HAP SENG

Creating
Value
Together

2nd Quarter Ended 30 June 2023 Results

25th August 2023

Scope

1. Group Financials
2. Operations Review

SECTION 1

Group Financials

Consolidated income statement summary

- The Group's 2Q23 and YTD2023 revenue at RM1.65b and RM3.24b were both below last year by 3% mainly due to lower contribution from Plantation, Property and Trading Divisions.
- The Group's 2Q23 operating profit at RM186.1m was below last year by 32% with lower contribution from Plantation and Credit Financing Divisions.
- The Group's YTD2023 operating profit at RM354.7m benefitted from higher contribution from Automotive and Building Materials Divisions but dampened by lower contribution from Plantation, Property, Credit Financing and Trading Divisions.
- In the current quarter, the Group completed the disposal of Hap Seng Credit (Manchester) Limited. Consequently, the Group's 2Q23 and YTD2023 PAT at RM682.3m and RM754.9m were higher than last year by 310% and 117% respectively.
- Accordingly, the Group's 2Q23 and YTD2023 EPS at 26.59 sen and 28.62 sen were higher than last year by 399% and 147% respectively.

(RM' Million)	2Q23	2Q22	Change	YTD 2023	YTD 2022	Change
Revenue	1,648.4	1,700.9	(3%)	3,239.7	3,346.3	(3%)
Gross profit [1]	343.7	408.8	(16%)	676.5	849.9	(20%)
EBITDA	234.3	319.6	(27%)	449.2	671.5	(33%)
Operating profit [2]	186.1	275.7	(32%)	354.7	581.4	(39%)
Finance expenses	(54.7)	(45.2)	(21%)	(105.5)	(87.4)	(21%)
Profit before tax	729.1	232.0	214%	848.8	498.1	70%
Taxation	(46.8)	(65.8)	29%	(93.9)	(149.5)	37%
Profit after tax	682.3	166.2	310%	754.9	348.6	117%
Attributable to shareholders	661.9	132.6	399%	712.7	288.9	147%
Attributable to MI	20.4	33.6	(39%)	42.3	59.7	(29%)
EPS (sen)	26.59	5.33	399%	28.62	11.60	147%

Note:

1. *Includes share of Inverfin and Sunrise Strategy's PBIT*
2. *Includes Interest Income, Share of Inverfin and Sunrise Strategy's PBIT by Property Division and share of associate and JV's PAT by Hafary.*

