CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED) FOR THE SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2020

	Quarter ended			Year-to-date ended		
	30.6.2020 RM'000	**30.6.2019** RM'000	***Increase/ (Decrease)***	**30.6.2020** RM'000	**30.6.2019** RM'000	***Increase/ (Decrease)***
Revenue	989,576	1,745,803	*(43%)*	2,464,577	3,495,650	*(29%)*
Operating expenses	(856,115)	(1,536,300)		(2,094,447)	(3,016,921)	
Other operating income	23,537	40,740		78,636	60,269	
Operating profit	156,998	250,243	*(37%)*	448,766	538,998	*(17%)*
Finance costs	(65,498)	(65,151)		(129,092)	(121,314)	
Share of results of associates and joint ventures	1,139	6,794		7,264	13,511	
Profit before tax	92,639	191,886	*(52%)*	326,938	431,195	*(24%)*
Tax expense	(46,603)	(52,737)		(117,325)	(123,765)	
Profit for the period	46,036	139,149	*(67%)*	209,613	307,430	*(32%)*
Profit attributable to:						
Owners of the Company	44,078	129,789	*(66%)*	204,455	287,771	*(29%)*
Non-controlling interests	1,958	9,360		5,158	19,659	
	46,036	139,149		209,613	307,430	
Earnings per share (sen)						
Basic	1.77	5.21	*(66%)*	8.21	11.56	*(29%)*
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 SECOND QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2020

	Quarter ended		Year-to-date ended	
	30.6.2020	**30.6.2019**	**30.6.2020**	**30.6.2019**
	RM'000	RM'000	RM'000	RM'000
Profit for the period	46,036	139,149	209,613	307,430
Other comprehensive income/(expense) net of tax:				
Items that will be reclassified subsequently to profit or loss				
Foreign currency translation differences for foreign operations	9,024	3,890	(3,838)	869
Share of foreign currency translation differences of associates and joint ventures	4,700	10,128	2,965	10,160
Change in fair value of cash flow hedge	3,547	(7,805)	(2,219)	(1,105)
Total other comprehensive income/(expense) for the period	17,271	6,213	(3,092)	9,924
Total comprehensive income for the period	63,307	145,362	206,521	317,354
Total comprehensive income attributable to:				
Owners of the Company	59,178	134,337	198,868	297,064
Non-controlling interests	4,129	11,025	7,653	20,290
	63,307	145,362	206,521	317,354

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 30 JUNE 2020

	As at 30.6.2020 RM'000	As at 31.12.2019 RM'000 *(Audited)*
Non-current assets		
Property, plant and equipment	3,433,821	3,529,565
Investment properties	1,893,495	1,851,957
Investment in associates	472,553	469,185
Investment in joint ventures	7,373	8,760
Land held for property development	1,360,263	1,311,767
Intangible assets	42,246	43,803
Trade and other receivables	1,844,020	2,187,918
Other financial assets	16,617	21,091
Deferred tax assets	91,082	70,634
	9,161,470	9,494,680
Current assets		
Inventories	1,609,281	1,779,121
Property development costs	1,108,577	1,084,535
Biological assets	23,818	25,714
Trade and other receivables	2,029,045	2,104,925
Contract assets	570,203	461,935
Tax recoverable	41,191	32,577
Other financial assets	106,550	81,835
Money market deposits	2,356,218	1,217,369
Cash and bank balances	1,248,665	1,090,193
	9,093,548	7,878,204
TOTAL ASSETS	18,255,018	17,372,884

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30 JUNE 2020

	As at 30.6.2020 RM'000	As at 31.12.2019 RM'000 (Audited)
Equity attributable to owners of the Company		
Share capital	3,519,554	3,519,554
Reserves	3,796,620	3,820,725
	7,316,174	7,340,279
Less: Treasury shares	(113)	(113)
	7,316,061	7,340,166
Non-controlling interests	1,140,144	1,278,690
TOTAL EQUITY	8,456,205	8,618,856
Non-current liabilities		
Payables and provisions	188,136	184,115
Borrowings	3,715,633	2,953,537
Lease liabilities	110,777	111,134
Other financial liabilities	-	2,267
Deferred tax liabilities	477,628	480,207
	4,492,174	3,731,260
Current liabilities		
Payables and provisions	1,006,292	1,419,847
Contract liabilities	9,998	42,177
Tax payable	128,742	91,630
Borrowings	4,133,157	3,427,649
Lease liabilities	26,071	27,189
Other financial liabilities	2,379	14,276
	5,306,639	5,022,768
TOTAL LIABILITIES	9,798,813	8,754,028
TOTAL EQUITY AND LIABILITIES	18,255,018	17,372,884
Net assets per share (RM)	2.94	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 30 JUNE 2020

