

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2017

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Revenue	632,311	561,525	1,261,737	1,127,279
Cost of sales	(500,506)	(455,926)	(994,187)	(911,046)
Gross profit	131,805	105,599	267,550	216,233
Operating expenses	(54,711)	(47,476)	(105,010)	(96,952)
Other operating income/(expense)	2,451	(3,736)	2,242	(3,205)
Operating profit	79,545	54,387	164,782	116,076
Interest income	807	691	1,715	1,239
Finance costs	(1,278)	(1,437)	(2,703)	(2,913)
Share of profit in associated companies, net of tax	38,430	37,338	71,255	68,018
Profit before taxation	117,504	90,979	235,049	182,420
Taxation	(17,952)	(11,927)	(36,026)	(26,059)
Profit for the period	99,552	79,052	199,023	156,361
Profit attributable to:				
Owners of the Company	82,944	68,667	164,804	133,433
Non-controlling interests	16,608	10,385	34,219	22,928
Profit for the period	99,552	79,052	199,023	156,361
Earnings per ordinary share (sen) :-				
(a) Basic	26.77	22.27	53.21	43.26
(b) Fully diluted	N/A	N/A	N/A	N/A

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

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 2017 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Profit for the period	99,552	79,052	199,023	156,361
Foreign currency translation differences for foreign operations	(7,950)	12,387	(11,256)	19,954
Loss on fair value of available-for-sale financial assets	(7,690)	(6,403)	(3,689)	(5,336)
Cash flow hedge	419	(1,209)	466	(1,593)
Total comprehensive income for the period	84,331	83,827	184,544	169,386
Total comprehensive income attributable to:				
Owners of the Company	67,730	73,449	150,339	146,466
Non-controlling interests	16,601	10,378	34,205	22,920
Total comprehensive income for the period	84,331	83,827	184,544	169,386

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

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2017 RM'000	30/06/2017 RM'000
ASSETS		
Property, plant and equipment	336,998	351,930
Investment properties	4,000	4,000
Investments in associated companies	217,277	212,788
Development expenditure	11,853	15,896
Intangible assets	10,068	10,025
Other investments	59,437	63,126
Deferred tax assets	11,256	11,250
Tax credit receivables	5,370	5,646
TOTAL NON-CURRENT ASSETS	656,259	674,661
Inventories	251,143	226,984
Trade and other receivables	410,694	384,037
Current tax assets	14,307	14,237
Cash and cash equivalents	667,199	537,483
TOTAL CURRENT ASSETS	1,343,343	1,162,741
TOTAL ASSETS	1,999,602	1,837,402
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,119,447	1,013,569
Treasury shares - at cost	(63,318)	(63,318)
	1,377,346	1,271,468
NON-CONTROLLING INTERESTS	131,184	111,995
TOTAL EQUITY	1,508,530	1,383,463
LIABILITIES		
Deferred tax liabilities	10,188	10,415
Deferred income	4,118	4,395
Employee benefits	26,345	25,492
TOTAL NON-CURRENT LIABILITIES	40,651	40,302
Trade and other payables	318,983	284,648
Borrowings (unsecured)	98,825	113,129
Tax payable	32,613	15,860
TOTAL CURRENT LIABILITIES	450,421	413,637
TOTAL LIABILITIES	491,072	453,939
TOTAL EQUITY AND LIABILITIES	1,999,602	1,837,402
Net assets per share attributable to owners of the Company (RM)	4.44	4.10

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

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	←----- Attributable to owners of the Company ----->											
	←----- Non-distributable ----->								Distributable		Non-controlling interest	Total equity
	Share capital	Exchange equalisation reserve	Fair value reserve	Hedging reserve	Other reserves	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Current year-to-date ended 31 December 2017												
At 1 July 2017	321,217	35,696	21,246	35	17,603	(29,518)	2,476	(63,318)	966,031	1,271,468	111,995	1,383,463
Profit for the period	-	-	-	-	-	-	-	-	164,804	164,804	34,219	199,023
Other comprehensive income/(expense)												
- Foreign currency translation differences	-	(11,256)	-	-	-	-	-	-	-	(11,256)	-	(11,256)
- Loss on fair value of available-for-sale financial assets	-	-	(3,689)	-	-	-	-	-	-	(3,689)	-	(3,689)
- Cash flow hedge	-	-	-	473	-	-	-	-	-	473	(7)	466
Total comprehensive income/(expense) for the period	-	(11,256)	(3,689)	473	-	-	-	-	164,804	150,332	34,212	184,544
Share-based payments/transactions	-	-	-	-	-	678	-	-	-	678	272	950
Disposal of trust shares	-	-	-	-	963	(273)	-	-	670	1,360	-	1,360
Dividends	-	-	-	-	-	-	-	-	(46,492)	(46,492)	(15,295)	(61,787)
Total transactions with owners of the Company	-	-	-	-	963	405	-	-	(45,822)	(44,454)	(15,023)	(59,477)
At 31 December 2017	321,217	24,440	17,557	508	17,603	(28,555)	2,881	(63,318)	1,085,013	1,377,346	131,184	1,508,530