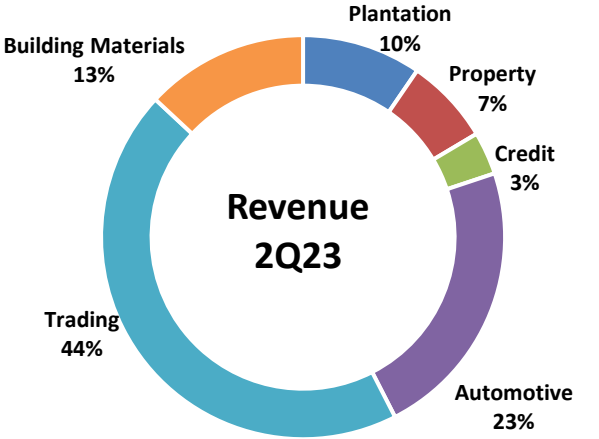
Group segment results

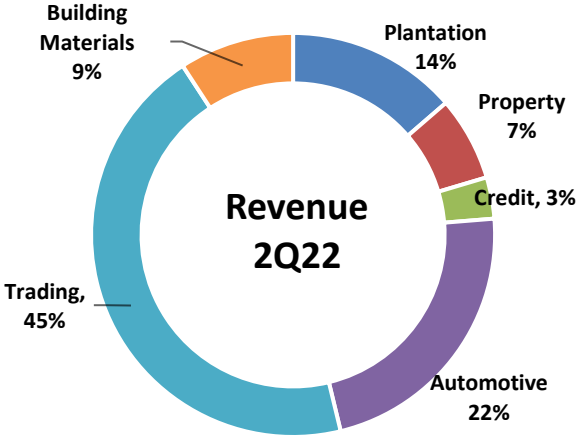
(RM' Million)	REVENUE			OPERATING PROFIT			REVENUE			OPERATING PROFIT		
	2Q23	2Q22	Change	2Q23	2Q22	Change	YTD 2023	YTD 2022	Change	YTD 2023	YTD 2022	Change
Plantation	168.8	246.9	(32%)	14.0	94.8	(85%)	328.7	489.0	(33%)	46.3	220.4	(79%)
Property [1]	121.6	121.9	-	28.1	26.9	5%	219.8	252.9	(13%)	50.9	89.2	(43%)
Credit Financing	60.6	59.9	1%	42.6	51.1	(17%)	122.5	121.5	1%	84.8	100.3	(15%)
Automotive	398.8	406.6	(2%)	15.1	14.6	3%	866.7	778.0	11%	44.3	25.6	73%
Trading	785.2	805.9	(3%)	73.3	72.8	1%	1,488.6	1,591.4	(6%)	118.2	147.6	(20%)
Building Materials [2]	230.5	166.3	39%	47.8	31.2	53%	433.1	302.8	43%	87.5	52.2	68%
Subtotal	1,765.5	1,807.5	(2%)	220.9	291.4	(24%)	3,459.4	3,535.6	(2%)	432.0	635.3	(32%)
Consolidation adjustments & others	(117.1)	(106.6)		(34.8)	(15.7)		(219.7)	(189.3)		(77.3)	(53.9)	
Group	1,648.4	1,700.9	(3%)	186.1	275.7	(32%)	3,239.7	3,346.3	(3%)	354.7	581.4	(39%)

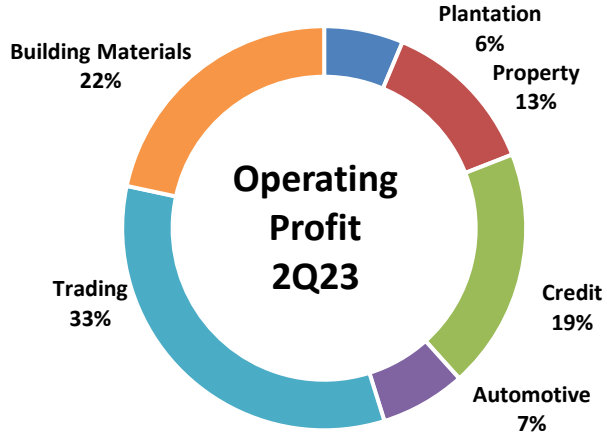
Note:

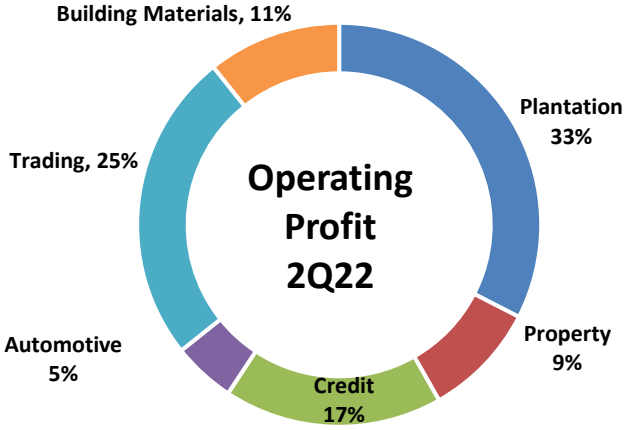
1. *Includes share of Inverfin and Sunrise Strategy's PBIT*
2. *Includes share of associate and JV's results by Hafary*