	← 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 2020	3,519,554	151,604	3,669,121	(113)	7,340,166	1,278,690	8,618,856
Profit for the period	-	-	204,455	-	204,455	5,158	209,613
Total other comprehensive expense for the period	-	(5,587)	-	-	(5,587)	2,495	(3,092)
Total comprehensive income for the period	-	(5,587)	204,455	-	198,868	7,653	206,521
Changes in ownership interest in subsidiaries	-	-	25,994	-	25,994	(135,008)	(109,014)
Dividend	-	-	(248,967)	-	(248,967)	-	(248,967)
Dividends paid/payables to non-controlling interests	-	-	-	-	-	(11,191)	(11,191)
At 30 June 2020	3,519,554	146,017	3,650,603	(113)	7,316,061	1,140,144	8,456,205
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	-	-	287,771	-	287,771	19,659	307,430
Total other comprehensive income for the period	-	9,293	-	-	9,293	631	9,924
Total comprehensive income for the period	-	9,293	287,771	-	297,064	20,290	317,354
Purchase of treasury shares	-	-	-	(20)	(20)	-	(20)
Purchase of treasury shares by a subsidiary	-	-	-	-	-	(3)	(3)
Dividend	-	-	(373,450)	-	(373,450)	-	(373,450)
Dividends paid to non-controlling interests	-	-	-	-	-	(7,194)	(7,194)
At 30 June 2019	3,519,554	128,922	3,292,019	(113)	6,940,382	1,281,413	8,221,795

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 30 JUNE 2020

	Year-to-date ended	
	30.6.2020	**30.6.2019**
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	326,938	431,195
Adjustments for:		
Non-cash items	128,656	132,192
Non-operating items	(7,357)	(17,900)
Dividend income	(16,996)	(20,086)
Net interest expense	109,691	114,678
Operating profit before working capital changes	540,932	640,079
Net changes in working capital	(180,759)	(204,581)
Net changes in loan receivables	89,904	(275,588)
Net tax paid	(111,836)	(78,419)
Net interest paid	(123,592)	(132,209)
Net changes in land held for property development	22,201	(556)
Net cash flows generated from/(used in) operating activities	236,850	(51,274)
Cash flows from investing activities		
Dividends received from associates	8,521	5,375
Dividends received from equity investments at fair value through profit or loss	3,560	6,947
Dividends received from money market deposits	13,136	12,731
Profit guarantee shortfall received from holding company	91,851	175,307
(Increase)/Decrease in money market deposits	(1,140,159)	208,833
Acquisition of shares from non-controlling interests	(109,023)	-
Proceeds from issuance of shares to non-controlling interests	9	-
Investment in joint venture	-	(1,900)
Proceeds from disposal of property, plant and equipment	1,022	14,543
Proceeds from disposal of equity investment at fair value through profit or loss	-	102,003
Purchase of equity investment at fair value through profit or loss	-	(204,674)
Purchase of property, plant and equipment	(55,133)	(67,080)
Additions to investment properties	(41,386)	(111,603)
Net cash flows (used in)/generated from investing activities	(1,227,602)	140,482
Cash flows from financing activities		
Dividends paid to owners of the Company and non-controlling interests	(256,903)	(380,644)
Net drawdown of borrowings	1,421,772	521,021
Shares repurchased at cost	-	(23)
Payment of lease liabilities	(16,295)	(15,230)
Net cash flows generated from financing activities	1,148,574	125,124
Net increase in cash and cash equivalents	157,822	214,332
Effects on exchange rate changes	650	(2,394)
Cash and cash equivalents at beginning of the period	1,090,193	613,632
Cash and cash equivalents at end of the period	1,248,665	825,570
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	688,468	260,594
Cash in hand and at bank	560,197	565,587
Bank overdrafts	-	(611)
	1,248,665	825,570

The Condensed Consolidated Statements of Cash Flows 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

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 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 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 30 June 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**

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

	Year-to-date ended	
	30.6.2020	**30.6.2019**
	RM'000	RM'000
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
Dividend in respect of financial year ending 31 December 2020:		
- first interim (10 sen) under the single tier system approved by the Directors on 29 May 2020 and paid on 24 June 2020	248,967	-
	248,967	373,450