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 (Cont'd)

	←----- 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	
Preceding year corresponding period ended 30 June 2016													
At 1 July 2016	163,953	152,953	35,073	32,303	146	21,914	(32,938)	2,537	(63,318)	990,163	1,302,786	97,163	1,399,949
Profit for the period	-	-	-	-	-	-	-	-	-	133,433	133,433	22,928	156,361
Other comprehensive income/(expense)													
- Foreign currency translation differences	-	-	9,943	-	-	-	-	-	-	10,011	19,954	-	19,954
- Loss on fair value of available-for-sale financial assets	-	-	-	(5,336)	-	-	-	-	-	-	(5,336)	-	(5,336)
- Cash flow hedge	-	-	-	-	(1,585)	-	-	-	-	-	(1,585)	(8)	(1,593)
Total comprehensive income/(expense) for the period	-	-	9,943	(5,336)	(1,585)	-	-	-	-	143,444	146,466	22,920	169,386
Share-based payments	-	-	-	-	-	-	(573)	-	-	285	(288)	59	(229)
Disposal of trust shares	-	-	-	-	-	-	1,104	-	-	(1,104)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(46,328)	(46,328)	(18,319)	(64,647)
Total transactions with owners of the Company	-	-	-	-	-	-	1,104	(573)	-	(47,147)	(46,616)	(18,260)	(64,876)
At 31 December 2016	163,953	152,953	45,016	26,967	(1,439)	21,914	(31,834)	1,964	(63,318)	1,086,460	1,402,636	101,823	1,504,459

Dividends received by trust set up for the Executives Share Scheme ("ESS") ("ESS Trust") amounted to RM1,429,000 (2016/2017: RM1,593,000) 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 2017.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2017

	Current Year- To-Date 31/12/2017 RM'000	Preceding Year Corresponding Period 31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	235,049	182,420
Adjustments for:-		
Share of profit in associated companies, net of tax	(71,255)	(68,017)
Depreciation and amortisation	34,893	29,187
Dividend income	(9,907)	(6,386)
Non cash item	1,581	311
Net financing costs	988	1,674
Operating profit before changes in working capital	191,349	139,189
Changes in working capital		
Net change in current assets	(50,476)	(61,838)
Net change in current liabilities	34,296	21,288
Taxation paid	(19,259)	(18,871)
Net financing costs paid	(988)	(1,674)
Dividend received	65,651	38,336
Retirement benefits paid	(148)	(99)
Net cash generated from operating activities	220,425	116,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(15,880)	(16,901)
Proceeds from disposal of property, plant & equipment	348	340
Net cash used in investing activities	(15,532)	(16,561)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(46,492)	(46,328)
Dividend paid to non-controlling shareholders of subsidiary companies	(15,295)	(18,319)
Disposal of Trust Shares	1,360	1,574
Drawdown of borrowings	93,334	120,997
Repayment of borrowings	(107,638)	(127,591)
Net cash used in financing activities	(74,731)	(69,667)
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,162	30,103
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	537,483	399,503
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(446)	359
CASH & CASH EQUIVALENTS AT END OF PERIOD	667,199	429,965

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

	31/12/2017 RM'000	31/12/2016 RM'000
Deposits, cash and bank balances	667,199	429,965

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

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1. Basis of preparation

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

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

• **Classification of financial assets and financial liabilities**

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

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

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

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

3. Seasonality or cyclicity of interim operations

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

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

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

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

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

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

- (a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 31 December 2017 was 8,432,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

During the quarter under review, a total of 215,000 ordinary shares in the Company held in ESS Trust were transferred to the option holders arising from the exercise of options pursuant to the ESS.

During the financial year-to-date, a total of 321,000 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 2017, the total number of ordinary shares in the Company held by the ESS Trust was 9,528,533 ordinary shares.

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 RM46 million on 12 December 2017.