Group segment results – 2nd Quarter

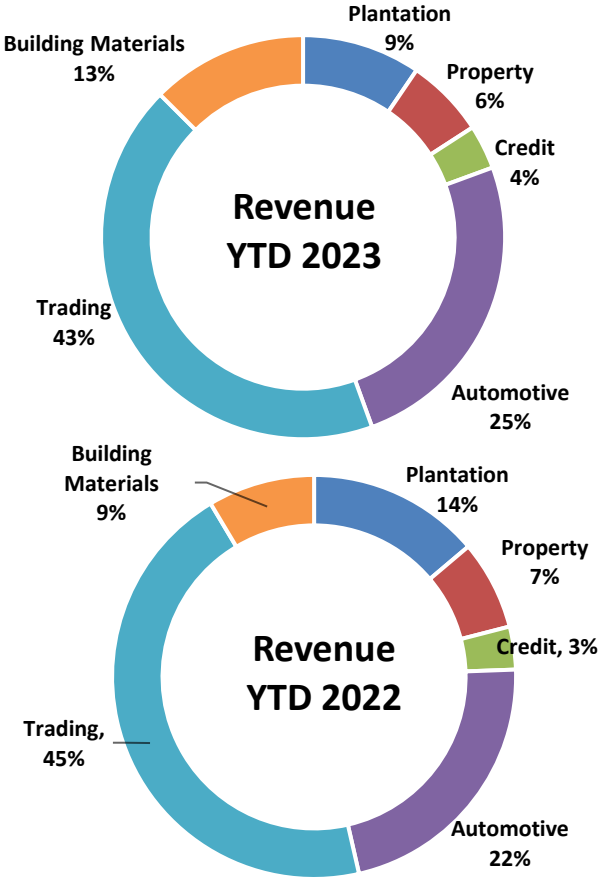


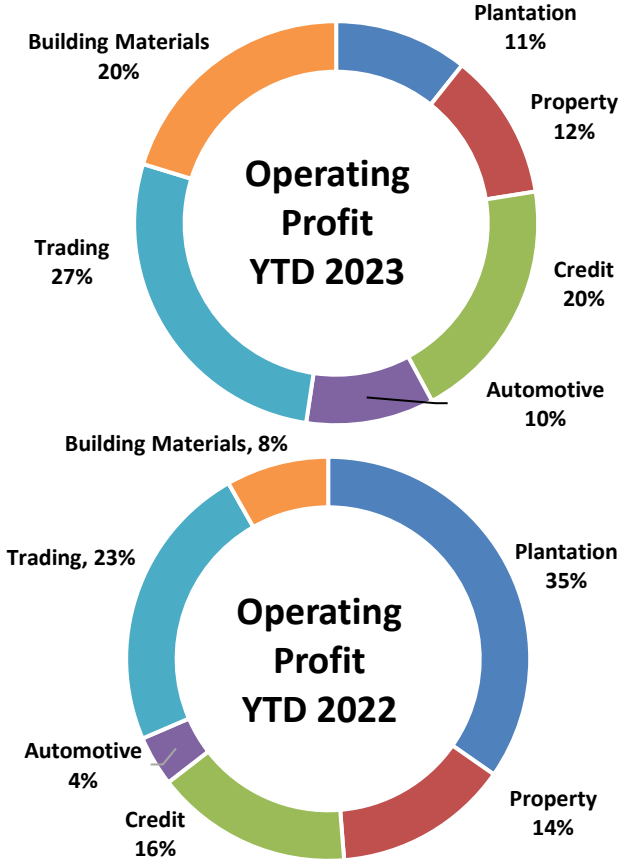






Group segment results – Year To Date





SECTION 2

Operations Review

Plantations

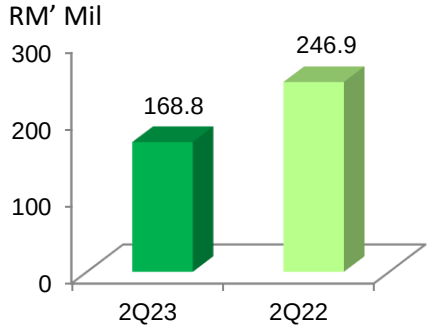
2Q23 results dampened by lower average selling prices and higher production costs

- 2Q23 and YTD2023 revenue were lower than last year by 32% and 33% respectively, dampened by lower average selling prices of all palm products but mitigated by higher sales volume of all palm products, benefitted from higher production.