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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
Current quarter ended 30 June 2020									
Revenue									
External revenue	83,570	239,844	56,524	192,210	384,694	32,734	-	-	989,576
Inter-segment revenue	-	6,201	14,581	3,906	9,754	3,568	-	(38,010)	-
Total revenue	83,570	246,045	71,105	196,116	394,448	36,302	-	(38,010)	989,576
Operating profit	31,980	140,432	58,770	(19,182)	(15,584)	(16,581)	7,415	(30,252)	156,998
Finance costs									(65,498)
Share of results of associates and joint ventures									1,139
Profit before tax									92,639
Preceding year quarter ended 30 June 2019									
Revenue									
External revenue	79,976	430,553	61,146	389,864	655,285	128,979	-	-	1,745,803
Inter-segment revenue	-	4,975	19,096	1,048	25,525	15,802	-	(66,446)	-
Total revenue	79,976	435,528	80,242	390,912	680,810	144,781	-	(66,446)	1,745,803
Operating profit	(4,064)	170,227	67,183	1,391	15,885	9,365	19,054	(28,798)	250,243
Finance costs									(65,151)
Share of results of associates and joint ventures									6,794
Profit before tax									191,886

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-to-date ended 30 June 2020									
Revenue									
External revenue	185,431	721,661	115,286	469,137	831,764	141,298	-	-	2,464,577
Inter-segment revenue	-	15,198	30,196	4,822	39,842	14,729	-	(104,787)	-
Total revenue	185,431	736,859	145,482	473,959	871,606	156,027	-	(104,787)	2,464,577
Operating profit	25,635	389,224	125,821	(29,242)	509	(11,183)	567	(52,565)	448,766
Finance costs									(129,092)
Share of results of associates and joint ventures									7,264
Profit before tax									326,938
Segment assets	2,161,834	6,195,318	3,422,901	897,912	1,383,670	1,114,183	2,467,001	-	17,642,819
Segment liabilities	71,453	1,497,402	2,159,507	279,663	973,128	546,359	3,664,931	-	9,192,443
Year-to-date ended 30 June 2019									
Revenue									
External revenue	206,246	910,232	119,807	704,255	1,306,226	248,884	-	-	3,495,650
Inter-segment revenue	-	9,740	36,547	1,676	51,103	30,475	-	(129,541)	-
Total revenue	206,246	919,972	156,354	705,931	1,357,329	279,359	-	(129,541)	3,495,650
Operating profit	3,608	408,685	130,776	1,926	32,034	15,344	4,928	(58,303)	538,998
Finance costs									(121,314)
Share of results of associates and joint ventures									13,511
Profit before tax									431,195
Segment assets	2,117,697	5,663,899	3,062,472	1,232,471	1,615,507	1,260,309	920,173	-	15,872,528
Segment liabilities	64,328	1,314,960	2,063,398	458,912	930,104	704,562	2,072,821	-	7,609,085

8. **Events after the end of interim period**

Save for the subsequent events as disclosed in Note 10 of Part B, there were no events after the end of the interim period and up to 21 August 2020 that have not been reflected in these financial statements.

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 15 January 2020, Sierra Ventures Sdn Bhd ["Sierra"] 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)**
Hap Seng Land Development Sdn Bhd	35,999	35,999
Trio Dynasty Sdn Bhd	9,000	9,000

With the aforesaid allotment, Sierra has become an 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.

(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.

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)**

(j) On 20 May 2020, *Hap Seng Land Development Sdn Bhd ["HSLD"] 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 principally involved in property development.

(k) During the current quarter, the Company acquired an additional 66,074,500 ordinary shares representing approximately 8.26% equity interest in Hap Seng Plantations Holdings Berhad ["HSP"] via the direct business transactions, thereby increasing its shareholding in HSP to 61.31%. HSP is the Company's subsidiary listed on Bursa Malaysia Securities Berhad.

* *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 21 August 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 30.6.2020	**As at 31.12.2019**
	RM'000	RM'000
		(Audited)
Contracted but not provided for		
- property, plant and equipment	310,485	67,500
- investment properties	54,124	52,073
	364,609	119,573

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**

Most business sectors in Malaysia have resumed operations gradually amid the Covid-19 pandemic since the Conditional Movement Control Order [“CMCO”] and Recovery Movement Control Order [“RMCO”] periods with effect from 4 May 2020 and 10 June 2020 respectively. However, business recovery remains challenging amid the slowdown in global economies.

Bank Negara Malaysia [“BNM”] in its Quarterly Bulletin for the second quarter of 2020 highlighted that: “The global economy contracted in 2Q 2020 amid widespread COVID-19 pandemic containment measures. Regional exports contracted due to production restrictions and weaker external demand conditions”. With respect to the Malaysian economy, BNM mentioned that: “The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand conditions and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis". It further mentioned that: “Weak growth was recorded across most economic sectors amid the imposition of the Movement Control Order (MCO), followed by the Conditional and Recovery MCO, during 2Q 2020.”

