

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Revenue	603,604	569,012	2,502,966	2,282,115
Cost of sales	(493,321)	(466,557)	(2,004,854)	(1,854,793)
Gross profit	110,283	102,455	498,112	427,322
Operating expenses	(53,259)	(52,511)	(211,305)	(194,637)
Other operating income / (expense)	50,787	(167,072)	57,739	(170,907)
Operating profit/(loss)	107,811	(117,128)	344,546	61,778
Interest income	973	706	3,511	2,628
Finance costs	(1,219)	(1,311)	(5,303)	(5,739)
Share of profit in associated companies, net of tax	24,383	25,020	121,643	133,642
Profit/(Loss) before taxation	131,948	(92,713)	464,397	192,309
Taxation	(9,211)	164	(62,045)	(41,350)
Profit/(Loss) for the period	122,737	(92,549)	402,352	150,959
Profit/(Loss) attributable to:				
Owners of the Company	106,554	(104,569)	334,593	103,087
Non-controlling interests	16,183	12,020	67,759	47,872
Profit/(Loss) for the period	122,737	(92,549)	402,352	150,959
Earnings/(Loss) per ordinary share (sen) :-				
(a) Basic	34.11	(33.78)	107.77	33.37
(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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HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Profit/(Loss) for the period	122,737	(92,549)	402,352	150,959
Foreign currency translation differences for foreign operations	7,343	(7,093)	(14,814)	10,634
Loss on fair value of available-for-sale financial assets	-	(6,388)	-	(11,057)
Net change in fair value of equity investments at fair value through other comprehensive income	(4,274)	-	(23,819)	-
Cash flow hedge	259	455	221	(104)
Total comprehensive income/(loss) for the period	126,065	(105,575)	363,940	150,432
Total comprehensive income/(loss) attributable to:				
Owners of the Company	109,882	(117,602)	296,108	102,553
Non-controlling interests	16,183	12,027	67,832	47,879
Total comprehensive income/(loss) for the period	126,065	(105,575)	363,940	150,432

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 30 JUNE 2018

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/06/2018 RM'000	30/06/2017 RM'000
ASSETS		
Property, plant and equipment	322,108	351,930
Investment properties	4,000	4,000
Investments in associated companies	179,510	212,788
Other investments	39,297	63,126
Intangible assets	14,982	25,921
Deferred tax assets	13,105	11,250
Tax credit receivables	5,370	5,646
TOTAL NON-CURRENT ASSETS	578,372	674,661
Inventories	210,344	226,984
Trade and other receivables	373,349	383,937
Current tax assets	19,835	14,237
Derivative financial assets	264	100
Cash and cash equivalents	831,340	537,483
TOTAL CURRENT ASSETS	1,435,132	1,162,741
TOTAL ASSETS	2,013,504	1,837,402
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,202,378	1,013,569
Treasury shares - at cost	(63,318)	(63,318)
	1,460,277	1,271,468
NON-CONTROLLING INTERESTS	124,496	111,995
TOTAL EQUITY	1,584,773	1,383,463
LIABILITIES		
Deferred tax liabilities	8,740	10,415
Deferred income	3,793	4,395
Employee benefits	26,723	25,492
TOTAL NON-CURRENT LIABILITIES	39,256	40,302
Trade and other payables	295,700	284,648
Borrowings (unsecured)	70,630	113,129
Tax payable	23,145	15,860
TOTAL CURRENT LIABILITIES	389,475	413,637
TOTAL LIABILITIES	428,731	453,939
TOTAL EQUITY AND LIABILITIES	2,013,504	1,837,402
Net assets per share attributable to owners of the Company (RM)	4.71	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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QUARTERLY REPORTED ON CONSOLIDATED RESULTS FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	←----- Attributable to owners of the Company ----->												Total equity
	←----- Non-distributable ----->									Distributable		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	Total		
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 June 2018													
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	-	-	-	-	-	-	-	-	-	334,593	334,593	67,759	402,352
Other comprehensive income/(expense)													
- Foreign currency translation differences	-	-	(14,814)	-	-	-	-	-	-	-	(14,814)	-	(14,814)
- Equity investments at fair value through other operating income	-	-	-	(23,819)	-	-	-	-	-	-	(23,819)	-	(23,819)
- Cash flow hedge	-	-	-	-	148	-	-	-	-	-	148	73	221
Total comprehensive income/(expense) for the period	-	-	(14,814)	(23,819)	148	-	-	-	-	334,593	296,108	67,832	363,940
Other	-	-	-	-	-	(13,880)	-	-	-	13,880	-	-	-
Share-based payments													
ESS shares exercised	-	-	-	-	-	-	1,365	-	-	-	1,365	655	2,020
Disposal of trust shares	-	-	-	-	-	3,131	(889)	-	-	2,174	4,416	-	4,416
Dividends	-	-	-	-	-	9,164	-	-	-	24,645	33,809	-	33,809
Total transactions with owners of the Company	-	-	-	-	-	12,295	476	-	-	(146,889)	(146,889)	(55,986)	(202,875)
At 30 June 2018	321,217	-	20,882	(2,573)	183	3,723	(17,223)	2,952	(63,318)	1,194,434	1,460,277	124,496	1,584,773

