



# HAP SENG CONSOLIDATED BERHAD

2<sup>nd</sup> Quarter Ended 30<sup>th</sup> June 2011 Results

24<sup>th</sup> August 2011

# Scope



1 Group financials

2 Operations review

## SECTION 1

### ● Group financials





# Consolidated income statement summary

Overall, the Group posted strong financial performance in 2Q 2011 against 2011's corresponding quarter.

Three divisions (plantations, property and automotive) delivered strong double-digit growths in revenue (ranging from 73 to 81%) while the remaining three divisions also produced positive growth.

Group EBITDA of RM210m and operating profit of RM194m doubled in 2Q 2011 as compared to RM107m and RM92m, respectively, of the same quarter in 2010.

All six divisions registered an increase in their operating profits with smallest increase at 28% and the highest increase at 473%.

The Plantations Division continued to be the key profit contributor accounting for 52% of the Group's operating profit.

Basic EPS was 4.82 sen in 2Q 2011 as compared to 7.32 sen in the same quarter last year. The EPS for 2Q 2010 included gain from a one-off transaction and excluding this transaction, this quarter's EPS would have shown a positive increase of 118% (4.82sen vs 2.21sen).

(RM'million)	2Q 2011	2Q 2010	Change (%)	YTD 1H 2011	YTD 1H 2010	Change (%)
Revenue	959	665	44%	1,710	1,252	37%
Gross profit <sup>1</sup>	257	144	79%	448	281	59%
EBITDA	210	107	97%	391	208	88%
Operating profit <sup>1,2</sup>	194	92	111%	358	182	98%
Finance expense	(23)	(16)	35%	(42)	(31)	32%
Profit before tax	171	169	1%	316	243	30%
Taxation	(45)	(18)	153%	(81)	(34)	135%
Profit after tax	126	151	-17%	235	209	12%
Attributable to MI	35	18	87%	62	37	69%
Attributable to shareholders	91	133	-32%	173	172	1%
EPS (sen)	4.82	7.32	-34%	9.35	9.49	-1%

Note:

<sup>1</sup> Includes share of Inverfin's PBIT from Menara Citibank

<sup>2</sup> Includes interest income



# Group segment results

(RM'million)	Revenue			Operating Profit			Revenue			Operating Profit		
	2Q 2011	2Q 2010	Change (%)	2Q 2011	2Q 2010	Change (%)	1H 2011	1H 2010	Change (%)	1H 2011	1H 2010	Change (%)
Plantations	182	101	81%	102	50	106%	326	202	62%	180	100	82%
Property	114	66	73%	39 <sup>1</sup>	18 <sup>1</sup>	126%	167	117	43%	90 <sup>1</sup>	37 <sup>1</sup>	143%
Automotive	197	112	76%	7	4	58%	371	214	73%	13	7	69%
Fertilizers	300	243	23%	24	4	473%	541	457	18%	40	12	231%
Credit Financing	24	21	12%	19	15	28%	45	36	23%	36	27	34%
Quarry and Building Materials	140	123	14%	7	5	56%	261	232	13%	12	11	25%
	957	666	44%	198	96	109%	1,711	1,258	36%	371	194	94%
Consolidation adjustments and others	2	(1)	-	(4)	(4)		(1)	(6)	-	(13)	(12)	
<b>GROUP</b>	<b>959</b>	<b>665</b>	<b>44%</b>	<b>194</b>	<b>92</b>	<b>111%</b>	<b>1,710</b>	<b>1,252</b>	<b>37%</b>	<b>358</b>	<b>182</b>	<b>97%</b>

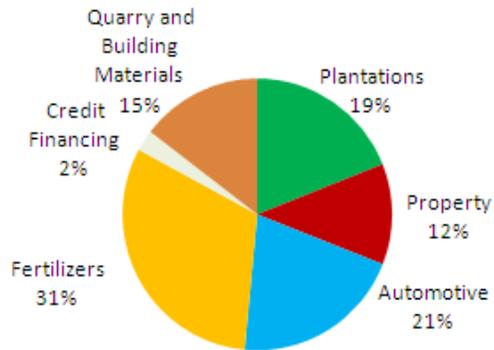
Note:

