

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To- Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<b>Revenue</b>	702,847	632,311	1,375,761	1,261,737
Cost of sales	(562,283)	(502,642)	(1,102,784)	(998,459)
<b>Gross profit</b>	140,564	129,669	272,977	263,278
Operating expenses	(52,565)	(52,575)	(100,353)	(100,738)
Other operating income	6,121	2,451	4,463	2,242
<b>Operating profit</b>	94,120	79,545	177,087	164,782
Interest income	898	807	1,915	1,715
Finance costs	(824)	(1,278)	(1,748)	(2,703)
Share of profit in associated companies, net of tax	33,061	38,430	57,844	71,255
<b>Profit before taxation</b>	127,255	117,504	235,098	235,049
Taxation	(21,031)	(17,952)	(40,849)	(36,026)
<b>Profit for the period</b>	106,224	99,552	194,249	199,023
<b>Profit attributable to:</b>				
Owners of the Company	86,739	82,944	156,785	164,804
Non-controlling interests	19,485	16,608	37,464	34,219
<b>Profit for the period</b>	106,224	99,552	194,249	199,023
<b>Earnings per ordinary share (sen) :-</b>				
(a) Basic	27.63	26.77	49.96	53.21
(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 2018.

**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 2018 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
<b>Profit for the period</b>	106,224	99,552	194,249	199,023
Other comprehensive (expense)/income, 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	(10,513)	(7,690)	(8,268)	(3,689)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	17	(215)	211	(234)
Share of other comprehensive income of equity accounted associates, net of tax	935	(7,735)	1,992	(11,022)
Cash flow hedge	(685)	419	(719)	466
<b>Total other comprehensive income for the period</b>	<b>(10,246)</b>	<b>(15,221)</b>	<b>(6,784)</b>	<b>(14,479)</b>
<b>Total comprehensive income for the period</b>	<b>95,978</b>	<b>84,331</b>	<b>187,465</b>	<b>184,544</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	76,713	67,730	150,221	150,339
Non-controlling interests	19,265	16,601	37,244	34,205
<b>Total comprehensive income for the period</b>	<b>95,978</b>	<b>84,331</b>	<b>187,465</b>	<b>184,544</b>

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 2018.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2018 RM'000	30/06/2018 RM'000
<b>ASSETS</b>		
Property, plant and equipment	308,820	322,108
Investment property	4,000	4,000
Investments in associated companies	197,942	179,510
Intangible assets	16,862	14,982
Other investments	31,028	39,296
Deferred tax assets	13,105	13,105
Tax credit receivable	5,370	5,370
<b>TOTAL NON-CURRENT ASSETS</b>	<b>577,127</b>	<b>578,371</b>
Inventories	201,322	210,344
Trade and other receivables	380,909	373,614
Current tax assets	20,560	19,835
Cash and cash equivalents	988,815	831,340
<b>TOTAL CURRENT ASSETS</b>	<b>1,591,606</b>	<b>1,435,133</b>
<b>TOTAL ASSETS</b>	<b>2,168,733</b>	<b>2,013,504</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	321,217	321,217
Reserves	1,307,288	1,202,377
Treasury shares - at cost	(63,318)	(63,318)
	1,565,187	1,460,276
<b>NON-CONTROLLING INTERESTS</b>	<b>137,651</b>	<b>124,496</b>
<b>TOTAL EQUITY</b>	<b>1,702,838</b>	<b>1,584,772</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	8,725	8,740
Deferred income	3,517	3,793
Employee benefits	24,467	26,723
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>36,709</b>	<b>39,256</b>
Borrowings (unsecured)	44,010	70,630
Trade and other payables, including derivatives	347,238	295,701
Tax payable	37,938	23,145
<b>TOTAL CURRENT LIABILITIES</b>	<b>429,186</b>	<b>389,476</b>
<b>TOTAL LIABILITIES</b>	<b>465,895</b>	<b>428,732</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,168,733</b>	<b>2,013,504</b>
Net assets per share attributable to owners of the Company (RM)	4.99	4.65

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

  
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018**

	Attributable to owners of the Company							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 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)
<b>Total comprehensive income/(expense) for the period</b>	-	-	2,203	-	(499)	-	-	148,517	150,221	37,244	187,465
Share-based payments/transactions	-	-	-	-	-	-	868	-	868	383	1,251
ESS shares exercised	-	-	-	-	-	648	(197)	465	916	-	916
Dividends	-	-	-	-	-	-	-	(47,094)	(47,094)	(24,472)	(71,566)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	648	671	(46,629)	(45,310)	(24,089)	(69,399)
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

