uncertainties surrounding the US-China trade war and volatile CPO prices. To mitigate this, the fertilizers trading business will focus on minimising stock holding and matching stock orders with committed sales to minimise pricing risk. The general trading and ceramic tiles businesses are expected to be affected by the projected contraction in the Malaysian's construction sector and will focus on consolidating its existing customer base and market coverage, placing concerted efforts on managing inventories and receivables, and reducing costs. In addition, the ceramic tiles business will primarily focus on tiles trading by growing its OEM sales.

The Building Materials Division anticipates the current weak market sentiment to persist as the construction and property development markets in Malaysia and Singapore continue to slow down. The division's operations in Hafary are expected to be affected by the suspension of business activities to comply with Singapore's Covid-19 circuit breaker measures from 7 April to 1 June 2020. The division's quarry, asphalt and bricks businesses which have resumed operations under the Conditional MCO will continue to rationalise its operations to optimise costs and improve financial performance. The anticipated revival of strategic mega projects, construction of affordable homes and the ongoing infrastructure projects, such as the Pan Borneo Highway, are expected to partly mitigate the impact of the economic slowdown for the Building Materials division.

Based on the foregoing, the Group results for the financial year ending 31 December 2020 are expected to be impacted by the uncertainties in the local and global economic environment arising from the Covid-19 pandemic.

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	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	9,322	2,676	9,322	2,676
Dividend income from equity investment at fair value through other comprehensive income	150	180	150	180
Dividend income from money market deposits	4,676	5,505	4,676	5,505
Loss on equity investment at fair value through profit or loss	(10,862)	-	(10,862)	-
Gain on money market deposits at fair value	136	76	136	76
Interest expense	(63,594)	(56,163)	(63,594)	(56,163)
Depreciation and amortisation	(54,266)	(55,782)	(54,266)	(55,782)
Net allowance of impairment losses				
- trade receivables	(1,623)	(4,027)	(1,623)	(4,027)
Net inventories written down	(3,264)	(1,115)	(3,264)	(1,115)
Gain on disposal of property, plant and equipment	96	2,626	96	2,626
Property, plant and equipment written off	(930)	(999)	(930)	(999)
Bad debts written off	(16)	(16)	(16)	(16)
Net foreign exchange gain/(loss)	13,092	(13,803)	13,092	(13,803)
Gain/(Loss) on non-hedging derivative instruments	13,953	(357)	13,953	(357)
Loss on fair value of biological assets	(9,488)	(3,474)	(9,488)	(3,474)
Recovery of bad debts	134	275	134	275

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	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	81,659	84,826	81,659	84,826
- deferred tax	(10,937)	(13,798)	(10,937)	(13,798)
	<u>70,722</u>	<u>71,028</u>	<u>70,722</u>	<u>71,028</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 corporate proposals announced but not completed as at 22 May 2020.

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 (*now known as LSHC 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 2020		Intended Timeframe for Utilisation	Deviation under/(over) spent		Explanation	
	*Circular RM'000	**Adjusted RM'000	Utilisation RM'000	Balance Unutilised RM'000		RM'000	%		
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. As the Kia Peng Service Apartment project has been deferred in view of the current economic conditions, any balance unutilised will be used for purchase of inventories under item (ii)	
Working capital requirements:									
(i) <u>Part finance the cost of property developments in Klang Valley</u>									
(a) <i>Jalan Kia Peng Service Apartment</i>	100,000	100,000	40,368	59,632			-		-
(b) <i>Menara Hap Seng 3</i>	200,000	200,000	200,000	-			-		-
	<u>300,000</u>	<u>300,000</u>	<u>240,368</u>	<u>59,632</u>			<u>-</u>		<u>-</u>
(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 bars, wire mesh and cement</i>	30,000	30,000	30,000	-			-		-
	<u>80,664</u>	<u>90,293</u>	<u>91,884</u>	<u>-</u>		<u>(1,591)</u>	<u>(5)</u>		
	<u>380,664</u>	<u>390,293</u>	<u>332,252</u>	<u>59,632</u>		<u>(1,591)</u>	<u>(5)</u>		
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)		
	<u>771,164</u>	<u>780,793</u>	<u>721,161</u>	<u>59,632</u>		<u>-</u>			