1 Includes share of Inverfin's PBIT from Menara Citibank

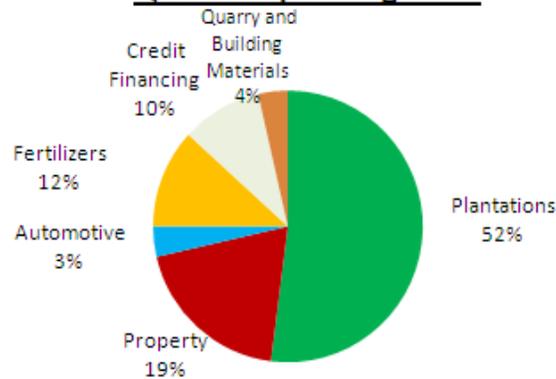


# Group segment results

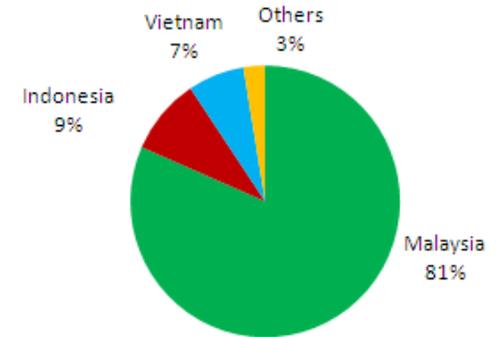
**Q2 2011 Revenue**



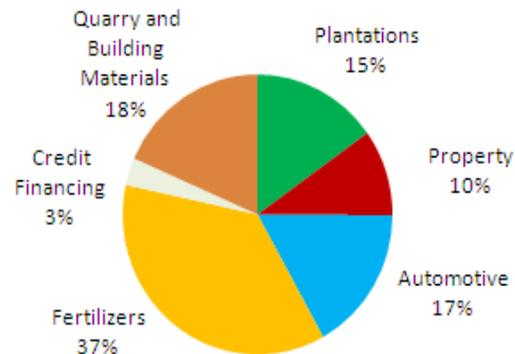
**Q2 2011 Operating Profit**



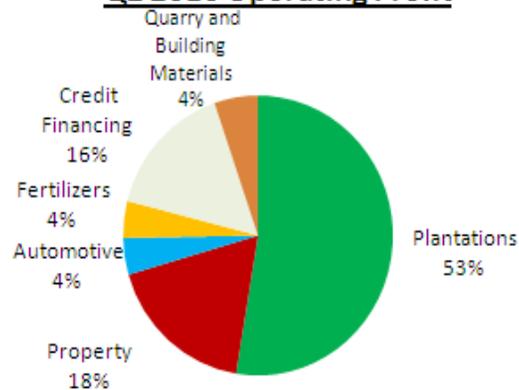
**Q2 2011 Geographical segment**



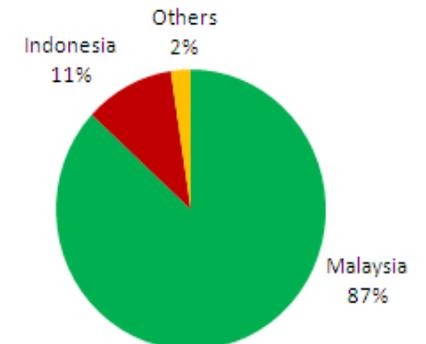
**Q2 2010 Revenue**



**Q2 2010 Operating Profit**



**Q2 2010 Geographical segment**



## SECTION 2

### Operations review





## CPO prices remained strong, coupled with recovery in FFB production

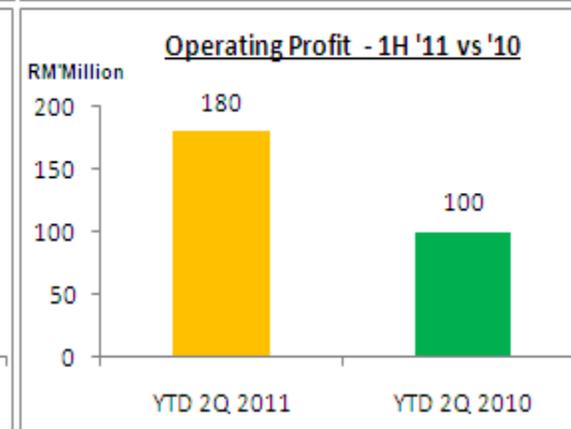
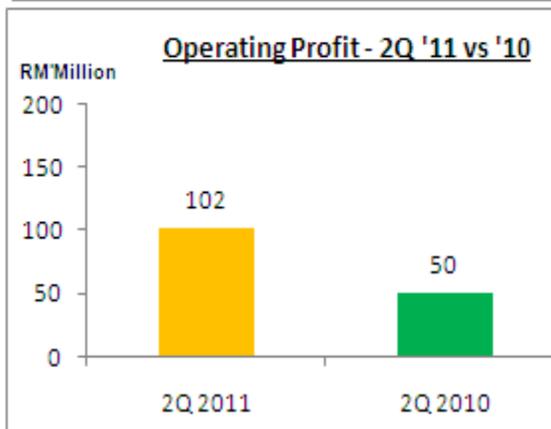
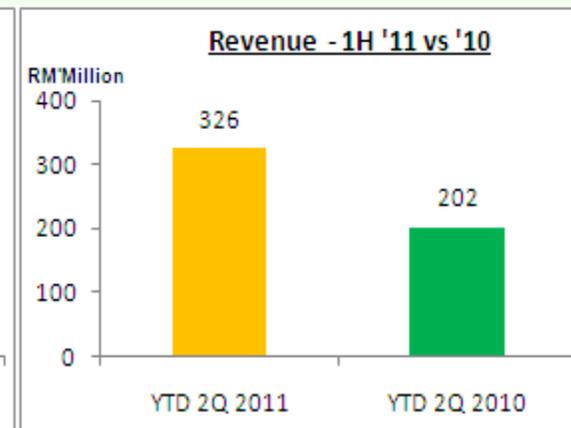
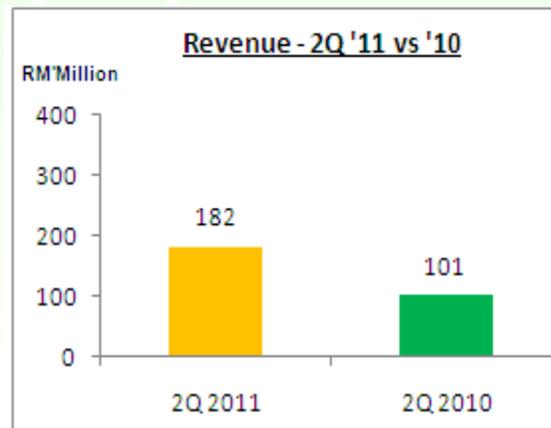
Revenue in 2Q 2011 increased by 81% to RM182m on account of the following :-

- better CPO selling prices (RM3,372/MT vs RM2,499/MT) as well as better PK selling prices (RM2,497/MT vs RM1,455/MT)
- higher CPO sales volume (43,728 MT vs 34,235 MT) and PK sales volume (10,466 MT vs 6,871 MT)

Operating profit achieved of RM102m doubled that of the same quarter in 2010.

Contributing to this better profit performance is the strong FFB yield of 6.43 MT per hectare in 2Q 2011 (vs 4.58 MT per hectare in 2Q 2010) coupled with higher outside purchases of FFB (accounting for 14% vs 9% of total FFB processed). As a result, CPO production increased by 38% to 45,056 MT. However, the performance could have been even better if not for the lower OER of 20.61% for 2Q 2011 (against 21.67%) caused by prolonged adverse weather conditions.

One key development in the Division to mitigate labour shortage is the on-going mechanization programme which saw the introduction of light weight carbon poles for tall palms FFB harvesting, usage of motorized 3-wheeler evacuation vehicles and FFB loading cranes, etc., all of which assisted in more efficient FFB harvesting, collection and haulage.





