

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Revenue	629,426	565,754	629,426	565,754
Cost of sales	(493,681)	(455,120)	(493,681)	(455,120)
Gross profit	135,745	110,634	135,745	110,634
Operating expenses	(50,300)	(49,476)	(50,300)	(49,476)
Other operating (expense)/income	(209)	531	(209)	531
Operating profit	85,236	61,689	85,236	61,689
Interest income	908	548	908	548
Finance costs	(1,425)	(1,476)	(1,425)	(1,476)
Share of profit in associated companies, net of tax	32,825	30,680	32,825	30,680
Profit before taxation	117,544	91,441	117,544	91,441
Taxation	(18,074)	(14,132)	(18,074)	(14,132)
Profit for the period	99,470	77,309	99,470	77,309
Profit attributable to:				
Owners of the Company	81,859	64,766	81,859	64,766
Non-controlling interests	17,611	12,543	17,611	12,543
Profit for the period	99,470	77,309	99,470	77,309
Earnings per ordinary share (sen) :-				
(a) Basic	26.44	20.99	26.44	20.99
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2017

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2017 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Profit for the period	99,470	77,309	99,470	77,309
Foreign currency translation differences for foreign operations	(3,306)	7,567	(3,306)	7,567
Gain on fair value of available-for-sale financial assets	4,001	1,067	4,001	1,067
Cash flow hedge	47	(384)	47	(384)
Total comprehensive income for the period	100,212	85,559	100,212	85,559
Total comprehensive income attributable to:				
Owners of the Company	82,608	73,017	82,608	73,017
Non-controlling interests	17,604	12,542	17,604	12,542
Total comprehensive income for the period	100,212	85,559	100,212	85,559

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2017 RM'000	30/06/2017 RM'000
ASSETS		
Property, plant and equipment	343,864	351,930
Investment properties	4,000	4,000
Investments in associated companies	240,528	212,788
Development expenditure	13,752	15,896
Intangible assets	10,173	10,025
Other investments	67,128	63,126
Deferred tax assets	11,228	11,250
Tax credit receivables	5,370	5,646
TOTAL NON-CURRENT ASSETS	696,043	674,661
Inventories	248,291	226,984
Trade and other receivables	394,559	383,937
Current tax assets	14,024	14,237
Derivative financial assets	312	100
Cash and cash equivalents	608,171	537,483
TOTAL CURRENT ASSETS	1,265,357	1,162,741
TOTAL ASSETS	1,961,400	1,837,402
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,096,839	1,013,569
Treasury shares - at cost	(63,318)	(63,318)
	1,354,738	1,271,468
NON-CONTROLLING INTERESTS		
	129,679	111,995
TOTAL EQUITY	1,484,417	1,383,463
LIABILITIES		
Deferred tax liabilities	10,619	10,415
Deferred income	4,256	4,395
Employee benefits	24,809	25,492
TOTAL NON-CURRENT LIABILITIES	39,684	40,302
Trade and other payables	318,399	284,648
Borrowings (unsecured)	95,983	113,129
Tax payable	22,917	15,860
TOTAL CURRENT LIABILITIES	437,299	413,637
TOTAL LIABILITIES	476,983	453,939
TOTAL EQUITY AND LIABILITIES	1,961,400	1,837,402
Net assets per share attributable to owners of the Company (RM)	4.38	4.10

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	←-----Attributable to owners of the Company-----→											Non-controlling interest	Total equity
	←-----Non-distributable-----→									Distributable			
	Share capital	Share premium	Exchange equalisation reserve	Fair value reserve	Hedging reserve	Other reserves	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Current year-to-date ended 30 September 2017													
At 1 July 2017	321,217	-	35,696	21,246	35	17,603	(29,518)	2,476	(63,318)	966,031	1,271,468	111,995	1,383,463
Profit for the period	-	-	-	-	-	-	-	-	-	81,859	81,859	17,611	99,470
Other comprehensive income/(expense)													
- Foreign currency translation differences	-	-	(3,306)	-	-	-	-	-	-	-	(3,306)	-	(3,306)
- Gain on fair value of available-for-sale financial assets	-	-	-	4,001	-	-	-	-	-	-	4,001	-	4,001
- Cash flow hedge	-	-	-	-	54	-	-	-	-	-	54	(7)	47
Total comprehensive income/(expense) for the period	-	-	(3,306)	4,001	54	-	-	-	-	81,859	82,608	17,604	100,212
Share-based payments/transactions	-	-	-	-	-	-	-	213	-	-	213	80	293
ESS shares exercised	-	-	-	-	-	-	318	(90)	-	221	449	-	449
Total transactions with owners of the Company	-	-	-	-	-	-	318	123	-	221	662	80	742
At 30 September 2017	321,217	-	32,390	25,247	89	17,603	(29,200)	2,599	(63,318)	1,048,111	1,354,738	129,679	1,484,417