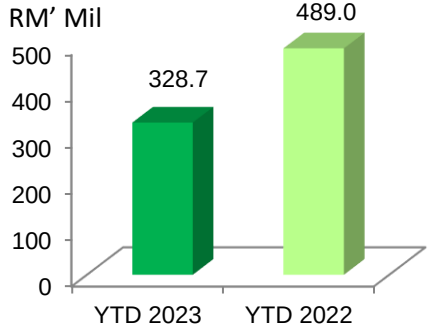
	2Q23	2Q22	YTD 2023	YTD 2022
Average Prices				
• CPO	3,978	6,737	4,030	6,369
• PK	2,168	3,769	2,175	4,251
Sales Volume				
• CPO	37,635	32,044	71,541	65,651
• PK	7,604	6,847	16,035	14,166
Production Vol.				
• FFB	141,899	129,292	298,208	265,481
• CPO	33,808	29,223	70,100	58,583
• PK	7,612	6,821	15,909	14,017

- 2Q23 and YTD2023 CPO production volume were higher than last year due to higher FFB production arising from higher FFB yield, higher OER and higher FFB purchased.
- 2Q23 and YTD2023 operating profit were lower than last year by 85% and 79% respectively dampened by the lower revenue, higher loss from fair value adjustments of biological assets, and higher production costs. Last year, the YTD operating profit included gain from disposal of land to the Property Division of RM18.8 million.
- Production costs continued to be affected by high fertilizer and diesel prices, and increase in minimum wage rate from RM1,100 to RM1,500 effective May 2022.
- 2Q23 and YTD2023 production costs of CPO were at RM2,738/mt and RM2,752/mt respectively (2Q22: RM2,412/mt, YTD2022: RM2,297/mt) due to the aforementioned costs increases and lower PK credit, mitigated by higher production volume.

