

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (UNAUDITED)
FOR THE FIRST QUARTER AND YEAR-TO-DATE ENDED 31 MARCH 2021**

	Quarter ended			Year-to-date ended		
	31.3.2021 RM'000	31.3.2020 RM'000	Increase/ (Decrease)	31.3.2021 RM'000	31.3.2020 RM'000	Increase/ (Decrease)
Revenue	1,277,504	1,475,001	(13%)	1,277,504	1,475,001	(13%)
Operating expenses	(1,069,899)	(1,238,332)		(1,069,899)	(1,238,332)	
Other operating income	39,328	55,099		39,328	55,099	
Operating profit	246,933	291,768	(15%)	246,933	291,768	(15%)
Finance costs	(51,945)	(63,594)		(51,945)	(63,594)	
Share of results of associates and joint ventures	6,670	6,125		6,670	6,125	
Profit before tax	201,658	234,299	(14%)	201,658	234,299	(14%)
Tax expense	(61,104)	(70,722)		(61,104)	(70,722)	
Profit for the period	<u>140,554</u>	<u>163,577</u>	(14%)	<u>140,554</u>	<u>163,577</u>	(14%)
Profit attributable to:						
Owners of the Company	120,832	160,377	(25%)	120,832	160,377	(25%)
Non-controlling interests	19,722	3,200		19,722	3,200	
	<u>140,554</u>	<u>163,577</u>		<u>140,554</u>	<u>163,577</u>	
Earnings per share (sen)						
Basic	<u>4.85</u>	<u>6.44</u>	(25%)	<u>4.85</u>	<u>6.44</u>	(25%)
Diluted	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>	

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 2020 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 2021**

	Quarter ended		Year-to-date ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
Profit for the period	140,554	163,577	140,554	163,577
Other comprehensive income/(expense) net of tax:				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operations	14,509	(12,862)	14,509	(12,862)
Share of foreign currency translation differences of associates and joint ventures	308	(1,735)	308	(1,735)
Change in fair value of cash flow hedge	(5,349)	(5,766)	(5,349)	(5,766)
Total other comprehensive income/(expense) for the period	9,468	(20,363)	9,468	(20,363)
Total comprehensive income for the period	<u>150,022</u>	<u>143,214</u>	<u>150,022</u>	<u>143,214</u>
Total comprehensive income attributable to:				
Owners of the Company	128,675	139,690	128,675	139,690
Non-controlling interests	21,347	3,524	21,347	3,524
	<u>150,022</u>	<u>143,214</u>	<u>150,022</u>	<u>143,214</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 2020 and the accompanying explanatory notes attached to the Interim Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2021

	As at 31.3.2021	As at 31.12.2020
	RM'000	RM'000 <i>(Audited)</i>
Non-current assets		
Property, plant and equipment	3,384,147	3,385,120
Investment properties	2,132,273	1,912,593
Investment in associates	468,642	462,020
Investment in joint ventures	8,422	8,066
Land held for property development	1,296,640	1,304,291
Intangible assets	38,013	38,038
Trade and other receivables	1,658,006	1,712,296
Other financial assets	17,485	16,264
Deferred tax assets	112,950	106,928
	<u>9,116,578</u>	<u>8,945,616</u>
Current assets		
Inventories	1,426,975	1,437,321
Property development costs	888,172	905,282
Biological assets	40,447	33,960
Trade and other receivables	2,313,417	2,741,765
Contract assets	121,138	113,738
Tax recoverable	44,956	38,119
Other financial assets	85,141	69,241
Money market deposits	1,955,700	2,024,048
Cash and bank balances	1,105,025	960,872
	<u>7,980,971</u>	<u>8,324,346</u>
TOTAL ASSETS	<u>17,097,549</u>	<u>17,269,962</u>

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 31 MARCH 2021

	As at 31.3.2021	As at 31.12.2020
	RM'000	RM'000
		<i>(Audited)</i>
Equity attributable to owners of the Company		
Share capital	3,519,554	3,519,554
Reserves	4,093,279	3,964,887
	<hr/>	<hr/>
	7,612,833	7,484,441
Less: Treasury shares	(113)	(113)
	<hr/>	<hr/>
	7,612,720	7,484,328
Non-controlling interests	1,179,347	1,173,265
TOTAL EQUITY	<hr/>	<hr/>
	8,792,067	8,657,593
 Non-current liabilities		
Payables	176,918	174,218
Employee benefits	2,818	2,813
Borrowings	3,433,052	3,306,761
Lease liabilities	96,957	98,635
Deferred tax liabilities	487,892	487,669
	<hr/>	<hr/>
	4,197,637	4,070,096
 Current liabilities		
Payables	872,533	878,351
Provisions	274,355	251,992
Contract liabilities	40,409	34,054
Tax payable	102,182	142,570
Borrowings	2,792,211	3,183,894
Lease liabilities	24,131	28,230
Other financial liabilities	2,024	23,182
	<hr/>	<hr/>
	4,107,845	4,542,273
TOTAL LIABILITIES	<hr/>	<hr/>
	8,305,482	8,612,369
TOTAL EQUITY AND LIABILITIES	<hr/>	<hr/>
	17,097,549	17,269,962
 Net assets per share (RM)	<hr/>	<hr/>
	3.06	3.01
 Number of shares net of treasury shares ('000)	<hr/>	<hr/>
	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 2020 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 2021**

