

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Revenue	565,754	519,119	565,754	519,119
Cost of sales	(455,120)	(421,425)	(455,120)	(421,425)
Gross profit	110,634	97,694	110,634	97,694
Operating expenses	(49,476)	(46,988)	(49,476)	(46,988)
Other operating income	531	4,414	531	4,414
Operating profit	61,689	55,120	61,689	55,120
Interest income	548	502	548	502
Finance costs	(1,476)	(1,677)	(1,476)	(1,677)
Share of profit in associated companies, net of tax	30,680	13,004	30,680	13,004
Profit before taxation	91,441	66,949	91,441	66,949
Taxation	(14,132)	(12,719)	(14,132)	(12,719)
Profit for the period	77,309	54,230	77,309	54,230
Profit attributable to:				
Owners of the Company	64,766	44,822	64,766	44,822
Non-controlling interests	12,543	9,408	12,543	9,408
Profit for the period	77,309	54,230	77,309	54,230
Earnings per ordinary share (sen) :-				
(a) Basic	20.99	14.53	20.99	14.53
(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 2016.

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 30 SEPTEMBER 2016 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Profit for the period	77,309	54,230	77,309	54,230
Foreign currency translation differences for foreign operations	7,567	29,289	7,567	29,289
Gain/(loss) on fair value of available-for-sale financial assets	1,067	(5,902)	1,067	(5,902)
Cash flow hedge	(384)	(2,341)	(384)	(2,341)
Total comprehensive income for the period	85,559	75,276	85,559	75,276
Total comprehensive income attributable to:				
Owners of the Company	73,017	65,921	73,017	65,921
Non-controlling interests	12,542	9,355	12,542	9,355
Total comprehensive income for the period	85,559	75,276	85,559	75,276

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 2016.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2016 RM'000	30/06/2016 RM'000
ASSETS		
Property, plant and equipment	365,661	375,029
Investment properties	4,000	4,000
Investments in associated companies	422,769	385,310
Other investments	63,119	61,278
Intangible assets	15,936	15,585
Deferred tax assets	3,083	3,083
Tax credit receivables	5,646	5,646
TOTAL NON-CURRENT ASSETS	880,214	849,931
Inventories	217,617	205,600
Trade and other receivables	414,168	411,358
Current tax assets	20,321	14,032
Derivative financial assets	9	299
Cash and cash equivalents	450,054	399,503
TOTAL CURRENT ASSETS	1,102,169	1,030,792
TOTAL ASSETS	1,982,383	1,880,723
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	163,953	163,953
Reserves	1,274,641	1,202,151
Treasury shares - at cost	(63,318)	(63,318)
	1,375,276	1,302,786
NON-CONTROLLING INTERESTS		
	109,647	97,163
TOTAL EQUITY	1,484,923	1,399,949
LIABILITIES		
Deferred tax liabilities	12,468	12,736
Deferred income	4,858	4,996
Employee benefits	24,397	24,042
TOTAL NON-CURRENT LIABILITIES	41,723	41,774
Trade and other payables	317,990	295,273
Borrowings (unsecured)	110,629	127,965
Tax payable	26,892	15,762
Derivative financial liabilities	226	-
TOTAL CURRENT LIABILITIES	455,737	439,000
TOTAL LIABILITIES	497,460	480,774
TOTAL EQUITY AND LIABILITIES	1,982,383	1,880,723
Net assets per share attributable to owners of the Company (RM)	4.46	4.22

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2016.

HONG LEONG INDUSTRIES BERHAD (5486-P)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	←----- 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	
Current year-to-date ended 30 September 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
- Gain 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

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2016

	←----- Attributable to owners of the Company ----->												Total equity	
	←----- Non-distributable ----->									Distributable		Total		Non-controlling interest
	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	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 September 2015														
At 1 July 2015	163,953	152,953	30,064	41,736	-	21,914	(33,140)	1,327	(63,318)	872,332	1,187,821	106,656	1,294,477	
Profit for the period	-	-	-	-	-	-	-	-	-	44,822	44,822	9,408	54,230	
Other comprehensive income/(expense)														
- Foreign currency translation differences	-	-	29,289	-	-	-	-	-	-	-	29,289	-	29,289	
- Loss on fair value of available-for-sale financial assets	-	-	-	(5,902)	-	-	-	-	-	-	(5,902)	-	(5,902)	
- Cash flow hedge	-	-	-	-	(2,288)	-	-	-	-	-	(2,288)	(53)	(2,341)	
Total comprehensive income/(expense) for the period	-	-	29,289	(5,902)	(2,288)	-	-	-	-	44,822	65,921	9,355	75,276	
Share-based payments	-	-	-	-	-	-	-	394	-	-	394	-	394	
Cash distribution from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(120)	(120)	
Total transactions with owners of the Company	-	-	-	-	-	-	-	394	-	-	394	(120)	274	
At 30 September 2015	163,953	152,953	59,353	35,834	(2,288)	21,914	(33,140)	1,721	(63,318)	917,154	1,254,136	115,891	1,370,027	

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 2016.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2016