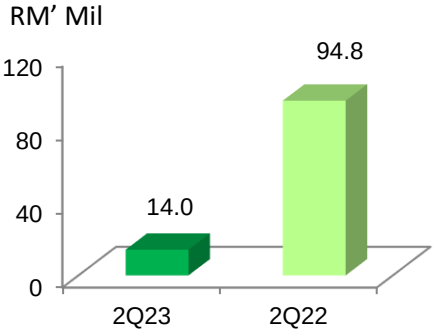
2Q Revenue



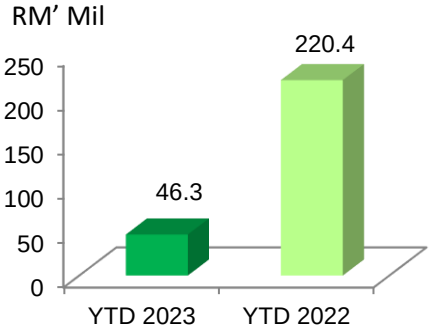
YTD Revenue



2Q Operating Profit



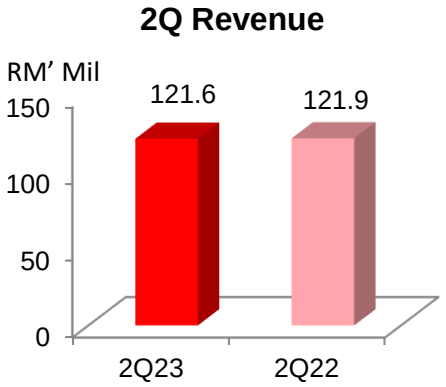
YTD Operating Profit

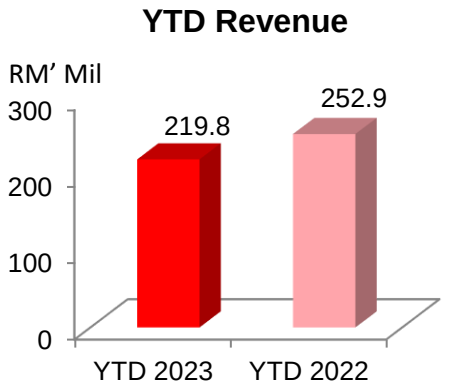


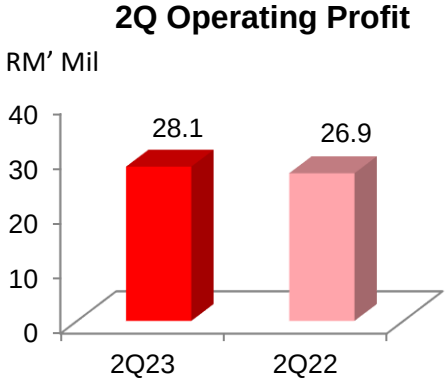
Property Investment and Development

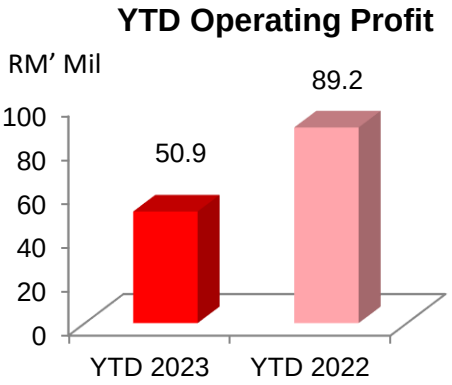
Better 2Q23 margin from projects and improved results from investment properties

- The Division's 2Q23 revenue and operating profit were in line with last year. However, YTD2023 results were lower than last year as last year results benefitted from sale of land.
- However, the investment properties segment registered 7% higher rental revenue for both 2Q23 and YTD2023 with improvement in occupancy rate in its major investment properties in Kuala Lumpur City Centre.
- The hospitality segment's first 5-star hotel, Hyatt Centric in Kota Kinabalu which commenced operations in October 2022 contributed positively to the Division's revenue for 2Q23 and YTD2023.
- The property development segment registered lower 2Q23 and YTD2023 revenue by 10% and 6% mainly due to lower units sold in both East and Peninsular Malaysia, but registered higher 2Q23 operating profit contribution from better average margin achieved.