	← 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 2021	3,519,554	157,756	3,807,131	(113)	7,484,328	1,173,265	8,657,593
Profit for the period	-	-	120,832	-	120,832	19,722	140,554
Total other comprehensive income for the period	-	7,843	-	-	7,843	1,625	9,468
Total comprehensive income for the period	-	7,843	120,832	-	128,675	21,347	150,022
Changes in ownership interest in a subsidiary	-	-	(283)	-	(283)	2,367	2,084
Dividends paid to non-controlling interests	-	-	-	-	-	(17,632)	(17,632)
At 31 March 2021	3,519,554	165,599	3,927,680	(113)	7,612,720	1,179,347	8,792,067
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

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 2020 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 2021**

	Year-to-date ended	
	31.3.2021	31.3.2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	201,658	234,299
Adjustments for:		
Non-cash items	54,843	74,055
Non-operating items	(6,713)	(6,221)
Dividend income	(8,646)	(4,826)
Net interest expense	48,918	54,272
Operating profit before working capital changes	290,060	351,579
Net changes in working capital	579,033	(192,941)
Net changes in loan receivables	(69,888)	(70,319)
Net tax paid	(114,440)	(69,050)
Net interest paid	(54,639)	(61,536)
Net changes in land held for property development	10,632	9,619
Net cash flows generated from/(used in) operating activities	640,758	(32,648)
Cash flows from investing activities		
Dividends received from money market deposits	8,496	4,676
Decrease/(Increase) in money market deposits	68,038	(359,242)
Proceeds from issuance of shares to non-controlling interests	-	9
Proceeds from disposal of interest in a subsidiary	2,084	-
Proceeds from disposal of property, plant and equipment	237	343
Purchase of property, plant and equipment	(39,783)	(23,470)
Additions to investment properties	(219,496)	(31,191)
Net cash flows used in investing activities	(180,424)	(408,875)
Cash flows from financing activities		
Dividends paid to non-controlling interests	(17,632)	(7,510)
Net (repayment)/drawdown of borrowings	(300,552)	480,140
Payment of lease liabilities	(7,488)	(7,670)
Net cash flows (used in)/generated from financing activities	(325,672)	464,960
Net increase in cash and cash equivalents	134,662	23,437
Effects on exchange rate changes	9,491	(467)
Cash and cash equivalents at beginning of the period	960,872	1,090,193
Cash and cash equivalents at end of the period	1,105,025	1,113,163
Cash and cash equivalents comprise the following amounts:		
Deposits with licensed banks	607,173	394,468
Cash in hand and at bank	497,852	720,708
Bank overdrafts	-	(2,013)
	1,105,025	1,113,163

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020 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 2020.

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 2020.

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 2021, 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.

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 2021</u>									
Revenue									
External revenue	121,322	262,139	59,149	306,189	417,522	111,183	-	-	1,277,504
Inter-segment revenue	-	5,660	14,231	5,998	23,510	10,311	-	(59,710)	-
Total revenue	121,322	267,799	73,380	312,187	441,032	121,494	-	(59,710)	1,277,504
Operating profit									
Finance costs									(51,945)
Share of results of associates and joint ventures									6,670
Profit before tax									201,658
Segment assets	2,191,373	6,187,418	3,208,165	816,388	1,135,542	1,047,858	1,875,835	-	16,462,579
Segment liabilities	72,734	910,777	1,957,726	274,741	579,083	595,031	3,325,316	-	7,715,408
<u>Preceding year 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									(63,594)
Share of results of associates and joint ventures									6,125
Profit before tax									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

8. Events after the end of interim period

Save for the subsequent events disclosed in Note 10 of Part B, events after the end of the interim period and up to 19 May 2021 that have not been reflected in these interim financial statements are as follows:

- (a) On 22 April 2021, *Hap Seng Land Development Sdn Bhd [“HSLD”] incorporated a wholly-owned subsidiary namely, Suria Kapital Development Sdn Bhd [“Suria Kapital”], with an issued share capital of RM1.00 comprising 1 ordinary share. Subsequently, on 6 May 2021, Suria Kapital allotted 10,799,999 and 2,700,000 ordinary shares to HSLD and Jinee Sdn Bhd respectively. With the aforesaid allotment, Suria Kapital became an 80%-owned subsidiary of the Company. Suria Kapital is principally involved in property development.
- (b) On 11 May 2021, *Hap Seng Realty Sdn Bhd incorporated a wholly-owned subsidiary namely, Sunrise Spring Sdn Bhd [“Sunrise Spring”] with an issued share capital of RM1.00 comprising 1 ordinary share. Sunrise Spring is currently dormant.

