

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019


	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Revenue	746,890	702,847	1,524,128	1,375,761
Cost of sales	(601,699)	(562,283)	(1,233,237)	(1,102,784)
Gross profit	145,191	140,564	290,891	272,977
Operating expenses	(46,921)	(52,565)	(95,285)	(100,353)
Other operating income / (expenses)	6,251	6,121	11,674	(4,463)
Operating profit	104,521	94,120	207,280	177,087
Interest income	1,370	898	2,310	1,915
Finance costs	(635)	(824)	(1,777)	(1,748)
Share of profit in associated companies, net of tax	21,957	33,061	28,469	57,844
Profit before taxation	127,213	127,255	236,282	235,098
Taxation	(24,676)	(21,031)	(48,864)	(40,849)
Profit for the period	102,537	106,224	187,418	194,249
Profit attributable to:				
Owners of the Company	78,100	86,739	141,451	156,785
Non-controlling interests	24,437	19,485	45,967	37,464
Profit for the period	102,537	106,224	187,418	194,249
Earnings per ordinary share (sen) :-				
(a) Basic	24.87	27.63	45.05	49.96
(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 2019.

Hong Leong Industries Berhad (5486-P)

Level 31, Menara Hong Leong, No.6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

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HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Profit for the period	102,537	106,224	187,418	194,249
Other comprehensive income/(expense), net of tax <i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of equity investments at fair value through other comprehensive income	5,645	(10,513)	5,378	(8,268)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	118	17	60	211
Share of other comprehensive (expense)/income of equity accounted associates, net of tax	(3,102)	935	(80)	1,992
Cash flow hedge	(1,262)	(685)	(903)	(719)
Total other comprehensive income for the period	1,399	(10,246)	4,455	(6,784)
Total comprehensive income for the period	103,936	95,978	191,873	187,465
Total comprehensive income attributable to:				
Owners of the Company	79,885	76,713	146,182	150,221
Non-controlling interests	24,051	19,265	45,691	37,244
Total comprehensive income for the period	103,936	95,978	191,873	187,465

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 2019.


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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2019 RM'000	30/06/2019 RM'000
ASSETS		
Property, plant and equipment	287,459	296,017
Rights-of-use assets	20,403	-
Investment properties	4,000	4,000
Investments in associated companies	166,980	163,788
Other investments	38,878	34,026
Intangible assets	18,480	18,225
Deferred tax assets	13,008	10,929
Tax credit receivables	5,370	5,370
TOTAL NON-CURRENT ASSETS	554,578	532,355
Inventories	198,673	223,203
Trade and other receivables, including derivatives	367,397	370,704
Current tax assets	1,959	12,841
Cash and cash equivalents	1,254,396	1,039,941
TOTAL CURRENT ASSETS	1,822,425	1,646,689
TOTAL ASSETS	2,377,003	2,179,044
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,462,727	1,369,354
Treasury shares - at cost	(63,318)	(63,318)
	1,720,626	1,627,253
NON-CONTROLLING INTERESTS	157,532	136,062
TOTAL EQUITY	1,878,158	1,763,315
LIABILITIES		
Deferred tax liabilities	5,766	9,034
Deferred income	2,661	3,191
Employee benefits	24,774	23,913
Lease liabilities	17,882	-
TOTAL NON-CURRENT LIABILITIES	51,083	36,138
Trade and other payables, including derivatives	366,711	309,155
Borrowings (unsecured)	31,600	38,730
Lease liabilities	2,719	-
Tax payable	46,732	31,706
TOTAL CURRENT LIABILITIES	447,762	379,591
TOTAL LIABILITIES	498,845	415,729
TOTAL EQUITY AND LIABILITIES	2,377,003	2,179,044
Net assets per share attributable to owners of the Company (RM)	5.48	5.18

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

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QUARTERLY REPORTED ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

←..... Attributable to owners of the Company→

←..... Non-distributable→ Distributable

	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Current year-to-date ended 31 December 2019											
At 1 July 2019	321,217	(63,318)	21,694	3,714	(212)	(16,469)	4,563	1,356,064	1,627,253	136,062	1,763,315
Profit for the period	-	-	-	-	-	-	-	141,451	141,451	45,967	187,418
Other comprehensive income/(expense):											
Gain on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	5,378	5,378	-	5,378
Foreign currency translation differences	-	-	60	-	-	-	-	-	60	-	60
Share of other comprehensive income of equity accounted associates, net of tax	-	-	(80)	-	-	-	-	-	(80)	-	(80)
Cash flow hedge	-	-	-	-	(627)	-	-	-	(627)	(276)	(903)
Total comprehensive income for the period	-	-	(20)	-	(627)	-	-	146,829	146,182	45,691	191,873
Share-based payments/transactions	-	-	-	-	-	-	570	-	570	251	821
Dividend	-	-	-	-	-	-	-	(53,379)	(53,379)	(24,472)	(77,851)
Total transactions with owners of the Company	-	-	-	-	-	-	570	(53,379)	(52,809)	(24,211)	(77,030)
At 31 December 2019	321,217	(63,318)	21,674	3,714	(839)	(16,469)	5,133	1,449,514	1,720,626	157,532	1,878,158