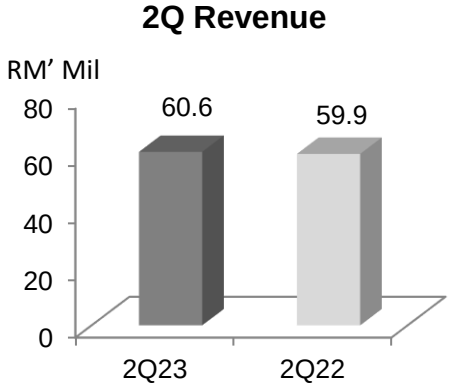


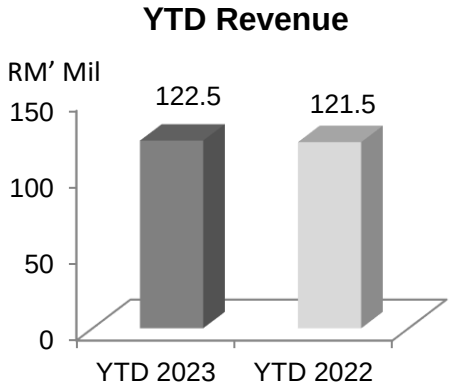


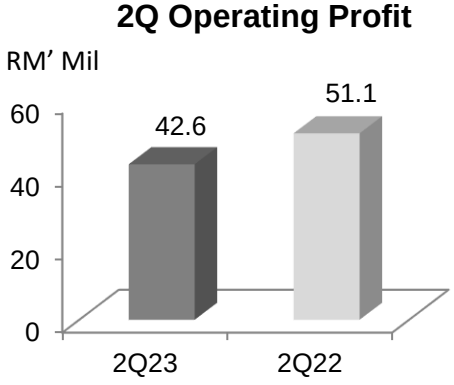
Credit Financing

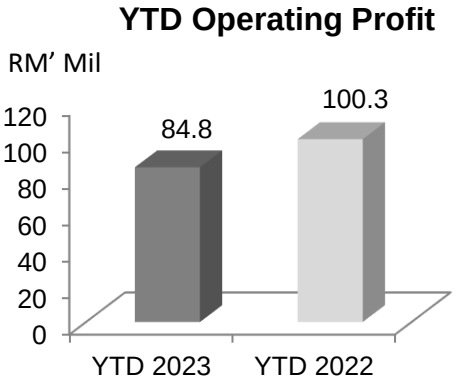
Lower loan base with cautious lending, and higher provision for impairment

- The Division continues to exercise prudent lending in view of the elevated interest rate and economic uncertainties surrounding its sectors of financing.
- The Division's loan base of RM2.61 billion as at end 2Q23 was lower by 14% (2Q22: RM3.03 billion). The reduced loan base was also attributable to the divestment of its Manchester, UK operations during the current quarter.
- Nevertheless, the Division's 2Q23 and YTD2023 revenue were marginally higher than last year attributable to reversal of interest in suspense in respect to the normalization of loans under the Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Guarantee Scheme.
- The NPL ratio as at end 2Q23 was higher at 2.99% (2Q22: 2.12%) due to lower loan base and higher NPL which resulted in higher provision for impairment of loans for 2Q23 and YTD2023.
- Consequently, 2Q23 and YTD2023 Operating profit were lower than last year by 17% and 15% respectively.





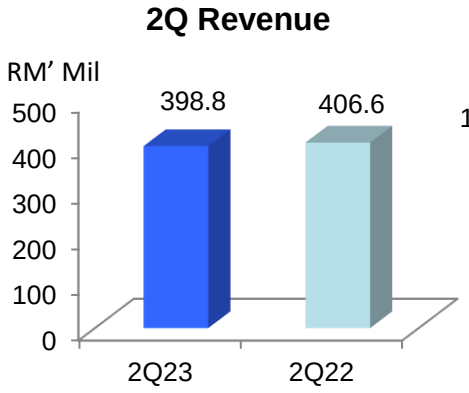


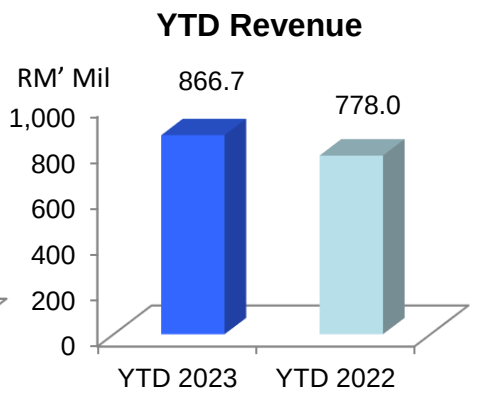


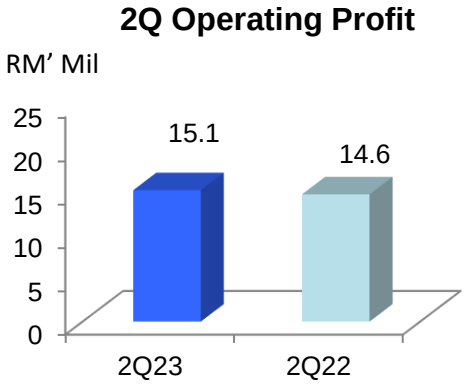
Automotive

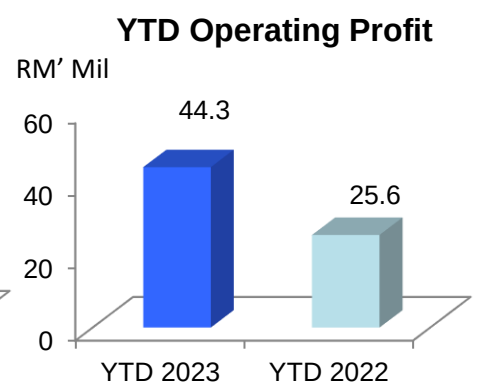
Improved Operating Profits from both PV and CV segments