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

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

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

During the current quarter, the Company disposed of a total of 1,139,700 ordinary shares representing approximately 0.14% of equity interest in Hap Seng Plantations Holdings Berhad [“HSP”] via open market at an average disposal price of RM1.83 per share, thereby reducing its shareholding in HSP from 60.03% to 59.89%. HSP is the Company’s subsidiary listed on Bursa Malaysia Securities Berhad.

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 19 May 2021.

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 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 31.3.2021	As at 31.12.2020
	RM’000	RM’000
Contracted but not provided for		<i>(Audited)</i>
- property, plant and equipment	305,330	289,620
- investment properties	85,199	99,114
	<u>390,529</u>	<u>388,734</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 2 July 2020, except for the following:

On 11 January 2021 [the “said date”], Caliber Suncity Sdn Bhd [“Caliber Suncity”], a wholly-owned subsidiary of the Company entered into a sale and purchase agreement [the “said SPA”] with Victoria Land Sdn Bhd [“Victoria Land”], a wholly-owned subsidiary of Lei Shing Hong Limited [“LSH”], pursuant to which Victoria Land had agreed to dispose of all those three (3) adjoining parcels of industrial land held under Lot 11360, PN 11151, Lot 11361, PN 11152 and Lot 11365, PN 394, Daerah and Negeri Wilayah Persekutuan Labuan situated at Kg Ranche-Ranche, Off Jalan Patau-Patau, 87000 Federal Territory of Labuan [the “said Lands”] together with buildings erected thereon [the “said Buildings”] to Caliber Suncity for a cash consideration of RM205,250,000 [the “said Purchase Consideration” or the “said Acquisition” respectively]. Victoria Land had entered into a 20-year principal lease expiring in 2032 for the said Lands and various sub-leases in respect of some but not all of the said Buildings with Asian Supply Base Sdn Bhd, a wholly-owned subsidiary of the State Government of Sabah.

The said Acquisition was deemed a related party transaction. As at the said date, Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak [“Tan Sri Lau”] was deemed to have a 51.69% shareholding in LSH comprising 37.84% shareholding held via Lead Star Business Limited and 13.85% shareholding held via Gek Poh (Holdings) Sdn Bhd [“Gek Poh”]. He was a 56.00% major shareholder and a director of Gek Poh.

As at the said date, Gek Poh held 13.85% shareholding in LSH and Gek Poh’s aggregate shareholding in the Company was 62.64%, comprising 54.63% direct shareholding and 8.01% indirect shareholding through Hap Seng Insurance Services Sdn Bhd [“HSIS”], a wholly-owned subsidiary of Gek Poh. In addition, Lei Shing Hong Investment Limited [“LSHI”], a company incorporated in Hong Kong and a wholly-owned subsidiary of Lei Shing Hong Capital Limited [“LSHCL”] which in turn is the wholly-owned subsidiary of LSH, was a 11.27% major shareholder of the Company. Hence, Tan Sri Lau, Gek Poh, HSIS, LSH, LSHCL and LSHI were deemed interested in the said Acquisition.

As at the said date, Datuk Edward Lee Ming Foo was the managing director of both the Company and Gek Poh. Mr Lee Wee Yong was an executive director of the Company and a director of Gek Poh. Premised on the aforesaid, Datuk Edward Lee Ming Foo and Mr Lee Wee Yong were deemed interested in the said Acquisition.

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

As at the said date, Mr Chong Chee Wooi was the deputy finance director of the Company and a director of Akal Megah and Victoria Land respectively. Premised on the aforesaid, he was deemed interested in the said Acquisition.

The said Acquisition was completed on 12 January 2021 in accordance with the terms and condition of the said SPA with the payment of the said Purchase Consideration to Victoria Land.

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

The Group's revenue for the current quarter at RM1.28 billion was 13% lower than the preceding year corresponding quarter of RM1.48 billion attributable to lower contribution from Property, Credit Financing and Trading Divisions. Group's operating profit for the current quarter at RM246.9 million was 15% lower than the preceding year corresponding quarter of RM291.8 million due to lower profit contribution from Property and Credit Financing Divisions but mitigated somewhat by higher profit contribution from Plantation, Automotive, Trading and Building Materials Divisions.