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018 (Cont'd)

	Attributable to owners of the Company										Total	Non-controlling interest	Total equity	
	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				
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 June 2017														
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	-	-	-	-	-	-	-	-	-	103,087	103,087	47,872	150,959	
Other comprehensive income/(expense)														
- Foreign currency translation differences	-	-	10,634	-	-	-	-	-	-	-	10,634	-	10,634	
- Loss on fair value of available-for-sale financial assets	-	-	-	(11,057)	-	-	-	-	-	-	(11,057)	-	(11,057)	
- Cash flow hedge	-	-	-	-	(111)	-	-	-	-	-	(111)	7	(104)	
Total comprehensive income/(expense) for the period	-	-	10,634	(11,057)	(111)	-	-	-	-	113,087	102,553	47,879	150,432	
Transfer ^	-	-	(10,011)	-	-	-	-	-	-	10,011	-	-	-	
Share-based payments														
ESS shares exercised	-	-	-	-	-	-	3,335	1,077	(1,138)	-	1,077	567	1,644	
Disposal of trust shares	-	-	-	-	-	-	85	-	-	2,221	4,418	-	4,418	
Dividends@	-	-	-	-	-	-	-	-	-	-	85	-	85	
Other	-	4,311	-	-	-	(4,311)	-	-	-	(139,195)	(139,195)	(33,614)	(172,809)	
										(256)	(256)	-	(256)	
Total transactions with owners of the Company	-	4,311	-	-	-	(4,311)	3,420	(61)	-	(137,230)	(138,871)	(33,047)	(166,918)	
Transfer in accordance with S618(2) of CA 2016*	157,264	(157,264)	-	-	-	-	-	-	-	-	-	-	-	
At 30 June 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	

^ During the previous financial year, there was a revision in a subsidiary's functional currency from U.S. Dollar ("USD") to Ringgit Malaysia ("RM"), hence, the exchange equalisation reserve of RM10,011,000 charged to retained earnings.

* Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium shall become part of share capital. Included in share capital is share premium amounting to RM157,264,000 that is available to be utilised in accordance with Section 618(3) of CA 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

@ Dividends received by trust set up for the Executives Share Scheme ("ESS") ("ESS Trust") amounted to RM3,263,000 (2016/2017: RM4,568,000) 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.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 JUNE 2018