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018 (cont'd)**

	Attributable to owners of the Company											Total equity RM'000
	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	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	
<b>Preceding year corresponding period ended 31 December 2017</b>												
At 1 July 2017	321,217	(63,318)	35,696	17,603	35	(29,518)	2,476	21,246	966,031	1,271,468	111,995	1,383,463
Changes in accounting policies	-	-	-	-	-	-	-	(21,246)	21,246	-	-	-
	321,217	(63,318)	35,696	17,603	35	(29,518)	2,476	-	987,277	1,271,468	111,995	1,383,463
Profit for the period	-	-	-	-	-	-	-	-	164,804	164,804	34,219	199,023
Other comprehensive income/(expense)												
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(3,689)	(3,689)	-	(3,689)
Foreign currency translation differences	-	-	(234)	-	-	-	-	-	-	(234)	-	(234)
Share of other comprehensive income of equity accounted associates, net of tax	-	-	(11,022)	-	-	-	-	-	-	(11,022)	-	(11,022)
Cash flow hedge	-	-	-	-	473	-	-	-	-	473	(7)	466
<b>Total comprehensive income/(expense) for the period</b>	-	-	(11,256)	-	-	-	-	-	161,115	150,332	34,212	184,544
Share-based payments/transactions	-	-	-	-	-	-	678	-	-	678	272	950
ESS shares exercised	-	-	-	-	-	963	(273)	-	670	1,360	-	1,360
Dividends	-	-	-	-	-	-	-	-	(46,492)	(46,492)	(15,295)	(61,787)
<b>Total transactions with owners of the Company</b>	-	-	-	-	-	963	405	-	(45,822)	(44,454)	(15,023)	(59,477)
At 31 December 2017	321,217	(63,318)	24,440	17,603	508	(28,555)	2,881	-	1,102,570	1,377,346	131,184	1,508,530

Dividends received by trust set up for the Executives Share Scheme ("ESS") ("ESS Trust") amounted to RM827,400 (2017/2018: RM1,429,000) 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 2018.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED**  
**31 DECEMBER 2018**

	<b>Current Year- To-Date 31/12/2018 RM'000</b>	<b>Preceding Year Corresponding Period 31/12/2017 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	235,098	235,049
Adjustments for:-		
Share of profit in associated companies, net of tax	(57,844)	(71,255)
Depreciation and amortisation	30,847	34,893
Dividend income	(14,798)	(9,907)
Non cash item	350	1,581
Net financing costs	(167)	988
Operating profit before changes in working capital	193,486	191,349
Changes in working capital		
Net change in current assets	388	(50,476)
Net change in current liabilities	52,554	34,296
Taxation paid	(28,266)	(19,259)
Net financing costs received /(paid)	167	(988)
Dividend received	56,214	65,651
Retirement benefits paid	(279)	(148)
<b>Net cash generated from operating activities</b>	274,264	220,425
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(20,257)	(15,880)
Proceeds from disposal of property, plant & equipment	561	348
<b>Net cash used in investing activities</b>	(19,696)	(15,532)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to owners of the Company	(47,094)	(46,492)
Dividend paid to non-controlling shareholders of subsidiary companies	(24,472)	(15,295)
Disposal of Trust Shares	916	1,360
Drawdown of borrowings	24,290	93,334
Repayment of borrowings	(50,910)	(107,638)
<b>Net cash used in financing activities</b>	(97,270)	(74,731)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	157,298	130,162
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	831,340	537,483
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	177	(446)
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	988,815	667,199

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

	<b>31/12/2018 RM'000</b>	<b>31/12/2017 RM'000</b>
Deposits, cash and bank balances	988,815	667,199

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

  
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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 2018. 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 2018 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018 which are applicable to the Group including MFRS 15 Revenue from Contracts with Customers. 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.

**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 31 December 2018 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 and financial year-to-date, a total of 84,000 and 216,000 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 ESS.

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

As at 31 December 2018, the total number of ordinary shares in the Company held by the ESS Trust was 5,516,000 ordinary shares.



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7. **Dividend paid**

During the financial year-to-date, the Company paid an interim single tier dividend of 15.0 sen per share amounting to RM48 million on 13 December 2018.

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
<b>Segment profit</b>	174,427	(4,601)	169,826
Included in the measure of segment profit are:			
Revenue from external customers	1,134,467	230,530	1,364,997
Depreciation and amortisation	25,149	5,688	30,837
<b>Reconciliation of reportable segment profit</b>			
<b>Profit</b>			
Reportable segment			169,826
Non-reportable segment			7,261
Interest income			1,915
Finance costs			(1,748)
Share of profit in associated companies, net of tax			57,844
Consolidated profit before taxation			235,098
		<b>External revenue RM'000</b>	<b>Depreciation and amortisation RM'000</b>
Reportable segment		1,364,997	30,837
Non-reportable segment		10,764	10
<b>Total</b>		1,375,761	30,847

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:





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

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

- (a) Glenex Sdn Bhd, an indirect wholly-owned subsidiary; and
- (b) Flazer Sdn Bhd, an indirect wholly-owned subsidiary.