Plantation Division's revenue for the current quarter at RM121.3 million was 19% higher than the preceding year corresponding quarter mainly attributable to higher average selling prices realisation of Crude Palm Oil ["CPO"] and Palm Kernel ["PK"] in spite of lower sales volume of both products. Average selling price of CPO and PK for the current quarter at RM3,854 per tonne and RM2,585 per tonne respectively were significantly higher than the preceding year corresponding quarter of RM2,814 per tonne for CPO and RM1,702 per tonne for PK. CPO sales volume for the current quarter at 26,288 tonnes was 16% lower than the preceding year corresponding quarter whilst PK sales volume was 11% lower at 6,763 tonnes, mainly due to lower production and higher closing stocks due to timing of deliveries for both products. Production of CPO and PK for the current quarter were lower than the preceding year corresponding quarter by 9% and 8% respectively due to lower CPO and PK extraction rates, affected by wet weather conditions. Overall, the division registered operating profit for the current quarter of RM39.8 million as compared to the preceding year corresponding quarter's operating loss of RM6.3 million.

Property Division's revenue for the current quarter at RM267.8 million was lower than the preceding year corresponding quarter by 45% due to lower construction activities and sales from property development as well as lower sales of non-strategic properties but mitigated somewhat by higher contribution from investment properties segment. Consequently, the division's operating profit for the current quarter at RM140 million was lower than the preceding year corresponding quarter by 44%. The revenue from construction activities in the preceding year corresponding quarter was mainly in respect of Hap Seng Business Park which was completed in December 2020. The property development segment was mainly affected by the slower economic activities and cautiousness in consumers' sentiments due to the current economic uncertainties amid the COVID-19 pandemic. The division's investment properties segment benefitted from Menara Hap Seng 3 which was completed with certification of completion and compliance in March 2020 and contribution from its newly acquired investment properties in Labuan.

Credit Financing Division's revenue for the current quarter at RM73.4 million was marginally lower than the preceding year corresponding quarter of RM74.4 million, mainly due to lower loan base of RM3.81 billion which was 2% below the preceding year corresponding quarter of RM3.87 billion. Non-performing loans ratio at the end of the current quarter was 2.30% as compared to 1.48% at the end of the preceding year corresponding quarter but lower than 2.35% at the end of 2020. Overall, the division's operating profit for the current quarter at RM55.9 million was 17% lower than the preceding year corresponding quarter of RM67.1 million, mainly affected by higher provision for impairment on its loan base as certain sectors in the division's loan portfolio were adversely affected by the COVID-19 pandemic.

Automotive Division's revenue for the current quarter at RM312.2 million was 12% higher than the preceding year corresponding quarter of RM277.8 million contributed by both the passenger car and commercial vehicle segments. The passenger car segment continues to benefit from the sales tax exemption granted by the government under PENJANA ["Pelan Jana Semula Ekonomi Negara" or Short-Term Economic Recovery Plan] and registered 12% higher revenue on the back of 13% increase in number of cars sold. The higher revenue from car sales was dampened somewhat by lower revenue from the after sales and services segment which registered a 20% decrease in revenue. The after sales and services segment was affected by lower throughput of 19% due to customers delaying sending in their cars for servicing as a consequence of reduced car usage during the various Movement Control Orders ["MCO"] period. The commercial vehicle segment's sales for the current quarter were 51% above the preceding year corresponding quarter with higher volume of trucks sold. Both the passenger car and commercial vehicle segments recorded better profit margin. Overall, the division registered an operating profit of RM2.5 million for the current quarter as compared to an operating loss of RM10.1 million in the preceding year corresponding quarter.

1. Review of performance (continued)

Trading Division's revenue for the current quarter at RM441 million was 8% lower than the preceding year corresponding quarter with lower revenue from fertilizers trading and general trading businesses but mitigated somewhat by higher revenue from ceramic tiles business. Fertilizers trading business' revenue for the current quarter was 7% lower at RM306.5 million mainly due to lower sales volume inspite of higher average selling price. Fertilizers trading business was affected by the timing of deliveries to customers due to delays in shipments from suppliers caused by the global shortage of shipping containers. General trading business' revenue for the current quarter at RM81 million was 29% below the preceding year corresponding quarter as the business continued to be affected by the slowdown in property development and construction activities amid the COVID-19 pandemic. Ceramic tiles business' revenue for the current quarter at RM53.5 million was 52% higher than the preceding year corresponding quarter mainly attributable to higher sales volume from its export markets and overseas operations. Generally, all businesses registered higher profit margin, benefitted from higher selling prices and lower operating costs from improved operational efficiencies. Consequently, the division's operating profit for the current quarter of RM19.7 million was 22% higher than the preceding year corresponding quarter of RM16.1 million.

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 RM121.5 million was marginally above the preceding year corresponding quarter of RM119.7 million with higher revenue contribution from Hafary but offset by lower revenue from quarry, asphalt and bricks businesses. Hafary's revenue for the current quarter at RM82.6 million was 19% above the preceding year corresponding quarter with higher general sector sales from increased renovation activities in Singapore. Revenue from quarry, asphalt and bricks businesses for the current quarter at RM38.9 million was 23% below the preceding year corresponding quarter, affected by the slowdown in construction activities. Nevertheless, the division's operating profit for the current quarter at RM15.5 million was significantly higher than the preceding year corresponding quarter of RM5.4 million with better margin achieved from all businesses attributable to better sales mix from Hafary and lower production costs from quarry, asphalt and bricks businesses arising from its cost optimisation efforts.