Against this backdrop, the Group’s revenue for the current quarter at RM0.99 billion was 43% lower than the preceding year corresponding quarter of RM1.75 billion whilst Group’s operating profit at RM157 million was 37% lower than the preceding year corresponding quarter of RM250.2 million with lower contribution from all divisions except Plantation Division. Consequently, the Group profit before tax [“PBT”] and profit after tax [“PAT”] for the current quarter at RM92.6 million and RM46 million were lower than the preceding year corresponding quarter by 52% and 67% respectively.

Plantation Division’s performance for the current quarter was not materially affected by the Covid-19 pandemic. Accordingly, the division’s revenue for the current quarter at RM83.6 million was 4% higher than the preceding year corresponding quarter of RM80 million, benefitted from higher average selling price realisation of Crude Palm Oil [“CPO”] and Palm Kernel [“PK”] but dampened somewhat by lower sales volume of CPO. Average selling price per tonne of CPO and PK for the current quarter were RM2,321 and RM1,382 respectively as compared to the preceding year corresponding quarter of RM2,017 for CPO and RM1,178 for PK. CPO sales volume for the current quarter at 30,821 tonnes was 11% lower than the preceding year corresponding quarter inspite of higher CPO production due to timing of deliveries. Production of CPO and PK for the current quarter were both 13% higher than the preceding year corresponding quarter mainly attributable to higher fresh fruit bunches [“FFB”] yield and higher FFB purchased. FFB production for the current quarter was 9% above the preceding year corresponding quarter, benefitted from improved FFB yield due to seasonal yield trend and changes in cropping patterns. Overall, the division registered operating profit of RM32 million for the current quarter as compared to the preceding year corresponding quarter’s operating loss of RM4.1 million. The operating profit for the current quarter also included a gain of RM12.9 million arising from the sale of several parcels of agriculture land and fixtures thereon to the Property Division.

Property Division’s revenue for the current quarter at RM246 million was 44% lower than the preceding year corresponding quarter of RM435.5 million due to lower contribution from property development projects and construction activities but mitigated somewhat by higher sales of non-strategic properties. The property development projects recorded lower revenue and profit for the current quarter mainly due to lower units sold and lower progress completion affected by the temporary suspension and slow recommencement of operations during the Movement Control Order [“MCO”] periods. Similarly, construction activities at the Shah Alam Industrial Hub were also affected during these periods and consequently resulted in lower revenue. The division’s investment properties in Kuala Lumpur City Centre and Kota Kinabalu continue to maintain healthy occupancy rates and rental yield, registering comparable results with the preceding year corresponding quarter. Overall, the division’s operating profit for the current quarter at RM140.4 million was 18% lower than the preceding year corresponding quarter of RM170.2 million.

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

Credit Financing Division's revenue and operating profit for the current quarter at RM71.1 million and RM58.8 million were lower than the preceding year corresponding quarter by 11% and 13% respectively. This was mainly due to lower loan disbursements which was 44% below the preceding year corresponding quarter as the division exercised prudence with more stringent credit risk assessment in its loan approval process in view of the economic uncertainties arising from the Covid-19 pandemic. Consequently, the division's loan base at the end of the current quarter was RM3.66 billion, 7% below the preceding year corresponding quarter of RM3.96 billion. Non-performing loans ratio was 2.40% at the end of the current quarter as compared to 1.65% at the end of the preceding year corresponding quarter.