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	159,874	2,242	162,116
Included in the measure of segment profit are:			
Revenue from external customers	993,471	261,818	1,255,289
Depreciation and amortisation	29,409	5,464	34,873
Reconciliation of reportable segment profit			
Profit			
Reportable segment			162,116
Non-reportable segment			2,666
Interest income			1,715
Finance costs			(2,703)
Share of profit in associated companies, net of tax			71,255
Consolidated profit before taxation			235,049
		External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment		1,255,289	34,873
Non-reportable segment		6,448	20
Total		1,261,737	30,334

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9. Material events not reflected in the financial statements

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

10. Changes in the composition of the Group

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

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

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

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

ii) On 14 December 2017, Glenex Sdn Bhd (formerly known as Guocera Marketing (International) Sdn Bhd) ["Glenex"] and Flazer Sdn Bhd (formerly known as Hume Cemboard Marketing Sdn Bhd) ["Flazer"], both indirect wholly-owned subsidiaries of the Company, have been placed under member's voluntary winding-up pursuant to Section 439(1)(b) of the Companies Act 2016. Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co., No. 6-1, Jalan 3/64A, Udarama Complex, Off Jalan Ipoh, 50350 Kuala Lumpur has been appointed as Liquidator of Glenex and Flazer.

11. Review of Performance

For the quarter under review, the Group recorded revenue of RM632 million and profit before taxation ("PBT") of RM118 million as compared with revenue and PBT of RM562 million and RM91 million respectively for the corresponding quarter of the preceding year ended 30 June 2017 ("FY 2017").

For the financial year-to-date, the Group recorded revenue of RM1,262 million and PBT of RM235 million as compared with a revenue of RM1,127 million and PBT of RM182 million respectively for the corresponding period of FY 2017.

The increase in PBT was mainly due to higher sales revenue from the consumer products segment attributed to favourable sales mix.

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

There were no material changes in the profit before taxation for the quarter under review as compared with the immediate preceding quarter

13. Prospects

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

14. Profit forecast / profit guaranteed

This note is not applicable.

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15. **Profit before taxation**

	Current Year Quarter	Current Year To-date
	31/12/2017 RM'000	31/12/2017 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(5,464)	(9,907)
Depreciation and amortisation	17,461	34,893
Allowance of impairment and write off of trade receivables	830	850
Provision for and write off / (write back) of inventories	(437)	1,842
Loss on foreign exchange	754	820
Fair value loss on derivatives	214	49
Share-based payments	737	950
Gain on disposal of quoted/unquoted investment or properties	-	-
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
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Current taxation				
Malaysian - current year	17,950	12,312	36,509	26,719
- prior years	2	(309)	(563)	(335)
Overseas - current year	-	3	-	21
- prior years	-	(79)	-	(79)
	<u>17,952</u>	<u>11,927</u>	<u>35,946</u>	<u>26,326</u>
Deferred taxation				
Malaysian - prior years	-	-	(194)	(267)
	-	-	(194)	(267)
Utilisation of tax credit receivables arising from unutilised reinvestment allowances				
Malaysian - prior years	-	-	274	-
	-	-	274	-
	<u>17,952</u>	<u>11,927</u>	<u>36,026</u>	<u>26,059</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.

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

Particulars of the Group's borrowings and debt securities as at 31 December 2017 are as follows:-

Unsecured short term borrowings	RM'000 98,825
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There were no borrowings denominated in foreign currencies as at 31 December 2017.

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 2017 of the financial year ending 30 June 2018 (2nd quarter 2016/2017: Nil)

(b) For the financial year-to-date, single tier dividend of 15.0 sen per share (2016/2017: single tier dividend of 15.0 sen per share) has been declared.

21. **Earnings Per Ordinary Share**

(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM82,944,000 (2nd quarter 2016/2017: RM68,667,000) by the weighted average number of ordinary shares during the quarter of 309,841,000 (2nd quarter 2016/2017: 308,647,000).

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 RM164,804,000 (2nd quarter 2016/2017: RM133,433,000) by the weighted average number of ordinary shares during the quarter of 309,734,000 (2nd quarter 2016/2017: 308,565,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year- To-	Year
	Corresponding	Corresponding	Corresponding	
	Quarter	Quarter	Date	Period
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	327,905	327,905	327,905	327,905
Treasury shares held at beginning of period	(8,432)	(8,432)	(8,432)	(8,432)
ESS Trust Shares held at beginning of period	(9,744)	(10,990)	(9,850)	(10,990)
	309,729	308,483	309,623	308,483
Effect of Trust Shares vested	112	164	111	82
Weighted average number of ordinary shares (basic)	309,841	308,647	309,734	308,565

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21. Earnings Per Ordinary Share (cont'd)

(b) Diluted earnings per ordinary share

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

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 2017, 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>30,450</u>	<u>517</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 2017.

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
5 February 2018