Overall, Group profit before tax ["PBT"] and profit after tax for the current quarter at RM201.7 million and RM140.6 million were both lower than the preceding year corresponding quarter by 14%. Profit attributable to owners of the Company for the current quarter at RM120.8 million was 25% lower than the preceding year corresponding quarter. Accordingly, basic earnings per share for the current quarter at 4.85 sen was also lower than the preceding year corresponding quarter by 25%.

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

	Current Quarter ended 31.3.2021 RM'000	Immediate Preceding Quarter ended 31.12.2020 RM'000	<i>Increase/ (Decrease)</i>
Revenue	<u>1,277,504</u>	<u>1,724,059</u>	<i>(26%)</i>
Operating profit	<u>246,933</u>	<u>459,213</u>	<i>(46%)</i>
Profit before tax	<u>201,658</u>	<u>501,745</u>	<i>(60%)</i>

Group PBT for the current quarter at RM201.7 million was 60% lower than the immediate preceding quarter of RM501.7 million mainly attributable to lower contribution from Plantation and Property Divisions, mitigated by higher contribution from Credit Financing, Automotive, Trading and Building Materials Divisions.

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

Plantation Division's operating profit for the current quarter at RM39.8 million was 22% lower than the immediate preceding quarter of RM50.8 million mainly due to lower sales volume of CPO and PK but mitigated by higher average selling prices of both CPO and PK. Sales volume of CPO and PK for the current quarter were 37% and 28% lower than the immediate preceding quarter of 41,842 tonnes and 9,343 tonnes respectively. This was mainly impacted by lower production of CPO and PK by 29% and 26% respectively, lower fresh fruit bunches ["FFB"] purchased and higher closing stock of CPO due to timing of deliveries. The lower CPO and PK production were in tandem with lower FFB production by 27%, affected by lower FFB yield due to seasonal yield trend and changes in cropping patterns. Average selling price per tonne of CPO and PK were 22% and 28% higher than the immediate preceding quarter of RM3,148 and RM2,027 respectively.

Property Division's operating profit for the current quarter at RM140 million was 72% lower than the immediate preceding quarter of RM500.3 million due to lower contribution from property development and construction activities as well as lower sales of non-strategic properties. Property development activities for the current quarter was affected by lower project sales and slower progress workdone due to the re-enforcement of the various MCO in some states in Malaysia, particularly in Sabah and Klang Valley where the division's property development projects are located. Contribution from construction activities was lower mainly due to the completion of the Hap Seng Business Park in December 2020.

Credit Financing Division's operating profit for the current quarter at RM55.9 million was 43% above the immediate preceding quarter of RM39 million mainly attributable to higher loan base and lower provision for impairment on its loan base.

Automotive Division's registered an operating profit for the current quarter of RM2.5 million as compared to the immediate preceding quarter's operating loss of RM24.2 million with higher volume of commercial vehicles sold and improved margin from both its passenger car and commercial vehicle segments.

Trading Division's performance improved significantly in the current quarter with an operating profit of RM19.7 million as compared to an operating loss of RM66.3 million in the immediate preceding quarter. The division benefitted from higher sales and higher profit margin from its fertilizers trading business in the current quarter. In the immediate preceding quarter, the division's results were impacted by impairment loss on assets arising from the restructuring and rationalisation of its ceramic tiles business.

Building Materials Division's improved performance in the current quarter was contributed by the better performance of both Hafary and its quarry, asphalt and brick businesses, registering an operating profit of RM15.5 million as compared to an operating loss of RM35 million in the immediate preceding quarter. The division's results in the immediate preceding quarter were impacted by impairment loss on assets arising from the rationalisation exercise of its quarry, asphalt and brick businesses.

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3. Current year prospects

The Malaysian economy only contracted marginally by 0.5% year-on-year in the first quarter of 2021, the smallest contraction since the pandemic struck. Bank Negara Malaysia [“BNM”] has reaffirmed the forecast growth for the Malaysian economy for 2021 in the range of 6.0% to 7.5% in view of the rollout of the National COVID-19 Immunisation Programme and signs of improvement in business sentiments, following the negative economic growth of -5.6% in 2020 which was severely impacted by the COVID-19 pandemic. BNM in its Monetary Policy Statement dated 6 May 2021 mentioned that: “The growth trajectory is projected to improve, driven by the stronger recovery in global demand and increased public and private sector expenditure amid continued support from policy measures. Growth will also be supported by higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related sub-sectors, as well as oil and gas facilities. The progress of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. The growth outlook, however, remains subject to downside risks, stemming mainly from ongoing uncertainties in developments related to the pandemic, and potential challenges that might affect the roll-out of vaccines both globally and domestically.” The Monetary Policy Committee of BNM has also decided to maintain the Overnight Policy Rate at 1.75 percent.

