

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2021

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
Revenue	777,067	770,679	1,054,062	1,423,339
Cost of sales	(619,452)	(602,479)	(863,088)	(1,131,929)
Gross profit	157,615	168,200	190,974	291,410
Operating expenses	(41,156)	(38,759)	(72,050)	(73,256)
Other operating income	4,790	15,853	11,473	15,958
Operating profit	121,249	145,294	130,397	234,112
Interest income	386	335	834	613
Finance costs	(388)	(578)	(768)	(1,115)
Share of profit in associated companies, net of tax	11,031	11,407	8,085	15,877
Profit before taxation	132,278	156,458	138,548	249,487
Taxation	(35,579)	(31,984)	(37,819)	(53,373)
Profit from continuing operations	96,699	124,474	100,729	196,114
Profit from discontinued operations, net of tax (N1)	-	5,998	-	5,704
Profit for the period	96,699	130,472	100,729	201,818
Profit attributable to:				
Owners of the Company	73,777	100,237	74,435	150,961
Non-controlling interests	22,922	30,235	26,294	50,857
Profit for the period	96,699	130,472	100,729	201,818
Earnings per ordinary share (sen): -				
(a) Basic	23.47	31.90	23.68	48.04
(b) Fully diluted	N/A	N/A	N/A	N/A

(N1) Hume Marketing Co Sdn. Bhd. ("HMKT") and Hume Roofing Products Sdn. Bhd. ("HRP"), both wholly-owned subsidiaries of the Company had ceased business operations in June 2020. Accordingly, the financial results of HMKT and HRP were separately disclosed as discontinued operations.

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2021 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2021 RM'000	31/12/2020 RM'000	31/12/2021 RM'000	31/12/2020 RM'000
Profit for the period	96,699	130,472	100,729	201,818
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	9,027	17,446	23,617	33,689
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	19	19	(5)	(80)
Share of other comprehensive income/(expense) of equity accounted associates, net of tax	(1,470)	(3,580)	1,372	(7,574)
Cash flow hedge	(67)	(1,213)	(585)	(1,139)
Total other comprehensive income for the period	7,509	12,672	24,399	24,896
Total comprehensive income for the period	104,208	143,144	125,128	226,714
Total comprehensive income attributable to:				
Owners of the Company	81,307	113,280	99,013	176,205
Non-controlling interests	22,901	29,864	26,115	50,509
Total comprehensive income for the period	104,208	143,144	125,128	226,714

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 2021.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31
DECEMBER 2021

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2021 RM'000	30/06/2021 RM'000
ASSETS		
Property, plant and equipment	244,993	259,585
Right-of-use assets	28,439	29,064
Investment property	4,000	4,000
Investments in associated companies	171,005	165,149
Other investments	117,262	93,395
Intangible assets	22,779	19,128
Deferred tax assets	25,112	25,112
Tax credit receivable	960	960
TOTAL NON-CURRENT ASSETS	614,550	596,393
Inventories	293,890	302,692
Trade and other receivables, including derivatives	284,808	202,023
Current tax assets	4,039	2,467
Short-term money market fund	98,085	233,308
Deposits, cash and bank balances	1,196,033	1,029,139
TOTAL CURRENT ASSETS	1,876,855	1,769,629
TOTAL ASSETS	2,491,405	2,366,022
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,662,984	1,608,540
Treasury shares - at cost	(63,318)	(63,318)
	1,920,883	1,866,439
NON-CONTROLLING INTERESTS	153,709	147,738
TOTAL EQUITY	2,074,592	2,014,177
LIABILITIES		
Lease liabilities	6,195	8,423
Deferred tax liabilities	5,357	5,357
Employee benefits	23,671	23,043
TOTAL NON-CURRENT LIABILITIES	35,223	36,823
Borrowings (unsecured)	18,080	12,600
Lease liabilities	4,880	3,740
Trade and other payables, including derivatives	339,853	277,418
Tax payable	18,777	21,264
TOTAL CURRENT LIABILITIES	381,590	315,022
TOTAL LIABILITIES	416,813	351,845
TOTAL EQUITY AND LIABILITIES	2,491,405	2,366,022
Net assets per share attributable to owners of the Company (RM)	6.11	5.94

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.