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019 (Cont'd)

	←----- Attributable to owners of the Company ----->							Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000				
Preceding year corresponding period ended 31 December 2018											
At 1 July 2018	321,217	(63,318)	20,882	3,714	183	(17,223)	2,952	1,191,869	1,460,276	124,496	1,584,772
Profit for the period	-	-	-	-	-	-	-	156,785	156,785	37,464	194,249
Other comprehensive income/(expense)											
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(8,268)	(8,268)	-	(8,268)
Foreign currency translation differences	-	-	211	-	-	-	-	-	211	-	211
Share of other comprehensive income of equity accounted associates, net of tax	-	-	1,992	-	-	-	-	-	1,992	-	1,992
Cash flow hedge	-	-	-	-	(499)	-	-	-	(499)	(220)	(719)
Total comprehensive income/(expense) for the period	-	-	2,203	-	(499)	-	-	148,517	150,221	37,244	187,465
Share-based payments/transactions											
ESS shares exercised	-	-	-	-	-	-	868	-	868	383	1,251
Dividends	-	-	-	-	-	-	(197)	465	916	-	916
Total transactions with owners of the Company	-	-	-	-	-	648	671	(46,629)	(45,310)	(24,472)	(71,566)
At 31 December 2018	321,217	(63,318)	23,085	3,714	(316)	(16,575)	3,623	1,293,757	1,565,187	137,651	1,702,838

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 2019.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2019

	Current Year- To-Date 31/12/2019 RM'000	Preceding Year Corresponding Period 31/12/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	236,282	235,098
Adjustments for:-		
Share of profit in associated companies, net of tax	(28,469)	(57,844)
Depreciation and amortisation	32,192	30,847
Dividend income	(16,163)	(14,798)
Non-cash items	1,220	(350)
Net financing costs	(103)	(167)
Operating profit before changes in working capital	224,959	193,486
Changes in working capital		
Net change in current assets	27,707	388
Net change in current liabilities	57,504	52,554
Taxation paid	(28,723)	(28,266)
Net financing costs received	103	167
Dividend received	41,360	56,214
Retirement benefits paid	(170)	(279)
Net cash generated from operating activities	322,740	274,264
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(14,759)	(11,805)
Addition of intangible assets	(6,662)	(8,452)
Proceeds from disposal of property, plant & equipment	1,001	561
Net cash generated used in investing activities	(20,420)	(19,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposal of Trust Shares	-	916
Repayment of lease liabilities	(3,095)	-
Dividend paid to owners of the Company	(53,379)	(47,094)
Dividend paid to non-controlling shareholders of subsidiary companies	(24,472)	(24,472)
Drawdown of borrowings	33,930	24,290
Repayment of borrowings	(41,060)	(50,910)
Net cash used in financing activities	(88,076)	(97,270)
NET CHANGE IN CASH AND CASH EQUIVALENTS	214,244	157,298
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,039,941	831,340
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	211	177
CASH & CASH EQUIVALENTS AT END OF PERIOD	1,254,396	988,815

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

	31/12/2019 RM'000	31/12/2018 RM'000
Deposits, cash and bank balances	1,254,396	988,815

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

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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 2019. 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 2019 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019 which are 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 except for the adoption of MFRS 16 Leases which requires the lessee to recognise the right-of-use of the underlying lease asset and future lease payments liabilities in the statement of financial position.

In accordance with the transitional provisions provided in MFRS 16 Leases, comparative information for the previous financial year ended 30 June 2019 were not restated. The financial impact on the financial statements of the Group arising from the adoption of MFRS 16 Leases on 1 July 2019 are as follows:

Condensed Statement of Financial Position

	At 30 June 2019 RM’000	Adoption of MFRS 16 RM’000	At 1 July 2019 RM’000
Non-current assets			
Right-of-use assets	-	23,266	23,266
Non-current liabilities			
Lease liabilities	-	17,883	17,883
Current liabilities			
Lease Liabilities	-	5,383	5,383

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 amounts 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.

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

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 31 December 2019 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.

There were no additional shares purchased by the ESS Trusts during the quarter under review. As at 31 December 2019, the total number of ordinary shares in the Company held by the ESS Trusts was 5,480,000 ordinary shares.

7. Dividend paid

During the financial year-to-date, the Company paid an interim single tier dividend of 17.0 sen per share amounting to RM54 million on 27 December 2019.

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 / (loss)	206,529	(2,681)	203,848
Included in the measure of segment profit are:			
Revenue from external customers	1,309,775	202,842	1,512,617
Depreciation and amortisation	25,652	6,537	32,189
Reconciliation of reportable segment profit			
Profit			
Reportable segment			203,848
Non-reportable segment			3,432
Interest income			2,310
Finance costs			(1,777)
Share of profit in associated companies, net of tax			28,469
Consolidated profit before taxation			236,282
	External revenue RM'000	Depreciation and amortisation RM'000	
Reportable segment	1,512,617	32,189	
Non-reportable segment	11,511	3	
Total	1,524,128	32,192	

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.