	Current Year- To-Date 30/06/2018 RM'000	Preceding Year Corresponding Period 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	464,397	192,309
Adjustments for:-		
Share of profit in associated companies, net of tax	(121,643)	(133,642)
Depreciation and amortisation	69,601	70,098
Dividend income	(22,526)	(14,386)
(Write back)/Impairment loss on an investment in an associated company	(60,184)	171,470
Non cash item	9,610	(8,686)
Net financing costs	1,792	3,111
Operating profit before changes in working capital	<u>341,047</u>	<u>280,274</u>
Changes in working capital		
Net change in current assets	28,900	(3,294)
Net change in current liabilities	11,013	(9,947)
Taxation paid	(63,570)	(51,912)
Net financing costs paid	(1,792)	(3,111)
Dividend received	163,091	166,638
Retirement benefits paid	(321)	(427)
Net cash generated from operating activities	<u>478,368</u>	<u>378,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(37,278)	(58,437)
Proceeds from disposal of property, plant & equipment	644	726
Proceed from disposal of share in an associated company	60,184	-
Net cash generated from / (used in) investing activities	<u>23,550</u>	<u>(57,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(146,889)	(139,195)
Dividend paid to non-controlling shareholders of subsidiary companies	(55,986)	(33,614)
Disposal of Trust Shares	38,225	4,698
Drawdown of borrowings	236,029	190,782
Repayment of borrowings	(278,528)	(199,618)
Net cash used in financing activities	<u>(207,149)</u>	<u>(182,947)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	294,769	137,563
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	537,483	399,503
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(912)	417
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>831,340</u>	<u>537,483</u>

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

	30/06/2018 RM'000	30/06/2017 RM'000
Deposits, cash and bank balances	<u>831,340</u>	<u>537,483</u>

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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HONG LEONG INDUSTRIES BERHAD (5486-P)
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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 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 other than as mentioned below:

During the previous financial year ended 30 June 2017 (“FY2017”), HLI Group made a full impairment provision of RM172 million which represented HLI Group’s remaining carried amount of investment in and advance to Malaysian Newsprint Industries Sdn Bhd (“MNI”), an associated company as at 30 June 2017. The impairment provision was made consequent to MNI being placed under creditors’ voluntary winding-up proceedings in accordance with Section 440(1) of the Companies Act 2016 on 1 August 2017. Subsequently on 2 May 2018, with the consent of the Liquidator, HLI together with other shareholders of MNI, entered into an Shares Sale Agreement (“SSA”) to sell their entire interest in MNI to Asia Honour (Hong Kong) Limited. The SSA was completed on 17 May 2018 and consequently RM60 million of the impairment of the Group’s investment in MNI was written back during the quarter under review.

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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 June 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.

(b) During the quarter under review and financial year-to-date, a total of 3,073,533 existing ordinary shares in the Company held in ESS Trust were sold at the market; and

(c) During the quarter under review and financial year-to-date, a total of 540,000 ordinary shares and 1,044,000 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 respectively.

There were no additional shares purchased by the ESS Trust during the quarter under review and financial year to date.

As at 30 June 2018, the total number of ordinary shares in the Company held by the ESS Trust was 5,732,000 ordinary shares.

7. **Dividend paid**

The Company has paid the following dividends during the current financial year-to-date:-

	Current year-to-date RM'000
First interim single tier dividend of 15.0 sen per share, paid on 12 December 2017	47,921
Second interim single tier dividend of 22.0 sen per share, paid on 25 May 2018	70,284
Special interim single tier dividend of 10.0 sen per share, paid on 25 May 2018	31,947
	<u>150,152</u>

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	<u>297,743</u>	<u>(12,971)</u>	<u>284,772</u>
Included in the measure of segment profit are:			
Revenue from external customers	1,986,040	502,248	2,488,288
Depreciation and amortisation	58,199	11,360	69,559
Reconciliation of reportable segment profit			
Profit			
Reportable segment			284,772
Non-reportable segment			59,774
Interest income			3,511
Finance costs			(5,303)
Share of profit in associated companies, net of tax			121,643
Consolidated profit before taxation			<u>464,397</u>

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8. Operating Segments (cont'd)

The Group's segmental report for the financial year-to-date is as follows (cont'd):-

	External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	2,488,288	69,559
Non-reportable segment	14,678	40
Total	2,502,966	69,599