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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021

	←----- 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 2021											
At 1 July 2021	321,217	(63,318)	24,877	3,714	404	(15,699)	1,616	1,593,628	1,866,439	147,738	2,014,177
Profit for the period	-	-	-	-	-	-	-	74,435	74,435	26,294	100,729
Other comprehensive income/(expense): -											
Gain on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	23,617	23,617	-	23,617
Foreign currency translation differences	-	-	(5)	-	-	-	-	-	(5)	-	(5)
Share of other comprehensive income of equity accounted associates, net of tax	-	-	1,372	-	-	-	-	-	1,372	-	1,372
Cash flow hedge	-	-	-	-	(406)	-	-	-	(406)	(179)	(585)
Total comprehensive income/(expense) for the period	-	-	1,367	-	(406)	-	-	98,052	99,013	26,115	125,128
Share-based payments/transactions	-	-	-	-	-	-	259	-	259	114	373
Addition of equity interest in a subsidiary company	-	-	-	-	-	-	-	8,616	8,616	(20,258)	(11,642)
Dividend	-	-	-	-	-	-	-	(53,444)	(53,444)	-	(53,444)
Total transactions with owners of the Company	-	-	-	-	-	-	259	(44,828)	(44,569)	(20,144)	(64,713)
At 31 December 2021	321,217	(63,318)	26,244	3,714	(2)	(15,699)	1,875	1,646,852	1,920,883	153,709	2,074,592

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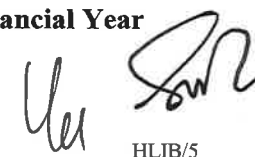
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021 (Cont'd)

←----- 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
Preceding year corresponding period ended 31 December 2020											
At 1 July 2020	321,217	(63,318)	28,019	3,714	(2)	(16,138)	3,650	1,401,078	1,678,220	159,898	1,838,118
Profit for the period	-	-	-	-	-	-	-	150,961	150,961	50,857	201,818
Other comprehensive income/(expense): -											
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	33,689	33,689	-	33,689
Foreign currency translation differences	-	-	(80)	-	-	-	-	-	(80)	-	(80)
Share of other comprehensive expense of equity accounted associates, net of tax	-	-	(7,574)	-	-	-	-	-	(7,574)	-	(7,574)
Cash flow hedge	-	-	-	-	(791)	-	-	-	(791)	(348)	(1,139)
Total comprehensive income/(expense) for the period	-	-	(7,654)	-	(791)	-	-	184,650	176,205	50,509	226,714
Share-based payments/transactions											
Dividend	-	-	-	-	-	-	517	-	517	228	745
Total transactions with owners of the Company	-	-	-	-	-	-	517	(53,419)	(52,902)	(24,244)	(77,146)
At 31 December 2020	321,217	(63,318)	20,365	3,714	(793)	(16,138)	4,167	1,532,309	1,801,523	186,163	1,987,686

Dividends received by trusts set up for the Executives Share Scheme ("ESS") ("ESS Trusts") amounted to RM866,000 (31 December 2020: RM890,000) are eliminated against the dividend expenses of the Company following the consolidation of ESS Trust.

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 2021


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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2021