## Robust sales from residential and commercial development projects

Revenue registered an increase of 73% in 2Q 2011 to RM114m while operating profit rose by 126% to RM39m. The better performance was driven by :-

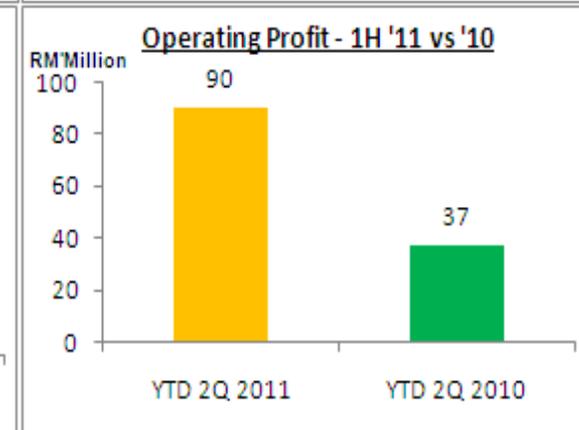
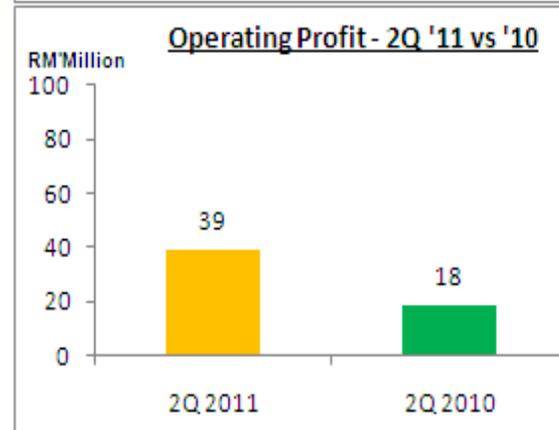
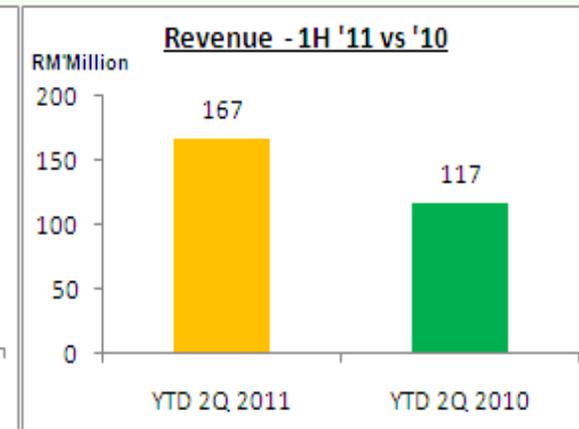
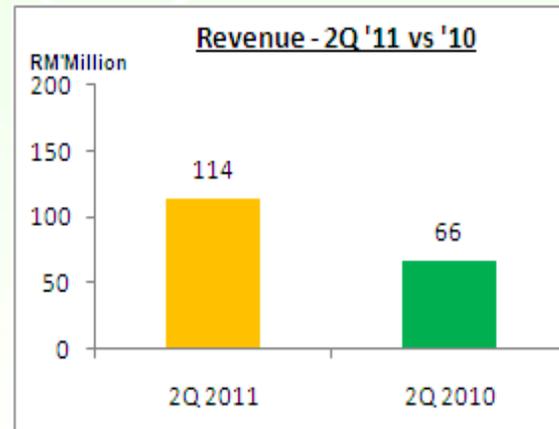
- higher margin properties being sold during the quarter (property sales comprised 92% of total revenue in 2Q 2011 vs 86% in 2Q 2010).

-these included super-link, link bungalows and commercial shops in D' Alpinia, Puchong, semi-detached and commercial shops in Bandar Sri Perdana, Lahad Datu and 2 1/2-storey bungalows and 4-5 storey commercial lots in Kingfisher Sulaman, Kota Kinabalu.

The launching of Phase 5 Stage 2 of Bandar Sri Perdana in Lahad Datu with GDV of RM52m was brought forward to 2Q 2011 (initially planned to be launched in 3Q 2011).

Phase II of D'Alpinia in Puchong (semi-detached units and bungalow lots) with GDV of RM102m is scheduled to be launched in 4Q 2011.