Automotive Division resumed its operations on 4 May 2020, at the commencement of the CMCO period after the temporary suspension of its operations from 18 March 2020 in compliance with the MCO. Consequently, the division's revenue for the current quarter at RM196.1 million was 50% lower than the preceding year corresponding quarter of RM390.9 million. The sales of passenger cars in the current quarter was 58% below the preceding year corresponding quarter mainly due to 62% lower number of cars sold whilst the after sales and services segment recorded 18% decrease in revenue with 36% decrease in throughput. The passenger car segment also registered lower margin as this market segment continues to be very competitive in the midst of cautious consumers' spending and challenging market conditions. The commercial vehicle wholesale distribution and retail businesses contributed 21% to the division's current quarter revenue, 44% lower than the preceding year corresponding quarter. It incurred losses for the current quarter which were also affected by start-up and dealers' network development costs. Overall, the division incurred an operating loss of RM19.2 million as compared to the preceding year corresponding quarter's operating profit of RM1.4 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 RM394.4 million, 42% below the preceding year corresponding quarter of RM680.8 million with lower revenue from all its businesses. Fertilizers trading business' revenue for the current quarter at RM322.5 million was 20% below the preceding year corresponding quarter, affected by lower sales volume and lower average selling prices. Sales volume was mainly affected by the suspension of activities during the MCO period and the slowdown in fertilizers applications by oil palm plantations due to the global uncertainties caused by the Covid-19 pandemic which had dampened palm oil prices in the current quarter. Selling prices were affected by competitive pricing which had also eroded its trading margins. General trading business and MMSB were also affected by the suspension of activities during the MCO period and weak demand arising from the slowdown in construction activities during the CMCO and RMCO periods due to labour shortages. Consequently, lower revenue was registered by both general trading business and MMSB for the current quarter at RM47.1 million and RM24.9 million, 78% and 63% lower than the preceding year corresponding quarter respectively. Overall, the division incurred an operating loss of RM15.6 million for the current quarter as compared to the preceding year corresponding quarter's operating profit of RM15.9 million. The operating loss included foreign exchange losses from the fertilizers trading business but mitigated somewhat by lower operating costs from all its businesses.

Building Materials Division comprises the quarry, asphalt and bricks businesses and trading of building materials by Hafary Holdings Limited ["Hafary"]. The division's revenue for the current quarter at RM36.3 million was 75% lower than the preceding year corresponding quarter of RM144.8 million with lower revenue from all businesses which were affected by the suspension of operations in compliance with the MCO in Malaysia and the Circuit Breaker ["CB"] measures in Singapore from 7 April to 1 June 2020. The quarry, asphalt and bricks businesses in Malaysia were further affected by the slow pick-up in construction activities during the CMCO and RMCO periods. Total revenue from quarry, asphalt and bricks businesses for the current quarter at RM19.5 million was 71% lower than the preceding year corresponding quarter of RM66.5 million. Hafary's revenue for the current quarter at RM16.8 million was 79% below the preceding year corresponding quarter of RM78.3 million. Hafary's showrooms in Singapore only reopened for business on 19 June 2020 under Singapore's "End of Circuit Breaker, Phased Approach to Resuming Activities Safely". Consequently, the division incurred an operating loss of RM16.6 million as compared to the preceding year corresponding quarter's operating profit of RM9.4 million.

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

Overall, Group PBT and PAT for the year to date at RM326.9 million and RM209.6 million were lower than the preceding year corresponding period by 24% and 32% respectively. Accordingly, profit attributable to owners of the Company for the year to date at RM204.5 million and basic earnings per share for the year to date at 8.21 sen were both 29% lower than the preceding year corresponding period.

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

	Current Quarter ended 30.6.2020 RM'000	**Immediate Preceding Quarter ended 31.3.2020** RM'000	***Increase/ (Decrease)***
Revenue	989,576	1,475,001	*(33%)*
Operating profit	156,998	291,768	*(46%)*
Profit before tax	92,639	234,299	*(60%)*

Group PBT for the current quarter at RM92.6 million was 60% below the immediate preceding quarter with lower contribution from all divisions except Plantation Division.

Generally, the Group's businesses in the current quarter continue to be affected by the Covid-19 pandemic which disrupted the supply chain and negatively impacted business operations. Whilst the MCO period in Malaysia ended with the implementation of CMCO on 4 May 2020 and subsequently RMCO on 10 June 2020, the business environment and market conditions surrounding the Group's businesses remained subdue and business activities were sluggish.

Plantation Division's operating profit for the current quarter at RM32 million as compared to the operating loss of RM6.3 million in the immediate preceding quarter was due to profit on fair value of biological assets of RM7.6 million as compared to a loss on fair value of biological assets of RM9.5 million in the immediate preceding quarter, lower unit production cost of CPO per tonne and the gain arising from the the sale of several parcels of agriculture land and fixtures thereon to the Property Division. This was dampened somewhat by lower average selling price of CPO and PK. Production cost per tonne of CPO was lower in the current quarter attributable to higher CPO production, benefitted from higher FFB yield due to seasonal yield trend and changes in cropping patterns. Average selling price per tonne of CPO was 18% lower than the immediate preceding quarter of RM2,814 per tonne whilst average selling price of PK was 19% below the immediate preceding quarter of RM1,702 per tonne.

Property Division's operating profit for the current quarter at RM140.4 million was 44% below the immediate preceding quarter of RM248.8 million due to lower contribution from its property development and construction activities as well as lower sales of non-strategic properties.