	Current Year- To-Date 31/12/2021 RM'000	Preceding Year Corresponding Period 31/12/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- From continuing operations	138,548	249,487
- From discontinued operations	-	5,747
	138,548	255,234
Adjustments for: -		
Share of profit in associated companies, net of tax	(8,085)	(15,877)
Depreciation and amortisation	31,116	29,891
Reversal of impairment on property, plant and equipment	(391)	(4,073)
Dividend income	(10,316)	(11,457)
Non-cash items	(1,784)	(4,379)
Net financing (income)/expense	(66)	444
Operating profit before changes in working capital	149,022	249,783
Changes in working capital		
Net change in current assets	(72,272)	5,907
Net change in current liabilities	69,147	118,899
Taxation paid	(48,580)	(14,345)
Net financing income/(expenses) received/(paid)	66	(113)
Dividend received	13,916	15,057
Retirement benefits paid	-	(247)
Net cash generated from operating activities	111,299	374,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(8,743)	(22,539)
Addition of intangible assets	(10,747)	(4,453)
Redemption of short-term money market fund	135,223	-
Proceeds from disposal of property, plant & equipment	1,054	4,166
Net cash generated from / (used in) investing activities	116,787	(22,826)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,579)	(1,985)
Acquisition of additional equity interest in a subsidiary company	(11,642)	-
Dividend paid to owners of the Company	(53,444)	(53,419)
Dividend paid to non-controlling shareholders of subsidiary companies	-	(24,472)
Drawdown of borrowings	49,090	62,772
Repayment of borrowings	(43,610)	(63,042)
Net cash used in financing activities	(61,185)	(80,146)
NET CHANGE IN CASH AND CASH EQUIVALENTS	166,901	271,969
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,029,139	1,211,109
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(7)	(70)
CASH & CASH EQUIVALENTS AT END OF PERIOD	1,196,033	1,483,008

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

	31/12/2021 RM'000	31/12/2020 RM'000
Deposits, cash and bank balances	1,196,033	1,483,008

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.



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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 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 2021. This interim financial report also complies with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2021 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021 respectively 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.

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.

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 ordinary shares of the Company (“HLI Shares”) bought back as of 31 December 2021 was 8,432,500 HLI Shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

(b) There were no additional shares purchased by the ESS Trusts during the quarter under review and financial year-to-date. The total number of HLI shares held by the ESS Trusts as of 31 December 2021 was 5,092,916 HLI Shares.

Subsequent to the quarter under review, a total of 62,197 HLI Shares held in ESS Trusts were transferred to an eligible executive of the Group following the vesting of free HLI Shares pursuant to the ESS.

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



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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 RM54.3 million on 20 December 2021.

8. **Operating Segments**

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

	Consumer Products RM'000
Segment profit	<u>116,589</u>
Included in the measure of segment profit are:	
Revenue from external customers	920,972
Depreciation and amortisation	<u>26,805</u>
Reconciliation of reportable segment profit	
	RM'000
Profit	
Reportable segment	116,589
Non-reportable segment	13,808
Interest income	834
Finance costs	(768)
Share of profit in associated companies, net of tax	8,085
Consolidated profit before taxation	<u>138,548</u>
	Depreciation and amortisation RM'000
	External revenue RM'000
Reportable segment	920,972
Non-reportable segment	133,090
Total	<u>1,054,062</u> <u>31,116</u>

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:

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

- (i) Glenex Sdn Bhd, an indirect wholly-owned subsidiary;
- (ii) Stonenet Sdn Bhd, a wholly-owned subsidiary; and
- (iii) Maxider Sdn Bhd, a wholly-owned subsidiary.

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



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10. Changes in the composition of the Group (cont'd)

(b) Guocera Holdings Sdn Bhd (“GHSB”), a wholly-owned subsidiary of the Company had, on 9 December 2021 entered into a Share Sale Agreement with Lembaga Tabung Angkatan Tentera (“LTAT”) for the acquisition of 30% equity interest in Guocera Tile Industries (Meru) Sdn Bhd (“GTI Meru”) from LTAT (“Acquisition”). The Acquisition was completed on even date. Subsequent to the quarter under review, GTI Meru became a wholly-owned subsidiary of GHSB.

11. Review of Performance

For the quarter under review (excluding Discontinued Operations), the Group recorded revenue of RM777 million and profit before taxation (“PBT”) of RM132 million as compared with revenue of RM771 million and PBT of RM156 million for the corresponding quarter of the preceding financial year ended 30 June 2021 (“FY2021”).

For the financial year-to-date, the Group (excluding Discontinued Operations) recorded revenue of RM1,054 million and profit before taxation (“PBT”) of RM139 million as compared with revenue of RM1,423 million and PBT of RM249 million for the corresponding period of FY2021.