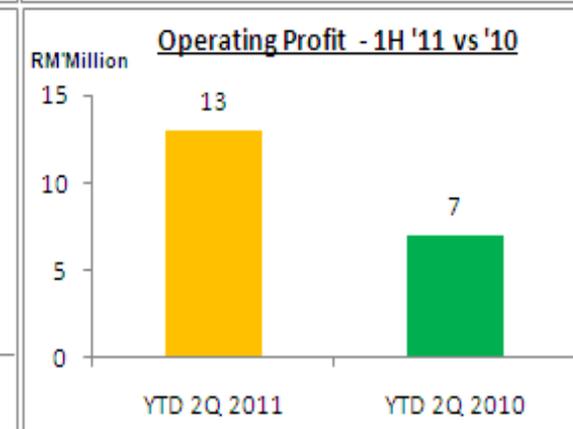
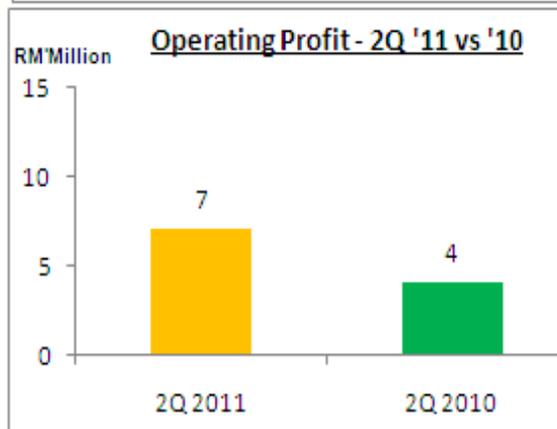
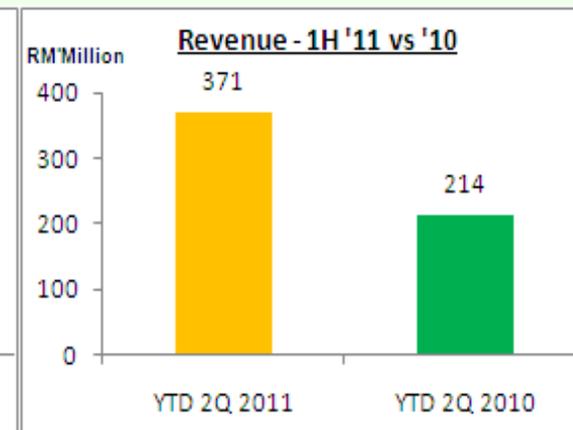
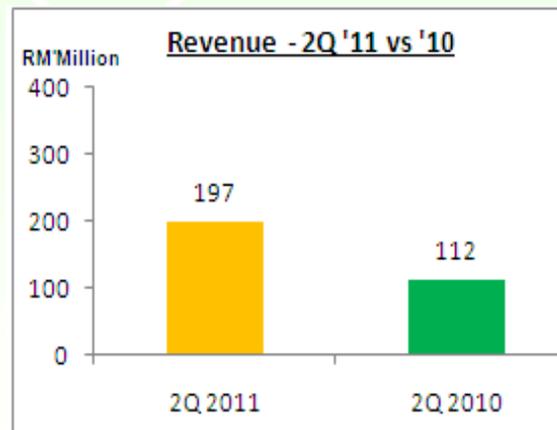
The Division is actively reviewing the launching of a prime residential development due to an opportunity to increase in plot ratio, giving rise to a possible GDV increase of 48%.