Credit Financing's operating profit for the current quarter at RM58.8 million was 12% lower than the immediate preceding quarter of RM67.1 million due to lower loan base. Results for the immediate preceding quarter also benefitted from foreign exchange gains in its overseas operations.

Automotive Division incurred higher operating loss of RM19.2 million for the current quarter as compared to the immediate preceding quarter's operating loss of RM10.1 million mainly due to lower vehicles sold and lower margins from both its passenger car and commercial vehicle segment.

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

Trading Division registered an operating loss of RM15.6 million for the current quarter as compared to an operating profit of RM16.1 million in the immediate preceding quarter with lower results from all its businesses. The weaker results were also due to the adverse foreign exchange fluctuations in the fertilizers trading business in the current quarter which resulted in reversal of some of the marked to market foreign exchange gains recognised in the immediate preceding quarter.

Building Materials Division incurred an operating loss of RM16.6 million for the current quarter as compared to an operating profit of RM5.4 million in the immediate preceding quarter due to significantly lower sales from its businesses, affected by the suspension of operations during the MCO period in Malaysia and CB in Singapore and the slow pick-up of market activities subsequently.

3. **Current year prospects**

BNM Quarterly Bulletin for the second quarter of 2020 reported that: "In 2H 2020, growth is expected to be supported by the resumption in economic activity across the various sectors as Malaysia gradually exits from the movement restriction orders, a gradual improvement in sentiments, and positive effects from the fiscal stimulus packages. The projected improvement in domestic economy is expected to be further supported by a gradual recovery in global growth conditions. The pace and strength of the domestic economic recovery, however, remain subject to downside risks emanating from both domestic and external factors. These include the prospect of secondary outbreaks of the pandemic leading to reimpositions of containment measures, more persistent weakness in labour market conditions, and a weaker than-expected recovery in global growth."

The Monetary Policy Committee had reduced the Overnight Policy Rate by a cumulative 125 basis points on four occasions on 22 January 2020, 3 March 2020, 5 May 2020 and 7 July 2020 to 1.75%. These reductions were intended to cushion the economic impact of the COVID-19 pandemic on businesses and households and provide additional policy stimulus to accelerate the pace of economic recovery. BNM has revised the 2020 GDP forecast to between -3.5% to -5.5%.

Accordingly, the Group operations in the second half of 2020 will be influenced by the global and domestic economic conditions and the Covid -19 pandemic situation whilst measures taken by the Malaysian government will provide some relief and stimulus to the domestic economy, benefitting some of the Group's operations.

Malaysian palm oil inventories at end of July 2020 was lower by 10.5% from 1.898 million tonnes at end June 2020 to 1.698 million tonnes, the lowest since June 2017, in tandem with lower production and higher exports. CPO production in Malaysia decreased 4.1% to 1.807 million tonnes in July 2020 from 1.885 million tonnes in the previous month whilst Malaysian palm oil exports rose 4.2% to 1.782 million tonnes as compared to 1.71 million tonnes in the preceding month. The suspension of export tax for CPO in Malaysia from 1 June 2020 until end of the year has improved the competitiveness of Malaysia's palm oil against Indonesia's who has raised its export levy on CPO shipments with effect from 1 June 2020, by USD5 per tonne to USD55 per tonne. Since the second half of July 2020, daily CPO prices had been trending upward from RM2,607 per tonne to a high of RM2,858 per tonne in the first half of August 2020. Restocking activities by India and China had largely contributed to the higher Malaysian palm oil exports and supported the higher palm oil prices. However, industry analysts expect prices to moderate in the subsequent months as demand normalises and FFB production enters its peak production cycle.

3. **Current year prospects (continued)**

The PENJANA [“Pelan Jana Semula Ekonomi Negara” or Short-Term Economic Recovery Plan] as announced on 5 June 2020 by the government provides some incentives which may help spur activities in the Malaysian property market in the second half of the year. These incentives include the reintroduction of Home Ownership Campaign effective 1st June 2020 until 31st May 2021, where stamp duty exemption will be provided on the instruments of transfer and loan agreement for the purchase of residential units priced between RM300,000 and RM2.5 million and limited to the first RM1 million of the home purchase price. This is expected to rejuvenate the primary housing market moving into the second half of 2020 and beyond. In addition, the exemption of Real Property Gains Tax for disposal of residential units between 1 June 2020 and 31 December 2021, limited to three units per individual, is also anticipated to provide further traction to the secondary housing market. Accordingly, the Property Division anticipates positive consumer responses to its property projects in the second half of the year and will focus on its sales and marketing activities to drive sales. Continuous efforts 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 Menara Hap Seng 3 office building.