In view of the recent surge in the COVID-19 cases and increase in infectivity rate, the Malaysian government has imposed MCO 3.0 for Peninsular Malaysia which commenced on 12 May 2021 to 7 June 2021. Some setbacks in the economic recovery and growth for 2021 are expected arising from the latest MCO but the impact is expected to be less severe as compared to the MCO in 2020 as most of the economic sectors and activities are allowed to operate and businesses are better prepared with proper standard operating procedures in place.

The various MCO is not expected to materially affect the operations in the plantation sector as it is categorized as an essential economic sector and is allowed to operate under strict standard operating procedures. CPO prices continue on the uptrend and surpassed RM4,000 per tonne in March 2021, a level last seen 13 years ago in March 2008. CPO price closed at a high of RM4,400 per tonne in end April 2021 with an average price of RM4,220 per tonne for the month. On 18 May 2021, CPO price recorded the highest price in the palm oil industry history at RM4,773.50 per tonne. Palm oil production is expected to increase in the second half of the year. Global demand of edible oils may slow down with the rising COVID-19 cases globally amid discovery of new variants that have prompted many countries to reinstate lockdown measures. The alarmingly high COVID-19 infections in India, the world's largest palm oil importer has also caused uncertainties in the global demand outlook of palm oil. Accordingly, global palm oil stocks are likely to increase which may lower CPO prices to below RM4,000 per tonne. The stable workforce will enable the Plantation Division to sustain the expected rise in palm oil production.

The Malaysian property market is expected to continue to be challenging in view of the recent spike in COVID-19 cases and the various MCO. The COVID-19 pandemic has affected investors’ and consumers’ sentiments and dampened the property market in Malaysia. Nevertheless, industry experts still expect the Malaysian property market to recover in 2021, albeit at a slower pace. The Home Ownership Campaign and the various incentives granted by the government which include Real Property Gains Tax exemption, stamp duty waiver on transfers and loan agreements as well as the removal of the 70% margin of financing limit coupled with the historically low interest rates may continue to stimulate consumers’ interest. The division will continue to focus on its sales and marketing activities to drive property project sales leveraging on the aforesaid initiatives and to put concerted efforts to optimise its investment properties’ occupancy rates and rental yield. Progress work and construction activities are expected to pick up gradually, subject to the effectiveness of government measures to contain the COVID-19 pandemic and the easing of MCO.

The Credit Financing Division expects the current economic conditions surrounding its sectors of financing to remain challenging amid the prolonged COVID-19 pandemic. Nevertheless, the division will focus on its pre-selected sectors of financing and existing quality customers to maintain a stable and quality loan receivable portfolio whilst being vigilant on the current economic situation and loan growth opportunities. The division continues to play a pivotal role in co-ordinating the Group’s synergistic opportunities across all business segments. To mitigate market and credit risks and to minimise non-performing loans, it will continue to exercise caution in its loan approval process with stringent credit risk assessment and constantly reviewing its lending policies. Concerted efforts will be placed on credit control and debt collections, strengthening its loan recovery and rehabilitation process to mitigate expected higher loan impairment.

3. Current year prospects (continued)

The Automotive Division's passenger car segment is expected to continue to benefit from the current accommodative hire purchase interest rates and sales tax exemption which ends on 30 June 2021. However, the second half of the year will likely be challenging with the end of the sales tax exemption and the uncertainties arising from the impact of the various MCO on the passenger car market. Its commercial vehicle segment is expected to operate in a competitive market amid the challenging economic environment. Nevertheless, the division will continue to strengthen its dealership network and improve profitability whilst providing service excellence amid the intense competition from other brands and dealers. The division's Body & Paint Centre which commenced operations in end March 2021 will widen its market coverage on the after sales and services segment.

The Trading Division anticipates fertilizers demand to remain strong supported by the current high CPO prices amid the competitive business environment in all its geographical markets. The general trading and ceramic tiles businesses will continue to be challenging, affected by the prolonged COVID-19 pandemic and the various MCO throughout Malaysia. Nevertheless, economic activities from the anticipated acceleration of strategic mega projects, construction of affordable homes and ongoing infrastructure projects may benefit both the general trading and ceramic tiles businesses. The division will continue to focus on managing its inventories and receivables as well as cost containment to protect its profitability.

The Building Materials Division anticipates the market conditions in the supply chain of its quarry, asphalt and brick businesses to remain subdued in view of the various MCO. Nevertheless, operating environment of these businesses which had undergone certain rationalisation exercise end of last year are expected to be resilient and contribute positively to the division. In Singapore, GDP is projected to grow between 4% to 6% in 2021 with growth from the trade and manufacturing sectors as well as gradual recovery in construction, aviation and tourism related sectors. Hafary will continue to grow its sales, improve profitability and enhance its market leadership amid the challenging economic environment.