* 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 [“HSCSB”] 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 2020			Intended Timeframe for Utilisation	Deviation under/(over) spent		<u>Explanation</u>
	<u>Proposed Utilisation</u> RM'000	<u>Utilisation</u> RM'000	<u>Balance Unutilised</u> RM'000		RM'000	%	
Working capital requirements:							
<u>Loan disbursements of HSCSB's credit financing division</u>							
(a) Real estate	350,000	-	350,000	} Within 18 months from Circular Expiry Date*	-	-	} 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		-	-	
	<u>905,500</u>	-	<u>905,417</u>		<u>-</u>	<u>-</u>	
Estimated expenses	500	583	-		(83)	(17)	The over spent was set-off against the balance unutilised for working capital requirement under item (e) #
	<u>906,000</u>	<u>583</u>	<u>905,417</u>		<u>(83)</u>		

* As set out in the Circular to shareholders, the intended timeframe for utilisation is within 24 months from completion, i.e. by 8 June 2020 (“Circular Expiry Date”). On 13 May 2020, the board of directors resolved to extend the Circular Expiry Date by 18 months to enable the Company to better assess the Covid-19 pandemic impact to HSCSB and its credit financing activities.

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

- (c) On 13 November 2019, HSC Melbourne Holding Pte Ltd, an indirect wholly-owned subsidiary of the Company completed the disposal of its 100% equity interest in HS Credit (Melbourne) Pty Ltd (*now known as LSH Credit (Melbourne) Pty Ltd*) ["HCMPL"] to Lei Shing Hong Capital Limited ["HCMPL Disposal"]. The status of the utilisation of proceeds from HCMPL Disposal is as follows:

<u>Purpose</u>	<u>Proposed Utilisation</u>		<u>As at 31 March 2020</u>		<u>Intended Timeframe for Utilisation</u>	<u>Deviation under/(over) spent</u>		<u>Explanation</u>	
	<u>*Circular</u> RM'000	<u>**Adjusted</u> RM'000	<u>Utilisation</u> RM'000	<u>Balance Unutilised</u> RM'000		RM'000	%		
Repayment of borrowings	500,000	500,000	184,480	315,520	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) <u>Property development and property investment costs</u> <i>Part finance the KL Midtown mixed Development and the construction of Hyatt Centric Kota Kinabalu hotel</i>	125,000	125,000	125,000	-					
(ii) <u>Purchase of inventories</u>									
(a) <i>Fertilisers</i>	40,000	40,000	10,900	29,100					
(b) <i>Automobiles</i>	26,044	33,064	33,148	-			# (84)		(0.3)
(c) <i>building materials such as steel bars, wire mesh and cement</i>	30,000	30,000	7,300	22,700			-		-
	<u>96,044</u>	<u>103,064</u>	<u>51,348</u>	<u>51,800</u>			<u>(84)</u>		<u>(0.3)</u>
	<u>221,044</u>	<u>228,064</u>	<u>176,348</u>	<u>51,800</u>			<u>(84)</u>		<u>(0.3)</u>
Estimated expenses	700	700	616	-			84		12
	<u>721,744</u>	<u>728,764</u>	<u>361,444</u>	<u>367,320</u>		<u>-</u>			

* 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 31.3.2020 —————→					
	←————— Denominated in —————→					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
Current						
Secured						
- Term loans	-	-	13,418	-	-	13,418
- Revolving credits	-	-	97,913	-	-	97,913
	-	-	111,331	-	-	111,331
Unsecured						
- Term loans	633,649	699,226	-	-	-	1,332,875
- Revolving credits	1,556,600	301,359	-	-	68,140	1,926,099
- Trust receipts	-	88	29,268	18,500	-	47,856
- Bankers' acceptances	398,244	3,658	-	-	-	401,902
- Bank overdrafts	2,013	-	-	-	-	2,013
	2,590,506	1,004,331	29,268	18,500	68,140	3,710,745
Total current borrowings	2,590,506	1,004,331	140,599	18,500	68,140	3,822,076
Non-current						
Secured						
- Term loans	-	-	233,459	-	-	233,459
Unsecured						
- Term loans	516,662	155,160	-	-	-	671,822
- Medium term notes	2,190,000	-	-	-	-	2,190,000
	2,706,662	155,160	-	-	-	2,861,822
Total non-current borrowings	2,706,662	155,160	233,459	-	-	3,095,281
Total borrowings	5,297,168	1,159,491	374,058	18,500	68,140	6,917,357