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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:

The following Company's subsidiaries have been placed under member's voluntary liquidation:-

- (a) Glenex Sdn Bhd, an indirect wholly-owned subsidiary; and
- (b) Stonenet Sdn Bhd (formerly known as Hume Marketing (EM) Sdn Bhd), an indirect wholly-owned subsidiary.

The liquidations are currently pending tax clearance from the Inland Revenue Board.

Subsequent to the quarter under review, the liquidator of Flazer Sdn Bhd ("Flazer"), an indirect wholly-owned subsidiary of the Company has convened a final meeting to conclude the member's voluntary liquidation of Flazer, and accordingly Flazer will be dissolved on 10 April 2020.

11. Review of Performance

For the quarter under review, the Group recorded revenue of RM747 million and profit before taxation ("PBT") of RM127 million as compared with revenue and PBT of RM703 million and RM127 million respectively for the corresponding quarter of the preceding year ended 30 June 2019 ("FY 2019").

For the financial year-to-date, the Group recorded revenue of RM1,524 million and PBT of RM236 million as compared with revenue of RM1,376 million and PBT of RM235 million for the corresponding period of FY 2019.

The improvement in revenue for the quarter under review and financial year-to-date was contributed by the higher sales from the consumer products segment. While the higher sales of consumer products had contributed to higher operating profit, the improvement in PBT was negated by lower profit contribution from an associated company.

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

For the quarter under review, the Group recorded PBT of RM127 million as compared with PBT of RM109 million for the preceding quarter. The increase in PBT was mainly attributable to the increase in sales from the consumer products segment and higher profit contribution from an associated company.

13. Prospects

Barring any unforeseen circumstances, the Board expects the Group's performance for the consumer products segment to be satisfactory while the industrial products segment remains challenging for the financial year ending 30 June 2020. The management continues to monitor the impact of the Covid-19 outbreak on its businesses.

14. Profit forecast/profit guaranteed

This note is not applicable.



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15. **Profit before taxation**

	Current Year Quarter	Current Year To-date
	31/12/2019	31/12/2019
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Gross dividend income from other investments	(8,072)	(16,163)
Depreciation and amortisation	16,116	32,192
Write back of impairment loss of trade receivables	(489)	(570)
Write back of provision for inventories	(111)	(1,696)
(Gain)/loss on foreign exchange	(160)	130
Fair value loss of equity investment at fair value through profit or loss	239	525
Share-based payments	411	821
Gain on disposal of property, plant and equipment	(250)	(814)

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	24,696	21,040	48,276	39,417
- prior years	-	6	(427)	1,447
	<u>24,696</u>	<u>21,046</u>	<u>47,849</u>	<u>40,864</u>
Deferred taxation				
Malaysian - current year	(20)	-	(45)	-
- prior years	-	(15)	1,060	(15)
	<u>(20)</u>	<u>(15)</u>	<u>1,015</u>	<u>(15)</u>
	<u>24,676</u>	<u>21,031</u>	<u>48,864</u>	<u>40,849</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 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 31 December 2019 are as follows:-

	RM'000
Unsecured short-term borrowings	<u>31,600</u>

There were no borrowings denominated in foreign currencies as at 31 December 2019.

19. **Changes in Material Litigation**

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

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20. **Dividend**

- (a) The Board does not recommend any interim dividend for the quarter ended 31 December 2019 of the financial year ending 30 June 2020 (2nd quarter 2018/2019: Nil)
- (b) For the financial year-to-date, single tier dividend of 17 sen per share (2018/2019: 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 RM78,100,000 (2nd quarter 2018/2019: profit attributable to owners of RM86,739,000) by the weighted average number of ordinary shares during the quarter of 313,993,000 (2nd quarter 2018/2019: 313,938,000).

The basic earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM141,451,000 (2nd quarter 2018/2019: RM156,785,000) by the weighted average number of ordinary shares during the quarter of 313,993,000 (2nd quarter 2018/2019: 313,842,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year- To- Date	Preceding Year
	Quarter	Corresponding Quarter	Year- To- Date	Corresponding Period
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
	'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	(5,480)	(5,600)	(5,480)	(5,732)
	313,993	313,873	313,993	313,741
Effect of Trust Shares vested	-	65	-	101
Weighted average number of ordinary shares (basic)	313,993	313,938	313,993	313,842

(b) **Diluted earnings per ordinary share**

The Group has no dilution in its earnings per ordinary share for the quarter under review and financial year-to-date as there were no dilutive potential ordinary shares.

The Group's diluted earnings per ordinary share for the preceding year corresponding quarter/period approximates its basic earnings per ordinary share.

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22. Derivatives

The Group has entered into a number of forward foreign exchange contracts by subsidiaries to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 31 December 2019, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	<u>114,977</u>	<u>(1,208)</u>

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Gains/losses arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2019.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
26 February 2020



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