- The Division registered marginally lower 2Q23 revenue with lower contribution from both passenger vehicles (“PV”) and commercial vehicles (“CV”) segments. However, the YTD2023 revenue was higher than last year benefitted from higher contribution from PV segment.
- The PV segment’s 2Q23 revenue was marginally lower than last year due to 13% lower sales volume offset by higher contribution from aftersales segment with 5% higher throughput.
- However, the PV segment’s YTD2023 revenue was 16% higher than last year, supported by:
  - ✓ Higher sales volume by 7%, benefitted from fulfilment of sales tax exempted orders before 31 March 2023.
  - ✓ Higher revenue from the aftersales segment with 6% increase in throughput.
- The CV segment’s 2Q23 and YTD2023 revenue were 7% and 6% lower than last year respectively affected by lower sales of Actros.
- The Division’s 2Q23 and YTD2023 operating profit were higher than last year by 3% and 73% respectively, benefitted from improved margins for both PV and CV segments coupled with the stronger YTD revenue.
- Hap Seng Star has entered into an agency and service dealer agreement with MBM on 14 July 2023 which will take effect from 1 September 2023.





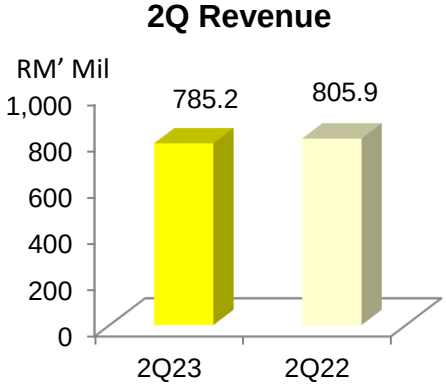


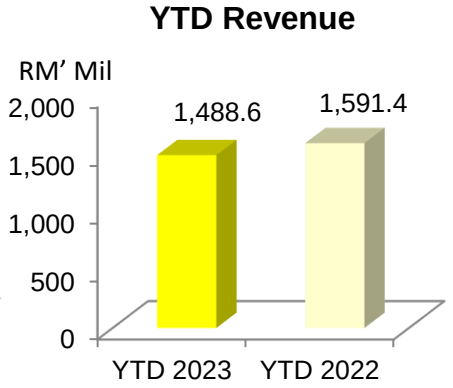


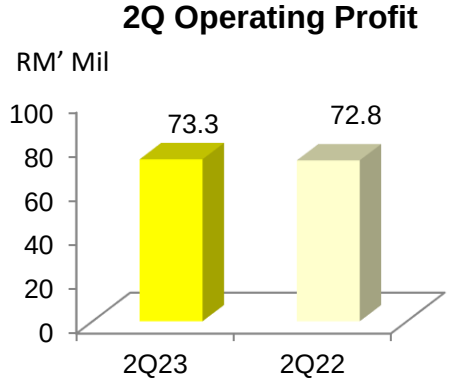
Trading

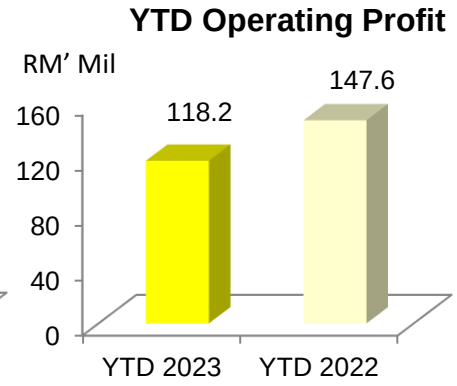
Fertilizer Trading results dampened by lower selling prices and margins