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

9. Borrowings and debt securities (continued)

	←————— 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
	-	-	120,072	-	-	120,072
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	-	-	-	432,965
	2,336,212	742,757	152,909	17,894	57,805	3,307,577
Total current borrowings	2,336,212	742,757	272,981	17,894	57,805	3,427,649
Non-current						
Secured						
- Term loans	-	-	236,009	-	-	236,009
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	236,009	-	-	2,953,537
Total borrowings	4,692,512	1,103,985	508,990	17,894	57,805	6,381,186

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

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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, 8 March 2019, 19 September 2019 and 7 February 2020. Due to the Restriction of Movement Order which took effect on 18 March 2020, the hearing dates of the Consolidated RESB Suit on 26 and 27 March 2020 had been adjourned to further dates to be fixed.

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, 8 March 2019, 19 September 2019 and 7 February 2020. Due to the Restriction of Movement Order which took effect on 18 March 2020, the hearing dates of the Consolidated RESB Suit on 26 and 27 March 2020 had been adjourned to further dates to be fixed.

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 2020 are as follows:

	Contract/ Notional Value RM'000	Fair Value: Assets/ (Liabilities) RM'000	Gain/(loss) On Derivative Instruments RM'000	Gain/(loss) On Hedged Items RM'000	Net Gain/(loss) RM'000
Forward currency contracts of less than 1 year (USD/Euro/RMB)					
- Designated as hedging instruments*	209,303	10,413	14,826	(14,857)	(31)
- Not designated as hedging instruments	334,644	12,907	16,271	(2,318)	13,953
	<u>543,947</u>	<u>23,320</u>	<u>31,097</u>	<u>(17,175)</u>	<u>13,922</u>
Cross currency interest rate swaps on foreign currency borrowings of 1 year to 2 years (USD)					
- Designated as hedging instruments*	885,878	40,100	41,403	(47,138)	(5,735)

* *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.

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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 March 2020 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	2,739,613	124	2,739,737
(b) To individuals	358,270	1,190	359,460
(c) To companies within the listed issuer group	429,295	345,784	775,079
(d) To related parties	-	-	-
	<u>3,527,178</u>	<u>347,098</u>	<u>3,874,276</u>

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

	As at
	31.3.2020
	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	2,135,485
	<u>2,135,485</u>

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

	RM'000
(a) Balance as at 1.1.2020	51,881
(b) Loans classified as in default during the financial year	23,592
(c) Loans reclassified as performing during the financial year	(4,187)
(d) Amount recovered	(10,852)
(e) Amount written off	(2,998)
(f) Loans converted to securities	-
(g) Balance as at 31.3.2020	<u>57,436</u>
(h) Ratio of net loans in default to net loans	<u>1.48%</u>

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 st	Term Loan	420,000	419,634	Yes	467,834	Yes*	3 - 72
2 nd	Term Loan	305,900	302,873	Yes	300,570	No	24
3 rd	Term Loan	247,000	152,440	No	-	Yes*	36
4 th	Term Loan	130,000	138,318	Yes	386,540	No	8 - 88
5 th	Term Loan	262,000	115,947	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-to-date ended	
	31.3.2020	31.3.2019	31.3.2020	31.3.2019
Profit attributable to owners of the Company (RM'000)	160,377	157,982	160,377	157,982
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	2,489,670	2,489,672	2,489,670	2,489,672
Basic EPS (sen)	6.44	6.35	6.44	6.35

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

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15. Dividend

- (a) The Board of Directors has on even date approved the following first interim dividend for the financial year ending 31 December 2020:
- | | |
|---|---|
| (i) Amount per ordinary share
- First Interim Dividend | 10 sen per ordinary share under the single tier system which is tax exempt in the hands of the shareholders. |
| (ii) Previous year corresponding period:
Amount per ordinary share
- 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
current financial year:
Amount per ordinary share | 10 sen (2019: 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 24 June 2020; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 15 June 2020.

NOTICE OF FIRST INTERIM DIVIDEND PAYMENT AND ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN that a first interim dividend of 10 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 2020, will be payable in cash on 24 June 2020 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 15 June 2020. A depositor shall qualify for entitlement to the dividend only in respect of:

- shares deposited into the depositor's securities account before 12.30 pm on 11 June 2020 (in respect of shares which are exempted from mandatory deposit);
- shares transferred into the depositor's securities account before 4.30pm on 15 June 2020 respect of transfers; and
- 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 2019 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
Company Secretary
Kuala Lumpur
29 May 2020