## Continued improvement in overall performance

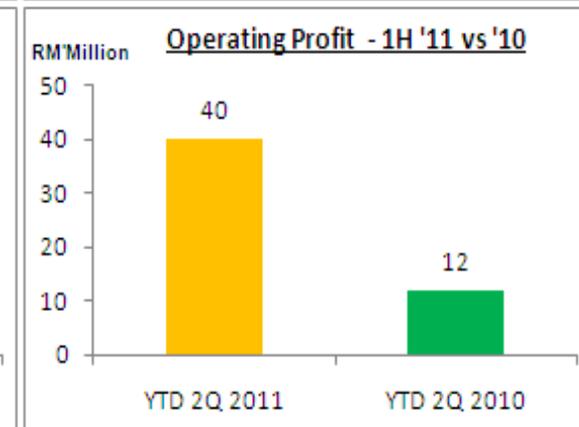
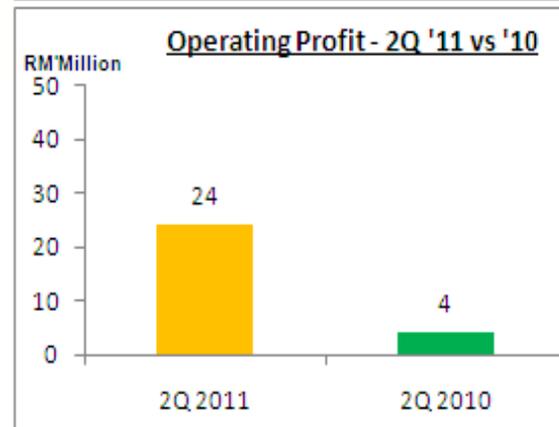
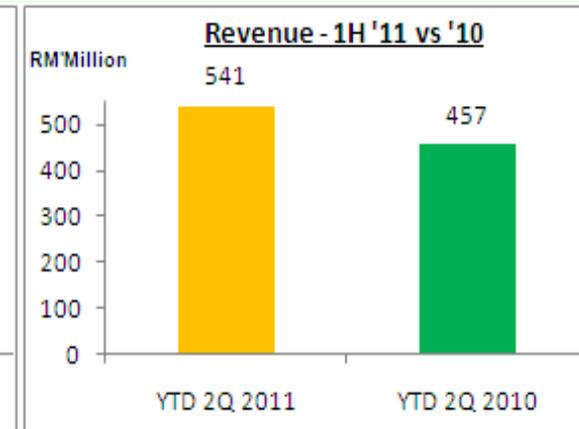
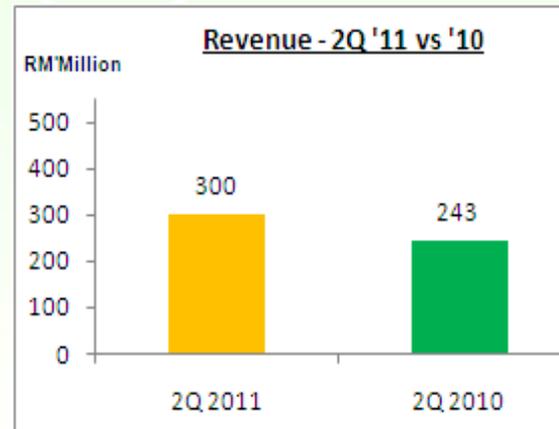
- ❑ Revenue rose 76% in 2Q 2011 to RM197m due to contribution from Vietnam Star, the acquisition of which was completed in September 2010.
  
- ❑ Operating profit showed an increase of 58% mainly attributable to the Malaysia operation.
  
- ❑ Expansion of Kinrara Service Centre is on schedule for completion in 4Q 2011. This would bring the number of service bays to 76 (from the current 50) making it the largest after-sales service centre for Mercedes-Benz in South East Asia.
  
- ❑ The construction of a new Autohaus for Vietnam Star in District 7, Ho Chi Minh City is expected to be completed by 1Q 2012.





## Sales volume continue to improve amidst stable selling prices

- ▣ Revenue achieved in 2Q 2011 was RM300m, an increase of 23% as compared to RM243m in the corresponding quarter of 2010 primarily driven by higher sales volume and improved selling prices due to strong demand and continued better CPO prices.
- ▣ Operating profit rose 473% to RM24m.
- ▣ The Division is well positioned in its current inventory level to benefit from the continued recovery of fertilizers prices (which started from 4Q 2010) and also to regain market share.