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	←----- Attributable to owners of the Company ----->												
	←----- Non-distributable ----->									Distributable			
	Share capital	Share premium	Exchange equalisation reserve	Fair value reserve	Hedging reserve	Other reserves	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 30 June 2016													
At 1 July 2016	163,953	152,953	35,073	32,303	146	21,914	(32,938)	2,537	(63,318)	990,163	1,302,786	97,163	1,399,949
Profit for the period	-	-	-	-	-	-	-	-	-	64,766	64,766	12,543	77,309
Other comprehensive income/(expense)													
- Foreign currency translation differences	-	-	7,567	-	-	-	-	-	-	-	7,567	-	7,567
- Loss on fair value of available-for-sale financial assets	-	-	-	1,067	-	-	-	-	-	-	1,067	-	1,067
- Cash flow hedge	-	-	-	-	(383)	-	-	-	-	-	(383)	(1)	(384)
Total comprehensive income/(expense) for the period	-	-	7,567	1,067	(383)	-	-	-	-	64,766	73,017	12,542	85,559
Share-based payments	-	-	-	-	-	-	-	(527)	-	-	(527)	(58)	(585)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(527)	-	-	(527)	(58)	(585)
At 30 September 2016	163,953	152,953	42,640	33,370	(237)	21,914	(32,938)	2,010	(63,318)	1,054,929	1,375,276	109,647	1,484,923

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2017

	Current Year- To-Date 30/09/2017 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	117,544	91,441
Adjustments for:-		
Share of profit in associated companies, net of tax	(32,825)	(30,680)
Depreciation and amortisation	17,432	14,784
Dividend income	(4,443)	(3,126)
Non cash item	(548)	614
Net financing costs	517	(928)
Operating profit before changes in working capital	97,677	72,105
Changes in working capital		
Net change in current assets	(32,165)	(16,271)
Net change in current liabilities	34,171	22,524
Taxation paid	(10,720)	(9,569)
Net financing costs received /(paid)	(517)	928
Dividend received	6,243	3,126
Retirement benefits paid	(74)	(12)
Net cash generated from operating activities	94,615	78,221
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(7,358)	(5,832)
Proceeds from disposal of property, plant & equipment	136	111
Net cash used in investing activities	(7,222)	(5,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposal of Trust Shares	449	-
Drawdown of borrowings	39,396	53,354
Repayment of borrowings	(56,542)	(70,690)
Net cash used in financing activities	(16,697)	(17,336)
NET CHANGE IN CASH AND CASH EQUIVALENTS	70,696	49,774
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	537,483	399,503
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(8)	777
CASH & CASH EQUIVALENTS AT END OF PERIOD	608,171	450,054

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statements of financial position amounts:

	30/09/2017 RM'000	30/09/2016 RM'000
Deposits, cash and bank balances	608,171	450,054

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2017. This interim financial report also complies with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2017 except for the adoption of MFRS 9 Financial Instruments on 1 July 2017. The adoption of MFRS 9 does not have any material impact on the financial statements of the Group except for the following:

- **Classification of financial assets and financial liabilities**

Equity investments held by the Group were previously classified as fair value through profit or loss and available for sale where the fair value gains or losses were recognised in the profit or loss and other comprehensive income respectively. The fair value gain or loss recognised in other comprehensive income was recycled to profit or loss upon disposal of the financial asset. In accordance with MFRS 9, the Group’s equity investments are measured at fair value, and the Group elected to recognise the fair value gain or loss in the other comprehensive income. Such fair value gain or loss is not permitted to be recycled to profit or loss upon disposal of the equity instrument.

The Group has also adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2017 where applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date other than as mentioned below:

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

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6. **Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

- (a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 30 September 2017 was 8,432,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

During the quarter under review, a total of 106,000 existing ordinary shares in the Company held in the ESS Trust were transferred to the option holders arising from the exercise of options pursuant to the Executive Share Scheme ("ESS").

There were no additional shares purchased by the ESS Trust during the quarter under review.

As at 30 September 2017, the total number of ordinary shares in the Company held by the ESS Trust was 9,743,533 ordinary shares.

7. **Dividend paid**

There were no dividend paid during the quarter under review and financial year-to-date.

8. **Operating Segments**

The Group's segmental report for the financial year-to-date is as follows:-

	Consumer products	Industrial products	Total
	RM'000	RM'000	RM'000
Segment profit	81,278	2,670	83,948
Included in the measure of segment profit are:			
Revenue from external customers	498,257	128,323	626,580
Depreciation and amortisation	14,691	2,731	17,422
Reconciliation of reportable segment profit			
Profit			
Reportable segment			83,948
Non-reportable segment			1,288
Interest income			908
Finance costs			(1,425)
Share of profit in associated companies, net of tax			32,825
Consolidated profit before taxation			117,544
		External revenue	Depreciation and amortisation
		RM'000	RM'000
Reportable segment		626,580	17,422
Non-reportable segment		2,846	10
Total		629,426	17,432

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9. **Material events not reflected in the financial statements**

There are no material subsequent events to be disclosed as at the date of this report.

10. **Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations other than as mentioned below:

i) The following Company's subsidiaries have been placed under members' voluntary liquidation:-

- (a) Varinet Sdn Bhd, a 60% subsidiary;
- (b) Century Touch Sdn Bhd, a 70% indirect-owned subsidiary; and

The liquidations are currently pending tax clearance from the Inland Revenue Board and/or final meeting to be convened.