The Credit Financing Division anticipates the challenging financing landscape to continue amid the current economic uncertainties. The division will place concerted efforts on managing credit risks and strengthening its loan recovery and rehabilitation processes to mitigate expected higher loan impairment. It will continue to 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.

The Automotive Division expects the sales tax exemption for new vehicles from 15 June 2020 to 31 December 2020 announced under PENJANA will help to stimulate consumers’ spending in the local automotive industry. The division will continue to offer attractive sales and after-sales packages with focus on service excellence to build on its market presence, amid the intense competition from other brands and dealers.

The Trading Division anticipates a challenging year ahead and expects the competitive business environment of its fertilizers trading, general trading and ceramic tiles businesses in all its geographical markets to remain. The division anticipates fertilizers demand to improve, supported by stronger CPO prices and the increase in fertilizers application activities before the rainy season which is expected to commence in the fourth quarter of the year. The general trading and ceramic tiles businesses will continue to focus on consolidating its existing customer base and market coverage, placing concerted efforts on managing inventories and receivables, and reducing costs.

The Building Materials Division anticipates improvement in building materials’ demand as construction activities gradually resume and expects to benefit from the ongoing Pan Boneo Highway project. The division’s quarry, asphalt and bricks businesses will continue to rationalise its operations to optimise costs and improve financial performance.

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.

5. **Profit before tax**

	Quarter ended		Year-to-date ended	
	30.6.2020	**30.6.2019**	**30.6.2020**	**30.6.2019**
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	10,079	3,960	19,401	6,636
Dividend income from equity investment at fair value through other comprehensive income	150	180	300	360
Dividend income from equity investment at fair value through profit or loss	3,560	6,947	3,560	6,947
Dividend income from money market deposits	8,460	7,274	13,136	12,779
Gain/(Loss) on equity investment at fair value through profit or loss	548	(6,573)	(10,314)	(6,573)
(Loss)/Gain on money market deposits at fair value	(1,446)	972	(1,310)	1,048
Interest expense	(65,498)	(65,151)	(129,092)	(121,314)
Depreciation and amortisation	(52,690)	(55,801)	(106,956)	(111,583)
Net allowance of impairment losses				
- trade receivables	(5,499)	(1,536)	(7,122)	(5,563)
Net inventories written down	(4,603)	(2,642)	(7,867)	(3,757)
(Loss)/Gain on disposal of property, plant and equipment	(3)	1,763	93	4,389
Property, plant and equipment written off	(503)	(460)	(1,433)	(1,459)
Investment property written off	-	(263)	-	(263)
Bad debts written off	-	(1)	-	(17)
Net foreign exchange gain	2,974	17,215	16,066	3,412
(Loss)/Gain on non-hedging derivative instruments	(10,887)	1,598	3,066	1,241
Gain/(Loss) on fair value of biological assets	7,592	1,714	(1,896)	(1,760)
Recovery of bad debts	63	93	197	368

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

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6. **Tax expense**

	Quarter ended		Year-to-date ended	
	30.6.2020	**30.6.2019**	**30.6.2020**	**30.6.2019**
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	58,834	60,786	140,493	145,612
- deferred tax	(12,231)	(8,838)	(23,168)	(22,636)
	46,603	51,948	117,325	122,976
In respect of prior period				
- income tax	-	789	-	789
	46,603	52,737	117,325	123,765

The Group's effective tax rate for the current quarter and year to date were higher than the statutory tax rate mainly due to certain expenses being disallowed for tax purposes and deferred tax assets not recognised on business losses by certain subsidiaries.

The Group's effective tax rate for the preceding year corresponding quarter and period 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 21 August 2020.

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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 Per *Circular RM'000	**Adjusted RM'000	As at 30 June 2020 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	-	-	-	-	
Working capital requirements:								
(i) Part finance the cost of property developments in Klang Valley								As the Kia Peng Service Apartment project has been deferred in view of the current economic conditions, the balance unutilised has been utilised for working capital requirement of item (ii)(b)^
(a) Jalan Kia Peng Service Apartment	100,000	100,000	40,632	-		59,368	59	
(b) Menara Hap Seng 3	200,000	200,000	200,000	-		-	-	
	300,000	300,000	240,632	-		59,368	20	
(ii) Purchase of inventories								
(a) automobile	20,664	30,293	31,884	-		# (1,591)	(5)	
(b) fertilisers	30,000	30,000	89,368	-		^ (59,368)	(198)	
(c) building materials such as steel bars, wire mesh and cement	30,000	30,000	30,000	-		-	-	
	80,664	90,293	151,252	-		(60,959)	(68)	
	380,664	390,293	391,884	-	-	(1,591)	(0.4)	
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	780,793	-		-		