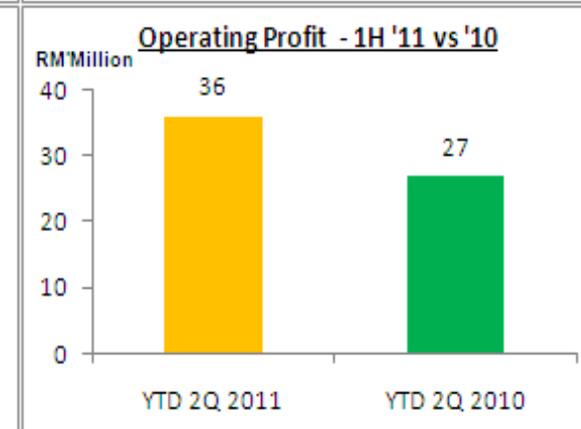
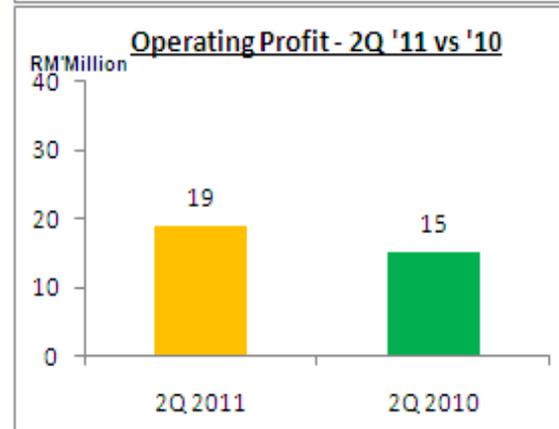
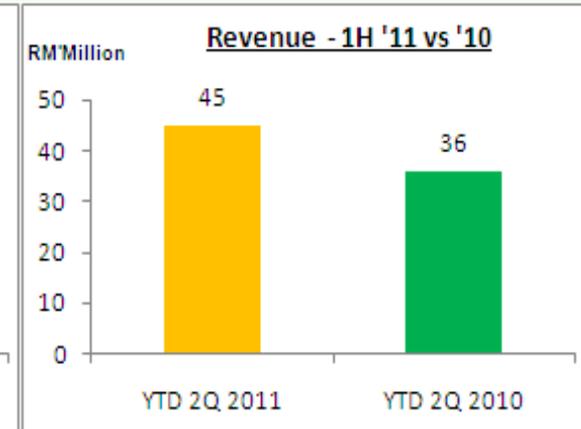
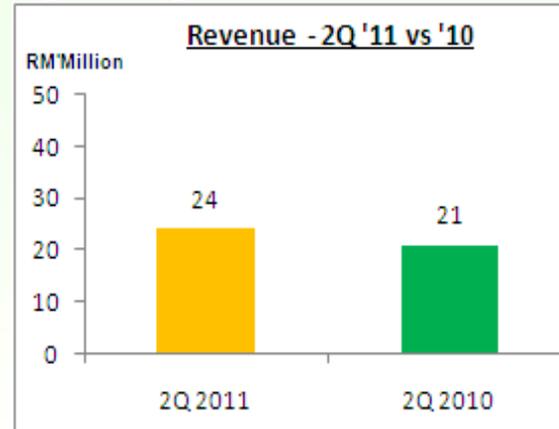




# Credit financing

## Revenue improved with higher Loan Base and improved NPL ratio

- Revenue and operating profit in 2Q 2011 showed an increase of 12% and 28% to RM24m and RM19m respectively, driven by :-
  - increase in net loan base by 31% from RM982m in 2Q 2010 to RM1.3b in the quarter under review
  - higher loan disbursed (RM219m vs RM170m)
- NPL ratio dropped significantly from 4.1% to 1.6% due to concentrated as well as continuous effort made to regularize NPLs in the after-math of the 2008-2009 global financial crisis.
- This Division continued to see increased enquires for financing from pre-selected loan sectors.





# Quarry and Building Materials

## Sales on uptrend with new quarries in start up phase

Revenue increased by 14% to RM140m compared to RM123m in 2Q 2010. This was attributable to higher sales volumes of aggregates (2.3m MT vs 1.7m MT) and asphalt (80,705 MT vs 24,687 MT). Sales volume from bricks, however, was flat (23.8m pcs vs 22.5m pcs).

Operating profit improved by 56% to RM7m with fine tuning of operations still being undertaken to ramp up production volume towards designed capacity.

Projects that were commissioned in 2Q 2011 include :-

- 2 asphalt plants, one in Ulu Choh, Johor and the other in Telipok, Sabah
- 1 large quarry, Ulu Choh Quarry in Johor

Sin On Tiku brick factory in Sabah underwent ungrading works giving rise to increased production capacity from 40m pcs to 54m pcs per annum and had resumed production in 2Q 2011.