The lower PBT for the quarter despite marginal increase in revenue as compared with the corresponding quarter of FY2021 was mainly due to the slight reduction in margin of motorcycle products with the rising material costs, coupled with higher reversal of inventory provision in the corresponding quarter of FY2021.

The lower revenue and PBT for the financial year-to-date as compared with the corresponding period of FY2021 were mainly due to lower sales across all product segments in the first quarter of current financial year ending 30 June 2022 because of Movement Control Order (“MCO”), which caused the curtailment of production for 2 months.

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

For the quarter under review, the Group recorded PBT of RM132 million as compared with PBT of RM6 million for the preceding quarter. The higher PBT compared with the preceding quarter was attributable to the increase in revenue with the resumption of manufacturing operations in the quarter under review.

13. Prospects

The Covid-19 pandemic and the supply chain disruption remain the major concerns that may continue to affect the manufacturing operations. The Group will continue to tighten the Covid-19 SOP at work place, manage costs and develop new products. The Board expects the Group’s performance for the financial year ending 30 June 2022 to be satisfactory.

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
	31/12/2021	31/12/2021
	RM'000	RM'000
Profit before taxation is arrived at after (charging) / crediting:-		
Gross dividend income from other investments	5,609	10,316
Depreciation and amortisation	(15,714)	(31,116)
Reversal of impairment loss / (Impairment loss) on trade receivables	296	(83)
Reversal of provision for slow moving of inventories	825	4,567
Gain on foreign exchange	1,055	2,405
Fair value gain of equity investment at fair value through profit or loss	409	250
Gain on disposal of property, plant and equipment	503	539

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To- Date	Preceding Year Corresponding Period
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	35,579	32,027	37,819	53,479
- prior years	-	-	-	6,068
	<u>35,579</u>	<u>32,027</u>	<u>37,819</u>	<u>59,547</u>
Deferred taxation				
Malaysian - current year	-	-	-	-
- prior years	-	-	-	(6,131)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,131)</u>
	<u>35,579</u>	<u>32,027</u>	<u>37,819</u>	<u>53,416</u>
Income tax attributable to continuing operations	35,579	31,984	37,819	53,373
Income tax attributable to discontinued operations	-	43	-	43
	<u>35,579</u>	<u>32,027</u>	<u>37,819</u>	<u>53,416</u>

The Group's effective tax rate for the quarter under review and financial year-to-date are higher than the statutory tax rate due to tax impact arising from Prosperity Tax as announced in Budget 2022.

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 2021 is as follow: -

Unsecured short-term borrowings	RM'000
	<u>18,080</u>

There were no borrowings denominated in foreign currencies as of 31 December 2021.



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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 does not recommend any interim dividend for the quarter ended 31 December 2021 of the financial year ending 30 June 2022 (2nd quarter FY2021: Nil)
- (b) For the financial year-to-date, an interim single tier dividend of 17.0 sen per share (year-to-date FY2021: an interim single tier dividend of 17.0 sen per share), has been declared and paid.

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 RM73,777,000 (2nd quarter 2020/2021: RM100,237,000) by the weighted average number of ordinary shares during the quarter of 314,380,000 (2nd quarter FY2021: 314,235,000).

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 RM74,435,000 (2nd quarter 2020/2021: RM150,961,000) by the weighted average number of ordinary shares during the quarter of 314,380,000 (year-to-date FY2021: 314,235,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter	Cumulative Quarter		
	Current	Preceding	Current	Preceding
	Year	Year	Year- To-	Year
	Quarter	Corresponding	Date	Corresponding
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
	'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	(5,093)	(5,238)	(5,093)	(5,238)
	314,380	314,235	314,380	314,235
Effect of ESS Trust Shares vested/sold	-	-	-	-
Weighted average number of ordinary shares (basic)	314,380	314,235	314,380	314,235

(b) Diluted earnings per ordinary share

The Group's diluted earnings per ordinary share for the quarter under review, financial year-to-date and preceding year's 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 2021, 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	32,760	(3)

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 2021.

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

Wong Wei Fong
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
23 February 2022