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

Varinet Sdn Bhd ("Varinet"), a 60% owned subsidiary, and Century Touch Sdn Bhd ("Century Touch"), a 70% indirect owned subsidiary, have been placed under members' voluntary liquidation pursuant to Section 459 of the Companies Act 2016 ("Liquidations"). The Liquidator of Varinet and Century Touch have convened final meetings to conclude the Liquidations and accordingly Varinet and Century Touch have been dissolved on 20 November 2018.

**11. Review of Performance**

For the quarter under review, the Group recorded revenue of RM703 million and profit before taxation ("PBT") of RM127 million as compared with revenue and PBT of RM632 million and RM118 million respectively for the corresponding quarter of the preceding year ended 30 June 2018 ("FY 2018"). The increase in PBT was mainly attributable to the increase in sales from consumer products segment.

For the financial year-to-date, the Group recorded revenue of RM1,376 million and PBT of RM236 million as compared with revenue of RM1,262 million and PBT of RM235 million for the corresponding period of FY 2018. 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 RM108 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 performance for the consumer products segment to be satisfactory while the market situation for the industrial products segment will remain challenging for the financial year ending 30 June 2019.

**14. Profit forecast / profit guaranteed**

This note is not applicable.

**15. Profit before taxation**

	<b>Current Year Quarter</b>	<b>Current Year To-date</b>
	<b>31/12/2018 RM'000</b>	<b>31/12/2018 RM'000</b>
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(7,939)	(14,798)
Depreciation and amortisation	15,066	30,847
Write back of impairment loss on trade receivables	(1,184)	(1,784)

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15. Profit before taxation (cont'd)

	Current Year Quarter	Current Year To-date
	31/12/2018 RM'000	31/12/2018 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
(Write back) / provision for and write off of inventories	(2,464)	1,356
Loss on foreign exchange	619	2,059
Fair value (gain) / loss on financial instruments designated as hedge instrument	(8)	2
Share-based payments	625	1,251
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
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Current taxation				
Malaysian - current year	21,040	17,950	39,417	36,509
- prior year	6	2	1,447	(563)
	21,046	17,952	40,864	35,946
Deferred taxation				
Malaysian - prior year	(15)	-	(15)	(194)
	(15)	-	(15)	(194)
Utilisation of tax credit receivables arising from unutilised reinvestment allowances				
Malaysian - prior year	-	-	-	274
	-	-	-	274
	21,031	17,952	40,849	36,026

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.

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**18. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 31 December 2018 are as follows:-

Unsecured short term borrowings	<b>RM'000</b> <u>44,010</u>
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There were no borrowings denominated in foreign currencies as at 31 December 2018.

**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 2018 of the financial year ending 30 June 2019 (2<sup>nd</sup> quarter 2017/2018: Nil)
- (b) For the financial year-to-date, single tier dividend of 15 sen per share (2017/2018: 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 RM87,339,000 (2<sup>nd</sup> quarter 2017/2018: profit attributable to owners of RM82,944,000) by the weighted average number of ordinary shares during the quarter of 313,938,000 (2<sup>nd</sup> quarter 2017/2018: 309,841,000).

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 RM157,385,000 (2<sup>nd</sup> quarter 2017/2018: RM164,804,000) by the weighted average number of ordinary shares during the quarter of 313,842,000 (2<sup>nd</sup> quarter 2017/2018: 309,734,000).



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21. Earnings Per Ordinary Share

(a) Basic earnings per ordinary share (cont'd)

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>	<b>Individual Quarter</b>	<b>Cumulative Quarter</b>	<b>Cumulative Quarter</b>
	<b>Current</b>	<b>Preceding</b>	<b>Current</b>	<b>Preceding</b>
	<b>Year</b>	<b>Year</b>	<b>Year- To-</b>	<b>Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>Date</b>	<b>Corresponding</b>
	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
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	(5,600)	(9,744)	(5,732)	(9,850)
	313,873	309,729	313,741	309,623
Effect of Trust Shares vested	65	112	101	111
Weighted average number of ordinary shares (basic)	313,938	309,841	313,842	309,734

(b) Diluted earnings per ordinary share

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

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**The figures have not been audited**

**23. 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 2018, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	<b>Contract amount</b>	<b>Fair Value Assets / (Liabilities)</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than 1 year	<u>12,537</u>	<u>(456)</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 2018.

**24. 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  
18 February 2019