Based on the foregoing and the Group's relatively healthy financial position, the Board is of the view that the Group is well-placed to benefit from acquisition and other business opportunities and improve its overall performance for the financial year ending 31 December 2021, despite the uncertainties in the domestic and global economies, as well as the Covid-19 vaccine efficacy.

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	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after crediting/(charging):				
Interest income	3,027	9,322	3,027	9,322
Dividend income from equity investment at fair value through other comprehensive income	150	150	150	150
Dividend income from money market deposits	8,496	4,676	8,496	4,676
Loss on equity investment at fair value through profit or loss	(1,632)	(10,862)	(1,632)	(10,862)
(Loss)/Gain on money market deposits at fair value	(310)	136	(310)	136
Interest expense	(51,945)	(63,594)	(51,945)	(63,594)
Depreciation and amortisation	(47,786)	(54,266)	(47,786)	(54,266)
Net allowance of impairment losses				
- trade receivables	(9,044)	(1,623)	(9,044)	(1,623)
Net inventories written down	(2,552)	(3,264)	(2,552)	(3,264)
Gain on disposal of property, plant and equipment	43	96	43	96
Property, plant and equipment written off	(505)	(930)	(505)	(930)
Bad debts written off	-	(16)	-	(16)
Net foreign exchange gain	1,636	13,092	1,636	13,092
Gain on non-hedging derivative instruments	6,963	13,953	6,963	13,953
Gain/(Loss) from fair value adjustments of biological assets	6,487	(9,488)	6,487	(9,488)
Recovery of bad debts	144	134	144	134

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	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
	RM'000	RM'000	RM'000	RM'000
In respect of current period				
- income tax	67,148	81,659	67,148	81,659
- deferred tax	(6,044)	(10,937)	(6,044)	(10,937)
	61,104	70,722	61,104	70,722

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 19 May 2021.

8. Status of the utilisation of proceeds from corporate proposals

- (a) 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 2021			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)

- (b) 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 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 2021</u>		<u>Intended Timeframe for Utilisation</u>	<u>Deviation under/(over) spent</u>		<u>Explanation</u>
	<u>Per *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	500,000	-				
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>								
<i>(a) Fertilisers</i>	40,000	40,000	40,000	-		-	-	
<i>(b) Automobiles</i>	26,044	33,064	33,148	-		# (84)	(0.3)	
<i>(c) building materials such as steel bars, wire mesh and cement</i>	30,000	30,000	26,910	3,090	} Within 24 months from completion	-	-	} Not fully utilised yet and within intended timeframe for utilisation. As such, deviation was not computed
	96,044	103,064	100,058	3,090		(84)	(0.1)	
	221,044	228,064	225,058	3,090		(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	725,674	3,090		-		

* 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 31.3.2021 —————→					
	←————— Denominated in —————→					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
Current						
Secured						
- Term loans	-	-	15,996	-	-	15,996
- Revolving credits	-	-	50,845	-	-	50,845
	-	-	66,841	-	-	66,841
Unsecured						
- Term loans	356,827	149,796	18,489	-	-	525,112
- Revolving credits	1,139,500	443,192	-	-	58,572	1,641,264
- Trust receipts	-	-	25,358	16,240	-	41,598
- Bankers' acceptances	117,311	50,085	-	-	-	167,396
- Medium term notes	350,000	-	-	-	-	350,000
	1,963,638	643,073	43,847	16,240	58,572	2,725,370
Total current borrowings	1,963,638	643,073	110,688	16,240	58,572	2,792,211
Non-current						
Secured						
- Term loans	-	-	249,099	-	-	249,099
Unsecured						
- Term loans	270,209	99,788	73,956	-	-	443,953
- Medium term notes	2,740,000	-	-	-	-	2,740,000
	3,010,209	99,788	-	-	-	3,183,953
Total non-current borrowings	3,010,209	99,788	323,055	-	-	3,433,052
Total borrowings	4,973,847	742,861	433,743	16,240	58,572	6,225,263

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

9. Borrowings and debt securities (continued)

	← As at 31.12.2020 →					
	← Denominated in →					
	RM RM'000	USD RM'000	SGD RM'000	Euro RM'000	IDR RM'000	Total RM'000
<u>Current</u>						
<u>Secured</u>						
- Term loans	-	-	14,780	-	-	14,780
- Revolving credits	-	-	58,937	-	-	58,937
	-	-	73,717	-	-	73,717
<u>Unsecured</u>						
- Term loans	785,176	354,345	-	-	-	1,139,521
- Revolving credits	1,184,499	281,820	-	-	30,862	1,497,181
- Trust receipts	-	-	18,179	13,206	-	31,385
- Bankers' acceptances	163,333	3,757	-	-	-	167,090
- Medium term notes	275,000	-	-	-	-	275,000
	2,408,008	639,922	18,179	13,206	30,862	3,110,177
Total current borrowings	2,408,008	639,922	91,896	13,206	30,862	3,183,894
<u>Non-current</u>						
<u>Secured</u>						
- Term loans	-	-	249,894	-	-	249,894
<u>Unsecured</u>						
- Term loans	241,867	-	-	-	-	241,867
- Medium term notes	2,815,000	-	-	-	-	2,815,000
	3,056,867	-	-	-	-	3,056,867
Total non-current borrowings	3,056,867	-	249,894	-	-	3,306,761
Total borrowings	5,464,875	639,922	341,790	13,206	30,862	6,490,655