- The Division comprises the fertilizers trading ("FT") and general trading ("GT") businesses. In the current year, the Division reorganized its ceramic tiles business under Malaysian Mosaics Sdn Bhd ("MMSB") to the Building Materials Division under Hafary Holdings Ltd ("Hafary").
- The Division's 2Q23 revenue for FT and GT remained relatively in line with last year. FT registered higher sales volume for both Malaysia and Indonesia operations but were offset by lower average selling prices in both markets in tandem with the decline in global fertilizer prices. GT revenue was also affected by lower average selling prices for its petroleum products. The Division's 2Q23 operating profit was marginally above last year benefitting from higher foreign exchange gain from FT.
- FT's YTD2023 revenue was 8% lower than last year with lower sales volume from its Malaysian operations and lower average selling prices from both its Malaysian and Indonesian operations. FT's YTD2023 operating profit was also dampened by lower average margins for its Indonesia operation due to the easing of fertilizer prices.
- GT's YTD2023 revenue and operating profit increased by 12% and 48% respectively benefitted from the increase in activities in the construction sector and improved margins.







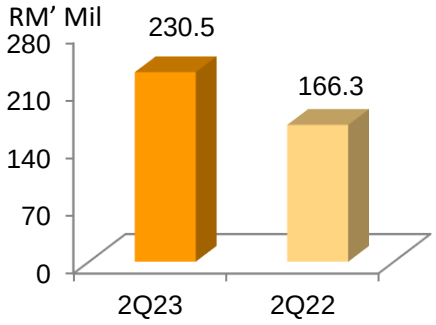


Building Materials

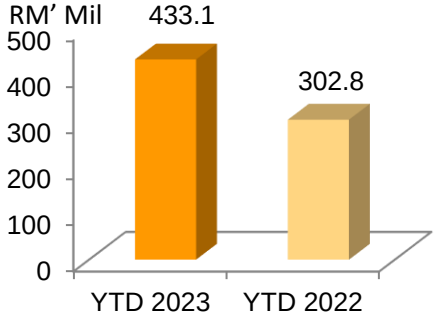
Improved results with stronger results from Hafary

- The Division comprises the quarry, asphalts and bricks businesses ("QBM"); and trading of building materials by Hafary which now also includes the retail-distribution of ceramic tiles operating in Malaysia.
- The Division's 2Q23 and YTD2023 revenue were 39% and 43% higher than last year respectively mainly due to higher contribution from Hafary.
- QBM's 2Q23 revenue was in line with last year, while its YTD2023 revenue was higher than last year by 3% mainly from higher sales volume and improved average selling prices of aggregate in the Malaysian market.
- Hafary's 2Q23 and YTD2023 revenue were 51% and 57% above last year respectively with higher sales from both its project and general sectors in tandem with the growth in Singapore's construction sector and the active renovation market.
- Consequently, the Division's 2Q23 and YTD2023 operating profit were 53% and 68% above last year respectively.

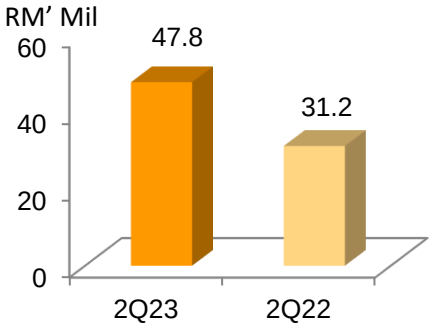
2Q Revenue



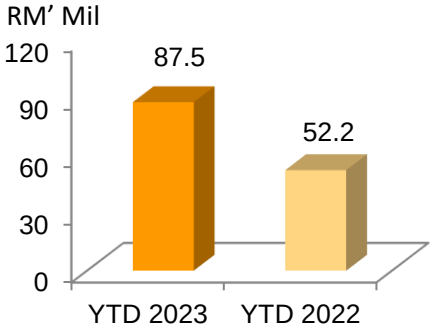
YTD Revenue



2Q Operating Profit



YTD Operating Profit



HAP SENG

Creating
Value
Together

Thank You