11. **Review of Performance**

For the quarter under review, the Group recorded revenue of RM629 million and profit before taxation ("PBT") of RM118 million as compared with revenue and PBT of RM566 million and RM91 million respectively for the corresponding quarter of the preceding year ended 30 June 2017 ("FY 2017"). The higher PBT was mainly attributable to higher revenue from the consumer products segment.

12. **Material changes in profit before taxation against the immediate preceding quarter**

For the quarter under review, the Group recorded PBT of RM118 million as compared with PBT of RM79 million, excluding the one-off full impairment on an associated company of RM172 million, recorded in the preceding quarter. The increase in PBT was mainly attributable to higher revenue from the consumer products segment and higher contribution from an associated company.

13. **Prospects**

Barring any unforeseen circumstances, the Board expects the Group's performance for both the consumer products and industrial products segments to be satisfactory for the financial year ending 30 June 2018.

14. **Profit forecast / profit guaranteed**

This note is not applicable.

15. **Profit before taxation**

	Current Year Quarter	Current Year To-date
	30/09/2017	30/09/2017
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(4,443)	(4,443)
Depreciation and amortisation	17,432	17,432
Allowance of impairment and write off of trade receivables	20	20
Provision for and write off of inventories	2,279	2,279
Loss on foreign exchange	66	66

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15. Profit before taxation (cont'd)

	Current Year Quarter	Current Year To-date
	30/09/2017 RM'000	30/09/2017 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Fair value gain on financial instruments designated as hedge instrument	(165)	(165)
Share-based payments	213	213
Gain on disposal of a property	-	-
Impairment of property, plant and equipment	-	-

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Current taxation				
Malaysian - current year	18,833	14,407	18,833	14,407
- prior years	(565)	(26)	(565)	(26)
Overseas - current year	-	18	-	18
- prior years	-	-	-	-
	<u>18,268</u>	<u>14,399</u>	<u>18,268</u>	<u>14,399</u>
Deferred taxation				
Malaysian - current year	-	-	-	-
- prior years	(194)	(267)	(194)	(267)
	<u>(194)</u>	<u>(267)</u>	<u>(194)</u>	<u>(267)</u>
	<u>18,074</u>	<u>14,312</u>	<u>18,074</u>	<u>14,312</u>

The Group's effective tax rate for the quarter under review and financial year-to-date is lower than the statutory tax rate mainly due to certain income were not taxable.

17. Corporate Proposals

There are no corporate proposals announced but not completed as at the date of this report.

18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2017 are as follows:-

Unsecured short term borrowings	<u>RM'000</u> <u>95,983</u>
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There were no borrowings denominated in foreign currencies as at 30 September 2017.

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19. **Changes in Material Litigation**

There are no material litigations as at the date of this report.

20. **Dividend**

- (a) The Board has declared a first interim single tier dividend of 15 sen per share for the quarter ended 30 September 2017 of the financial year ending 30 June 2018 (2016/2017: single tier dividend of 15.0 sen per share) to be paid on 12 December 2017 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 27 November 2017.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.00 p.m. on 27 November 2017 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements
- (b) For the financial year-to-date, single tier dividend of 15 sen per share (2016/2017: single tier dividend of 15.0 sen per share) has been declared.

21. **Earnings Per Ordinary Share**

- (a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM81,859,000 (1st quarter 2016/2017: profit attributable to owners of RM64,766,000) by the weighted average number of ordinary shares during the quarter of 309,626,000 (1st quarter 2016/2017: 308,483,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter	Individual Quarter	Cumulative Quarter	Cumulative Quarter
	Current Year	Preceding Year	Current Year-To-Date	Preceding Year
	Quarter	Corresponding Quarter	Year-To-Date	Corresponding Period
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	327,905	327,905	327,905	327,905
Treasury shares held at beginning of period	(8,432)	(8,432)	(8,432)	(8,432)
ESS Trust Shares held at beginning of period	(9,850)	(10,990)	(9,850)	(10,990)
	309,623	308,483	309,623	308,483
Effect of Trust Shares vested	3	-	3	-
Weighted average number of ordinary shares (basic)	309,626	308,483	309,626	308,483

- (b) Diluted earnings per ordinary share

The Group's diluted earnings per ordinary share in the quarter under review/financial year to-date and preceding year corresponding quarter/period approximates its basic earnings per ordinary share.

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22. Realised and unrealised profits /(losses) disclosure

The breakdown of the retained earnings of the Group, into realised and unrealised profits/(losses) are as follows:-

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2017	30/06/2017
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries:-		
- realised	1,052,769	977,453
- unrealised	25,216	33,732
	<u>1,077,985</u>	<u>1,011,185</u>
Total share of retained earnings of associated companies:		
- realised	113,803	56,794
- unrealised	5,675	5,675
	<u>119,478</u>	<u>62,469</u>
Less: Consolidation adjustments	(149,352)	(107,623)
Group retained earnings	<u>1,048,111</u>	<u>966,031</u>

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
9 November 2017