	Current Year- To-Date 30/09/2016 RM'000	Preceding Year Corresponding Period 30/09/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	91,441	66,949
Adjustments for:-		
Share of profit in associated companies, net of tax	(30,680)	(13,004)
Depreciation and amortisation	14,784	14,885
Dividend income	(3,126)	(1,740)
Non cash items	614	(4,156)
Net financing costs	(928)	1,175
Operating profit before changes in working capital	72,105	64,079
Changes in working capital		
Net change in current assets	(16,271)	7,657
Net change in current liabilities	22,524	5,419
Taxation paid	(9,569)	(11,336)
Net financing costs received /(paid)	928	(1,175)
Dividend received	3,126	34,765
Retirement benefits paid	(12)	(27)
Net cash generated from operating activities	72,831	99,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(5,832)	(11,764)
Proceeds from disposal of property, plant & equipment	111	5,884
Cash distribution to non-controlling shareholder of a subsidiary company	-	(120)
Net cash used in investing activities	(5,721)	(6,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	53,354	35,536
Repayment of borrowings	(70,690)	(62,223)
Net cash used in financing activities	(17,336)	(26,867)
NET CHANGE IN CASH AND CASH EQUIVALENTS	49,774	66,515
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	399,503	307,043
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	777	3,682
CASH & CASH EQUIVALENTS AT END OF PERIOD	450,054	377,240

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

	30/09/2016 RM'000	30/09/2015 RM'000
Deposits, cash and bank balances	450,054	377,240

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2016.

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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 2016. 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 2016.

The Group has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2016 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.

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.

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 2016 was 8,432,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

(b) There were no additional shares purchased by the ESS Trust during the quarter under review and financial year-to-date. As at 30 September 2016, the total number of shares held by the ESS Trust was 10,990,383 shares.

There were no issuance of shares, share cancellations, resale of treasury shares or repayments or debt or equity securities during the quarter under review and financial year-to-date.

7. Dividend paid

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

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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	59,399	1,705	61,104

Included in the measure of segment profit are:

Revenue from external customers	422,592	141,016	563,608
Depreciation and amortisation	11,436	3,315	14,751

Reconciliation of reportable segment profit

Profit

Reportable segment		61,104
Non-reportable segment		585
Interest income		548
Finance costs		(1,476)
Share of profit in associated companies, net of tax		30,680
Consolidated profit before taxation		91,441

	External revenue	Depreciation and amortisation
	RM'000	RM'000
Reportable segment	563,608	14,751
Non-reportable segment	2,146	33
Total	565,754	14,784

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
 - (c) Taman Terang Sdn Bhd, a wholly-owned subsidiary.

The liquidations are currently pending completion of legal execution proceedings against debtors and/or tax clearance from the Inland Revenue Board and/or final meeting to be convened.

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11. Review of Performance

For the quarter under review, the Group recorded a revenue of RM566 million and profit before taxation (“PBT”) of RM91 million as compared with a revenue and PBT of RM519 million and RM67 million respectively for the corresponding quarter of the preceding year ended 30 June 2016 (“FY 2016”). The Group recorded a higher PBT mainly attributable to higher revenue from consumer products segment and higher profit contribution from associated companies, partly offset by higher production cost from industrial product segment.

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

For the quarter under review, the Group recorded a PBT of RM91 million as compared with a PBT of RM97 million recorded in the preceding quarter. The decrease in PBT was mainly due to higher production cost from consumer product segment, partly mitigated by 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 2017.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter	Current Year To-date
	30/09/2016 RM'000	30/09/2016 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(3,126)	(3,126)
Depreciation and amortisation	14,784	14,784
Allowance of impairment and write off of trade receivables	656	656
Provision for and write off of inventories	724	724
Gain on foreign exchange	1,137	1,137
Fair value loss on financial instruments designated as hedge instrument	131	131
Share-based payments	(382)	(382)
Gain on disposal of a property	-	-
Impairment of property, plant and equipment	-	-

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16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- to-date	Preceding Year Corresponding Period
	30/09/2016 RM'000	30/09/2015 RM'000	30/09/2016 RM'000	30/09/2015 RM'000
Current taxation				
Malaysian - current year	14,407	12,695	14,407	12,695
- prior years	(26)	-	(26)	-
Overseas - current year	18	24	18	24
	<u>14,399</u>	<u>12,719</u>	<u>14,399</u>	<u>12,719</u>
Deferred taxation				
Malaysian - current year	-	-	-	-
- prior years	(267)	-	(267)	-
	<u>(267)</u>	<u>-</u>	<u>(267)</u>	<u>-</u>
	<u>14,132</u>	<u>12,719</u>	<u>14,132</u>	<u>12,719</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 2016 are as follows:-

Unsecured short term borrowings	RM'000 <u>110,629</u>
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There were no borrowings denominated in foreign currencies as at 30 September 2016.

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 has declared a first interim single tier dividend of 15.0 sen per share for the quarter ended 30 September 2016 of the financial year ending 30 June 2017 (2015/2016: single tier dividend of 13.0 sen per share) to be paid on 8 December 2016 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 24 November 2016.

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 24 November 2016 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 15.0 sen per share (2015/2016: single tier dividend of 13.0 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/financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM64,766,000 (1st quarter 2015/2016: RM44,822,000) by the weighted average number of ordinary shares during the quarter of 308,483,000 (1st quarter 2015/2016: 308,415,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	'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	(10,990)	(11,058)	(10,990)	(11,058)
Weighted average number of ordinary shares (basic)	308,483	308,415	308,483	308,415

- (b) Diluted earnings per ordinary share

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

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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
	30/09/2016 RM'000	30/06/2016 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- realised	1,043,276	1,001,463
- unrealised	(253)	(1,782)
	<u>1,043,023</u>	<u>999,681</u>
Total share of retained earnings of associated companies:		
- realised	131,646	100,910
- unrealised	6,096	6,114
	<u>137,742</u>	<u>107,024</u>
Less: Consolidation adjustments	(125,836)	(116,542)
Group retained earnings	<u>1,054,929</u>	<u>990,163</u>

By Order of the Board
 Hong Leong Industries Berhad

Joanne Leong Wei Yin
 Valerie Mak Mew Chan
 Company Secretaries

Kuala Lumpur
 8 November 2016