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

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

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

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

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

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

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

On 13 December 2016, the KKHC consolidated the KK RESB Suit and KK Suit upon RESB’s application [“Consolidated RESB Suit”]. The Consolidated RESB Suit was part heard from 13 to 15 September 2017, 20 to 21 September 2017, 12 and 25 October 2017, 24 November 2017, 26 to 27 February 2018, 25 to 26 April 2018, 11 to 14 June 2018, 12 to 14 September 2018, 29 October to 2 November 2018, 7 to 11 January 2019, 28 February 2019, 8 March 2019, 19 September 2019 and 7 February 2020. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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. The Consolidated RESB Suit has been fixed for continued hearing from 14 June to 25 June 2021.

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 2021 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/JPY)					
- Designated as hedging instruments*	186,938	3,859	14,952	(14,957)	(5)
- Not designated as hedging instruments	488,818	6,728	11,994	(5,031)	6,963
	<u>675,756</u>	<u>10,587</u>	<u>26,946</u>	<u>(19,988)</u>	<u>6,958</u>
Cross currency interest rate swaps					
on foreign currency borrowings					
of less than 2 years (USD)					
- Designated as hedging instruments*	482,528	5,127	11,815	(17,159)	(5,344)

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

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

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

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

13. Provision of financial assistance

Moneylending operations

- (i) The Group moneylending operations are undertaken by the Company's subsidiaries, Hap Seng Credit Sdn Bhd and HS Credit (Birmingham) Ltd in the ordinary course of their moneylending businesses. The aggregate amount of outstanding loans as at 31 March 2021 given by the Company's moneylending subsidiaries are as follows:

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
(a) To companies	2,721,276	78	2,721,354
(b) To individuals	349,062	1,211	350,273
(c) To companies within the listed issuer group	419,811	317,749	737,560
(d) To related parties	-	-	-
	<u>3,490,149</u>	<u>319,038</u>	<u>3,809,187</u>

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

	As at
	31.3.2021
	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	1,925,803
	<u>1,925,803</u>

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

	RM'000
(a) Balance as at 1.1.2021	87,440
(b) Loans classified as in default during the financial year	18,938
(c) Loans reclassified as performing during the financial year	(12,447)
(d) Amount recovered	(6,231)
(e) Amount written off	-
(f) Loans converted to securities	-
(g) Balance as at 31.3.2021	<u>87,700</u>
(h) Ratio of net loans in default to net loans	<u>2.30%</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	419,811	Yes	467,834	Yes*	3 - 72
2 nd	Term Loan	380,500	376,836	Yes	364,815	No	12
3 rd	Term Loan	175,948	186,748	Yes	386,540	No	102
4 th	Term Loan	169,400	164,448	Yes	163,350	No	12
5 th	Term Loan	155,585	137,187	No	-	Yes*	5 - 60

* Companies within the listed issuer group.

14. Earnings per share ["EPS"]

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

	Quarter ended		Year-to-date ended	
	31.3.2021	31.3.2020	31.3.2021	31.3.2020
Profit attributable to owners of the Company (RM'000)	120,832	160,377	120,832	160,377
Weighted average number of ordinary shares in issue (excluding treasury shares) ('000)	2,489,670	2,489,670	2,489,670	2,489,670
Basic EPS (sen)	4.85	6.44	4.85	6.44

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

15. Dividend

- (a) The Board of Directors has on even date approved the following first interim dividend for the financial year ending 31 December 2021:
- | | |
|---|---|
| (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 | 10 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 (2020: 10 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 23 June 2021; and
- (c) In respect of deposited securities, entitlement to the dividend will be determined on the basis of the record of depositors as at 10 June 2021.

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 2021, will be payable in cash on 23 June 2021 to the shareholders whose names appear on the Company's Register of Members and/or Record of Depositors at the close of business on 10 June 2021. 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 8 June 2021 (in respect of shares which are exempted from mandatory deposit);
- shares transferred into the depositor's securities account before 4.30 pm on 10 June 2021 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 2020 was not subject to any qualification.

BY ORDER OF THE BOARD

LIM GUAN NEE
Company Secretary
Kuala Lumpur
25 May 2021