* *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:

Purpose	Proposed Utilisation RM'000	As at 30 June 2020 Utilisation RM'000	As at 30 June 2020 Balance Unutilised RM'000	Intended Timeframe for Utilisation	Deviation under/(over) spent RM'000	Deviation under/(over) spent %	Explanation
Working capital requirements:							
Loan disbursements of HSCSB's credit financing division							
(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		-	-	
	905,500	-	905,417		-	-	
Estimated expenses	500	583	-		(83)	(17)	The over spent was set-off against the balance unutilised for working capital requirement under item (e) #
	906,000	583	905,417		(83)		

* *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:

Purpose	Proposed Utilisation Per *Circular RM'000	**Adjusted RM'000	As at 30 June 2020 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	311,615	188,385	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) 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	125,000	-		-	-	
(ii) Purchase of inventories								
(a) Fertilisers	40,000	40,000	40,000	-		-	-	
(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	25,250	4,750		-	-	
	96,044	103,064	98,398	4,750		(84)	(0.1)	
	221,044	228,064	223,398	4,750		(84)	(0.04)	
Estimated expenses	700	700	616	-		84	12	The under spent has been utilised for working capital requirement of item (ii)(b) #
	721,744	728,764	535,629	193,135		-		

* *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 30.6.2020					
	Denominated in					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
Current						
Secured						
- Term loans	-	-	6,766	-	-	6,766
- Revolving credits	-	-	104,209	-	-	104,209
	-	-	110,975	-	-	110,975
Unsecured						
- Term loans	642,117	720,545	-	-	-	1,362,662
- Revolving credits	1,642,989	303,048	-	-	100,703	2,046,740
- Trust receipts	-	88	22,400	19,503	-	41,991
- Bankers' acceptances	567,142	3,647	-	-	-	570,789
	2,852,248	1,027,328	22,400	19,503	100,703	4,022,182
Total current borrowings	2,852,248	1,027,328	133,375	19,503	100,703	4,133,157
Non-current						
Secured						
- Term loans	-	-	250,288	-	-	250,288
Unsecured						
- Term loans	475,345	-	-	-	-	475,345
- Medium term notes	2,990,000	-	-	-	-	2,990,000
	3,465,345	-	-	-	-	3,465,345
Total non-current borrowings	3,465,345	-	250,288	-	-	3,715,633
Total borrowings	6,317,593	1,027,328	383,663	19,503	100,703	7,848,790

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 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 KKHC was yet to fix further hearing dates.

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 KKHC was yet to fix further hearing dates.

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 30 June 2020 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*	210,048	8,233	12,646	(12,620)	26
- Not designated as hedging instruments	225,464	2,305	5,669	(2,603)	3,066
	435,512	10,538	18,315	(15,223)	3,092
Cross currency interest rate swaps on foreign currency borrowings of less than 1 year (USD)					
- Designated as hedging instruments*	770,004	25,082	26,385	(28,630)	(2,245)

* *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 30 June 2020 given by the Company's moneylending subsidiaries are as follows:

		Secured RM'000	Unsecured RM'000	Total RM'000
(a)	To companies	2,579,109	110	2,579,219
(b)	To individuals	360,628	1,194	361,822
(c)	To companies within the listed issuer group	428,651	294,645	723,296
(d)	To related parties	-	-	-
		3,368,388	295,949	3,664,337

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

		As at 30.6.2020 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	2,124,082
		2,124,082

(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	58,932
(c)	Loans reclassified as performing during the financial year	(6,139)
(d)	Amount recovered	(13,790)
(e)	Amount written off	(2,998)
(f)	Loans converted to securities	-
(g)	Balance as at 30.6.2020	87,886
(h)	Ratio of net loans in default to net loans	2.40%

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	419,759	Yes	467,834	Yes*	3 - 72
2nd	Term Loan	171,700	170,006	Yes	168,577	No	12
3rd	Term Loan	130,000	142,158	Yes	361,500	No	100 - 108
4th	Term Loan	247,000	122,172	No	-	Yes*	36
5th	Term Loan	262,000	100,499	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	
	30.6.2020	**30.6.2019**	**30.6.2020**	**30.6.2019**
Profit attributable to owners of the Company (RM'000)	44,078	129,789	204,455	287,771
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	2,489,670	2,489,671	2,489,670	2,489,671
Basic EPS (sen)	1.77	5.21	8.21	11.56

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

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15. **Dividend**

The Directors do not recommend any interim dividend for the period under review.

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
27 August 2020