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:

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

- (a) Varinet Sdn Bhd ("Varinet"), a 60% subsidiary; and
- (b) Century Touch Sdn Bhd ("Century Touch"), a 70% indirect-owned subsidiary;
- (c) Glenex Sdn Bhd (formerly known as Guocera Marketing (International) Sdn Bhd) ("Glenex"), an indirect wholly-owned subsidiary; and
- (d) Flazer Sdn Bhd ("Flazer"), an indirect wholly-owned subsidiary

Subsequent to the quarter under review, the Liquidator of Varinet and Century Touch has convened final meetings to conclude the respective Members' Voluntary Liquidation of Varinet and Century Touch and accordingly, Varinet and Century Touch will be dissolved on 20 November 2018.

The liquidations for Glenex and Flazer are currently pending tax clearance from the Inland Revenue Board.

11. Review of Performance

For the quarter under review, the Group recorded revenue of RM604 million and profit before taxation ("PBT") of RM132 million as compared with revenue of RM569 million and loss before taxation of RM93 million respectively for the corresponding quarter of FY 2017.

For the financial year-to-date, the Group recorded revenue of RM2,503 million and PBT of RM464 million as compared with a revenue of RM2,282 million and PBT of RM192 million respectively for the corresponding period of FY 2017.

PBT of the current quarter under review and financial year-to-date were inclusive of a write-back of RM60 million impairment of the Group's investment in and advance to MNI whilst PBT of the corresponding quarter and corresponding period of FY 2017 were inclusive of a one-off full impairment provision of the Group's investment in and advance to MNI of RM172 million as disclosed in Note 4 above. Operating wise, the improvement of the Group's PBT was mainly attributable to the higher profit from the motorcycle business which was partly negated by the lower profit contribution from an associated company as compared with FY 2017.

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

Excluding the write-back of RM60 million impairment of the Group's investment in MNI, the Group recorded PBT of RM72 million in the quarter under review as compared with PBT of RM97 million recorded in the preceding quarter. The decrease in PBT was attributed to lower sales due to the festive season and public holidays in the quarter under review, as opposed to the higher profit of the consumer products segment attributed by higher revenue and favourable sales mix in the preceding quarter.

13. Prospects

Barring any unforeseen circumstances, the Board expects the Group's performance for consumer products segment to be satisfactory while the business of industrial products segment remains challenging for the financial year ending 30 June 2019.

14. Profit forecast/profit guaranteed

This note is not applicable.

15. Other operating income / (expense)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Write back of/(impairment loss) on investment in and advance to an associated company	60,184	(171,470)	60,184	(171,470)
Other operating (expense)/income	(9,397)	4,398	(2,445)	563
	50,787	(167,072)	57,739	(170,907)

16. Profit before taxation

	Current Year Quarter	Current Year To-date
	30/06/2018 RM'000	30/06/2018 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(6,944)	(22,526)
Depreciation and amortisation	16,772	69,599
(Write back) / allowance of impairment loss of trade receivables	(833)	122
Provision for and write off of inventories	4,470	7,207
Loss/(Gain) on foreign exchange	423	(1,277)
Fair value (gain)/loss on derivatives	(70)	57
Share-based payments	(413)	(2,020)
Gain on disposal of quoted/unquoted investment or properties	-	-
Impairment of property, plant and equipment	-	-

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17. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2018 RM'000	Preceding Year Corresponding Quarter 30/06/2017 RM'000	Current Year-to-date 30/06/2018 RM'000	Preceding Year Corresponding Period 30/06/2017 RM'000
Current taxation				
Malaysian - current year	12,552	12,634	64,693	52,909
- prior years	(45)	(2,118)	568	(1,035)
Overseas - current year	-	-	-	11
- prior years	-	-	-	(80)
	<u>12,507</u>	<u>10,516</u>	<u>65,261</u>	<u>51,805</u>
Deferred taxation				
Malaysian - current year	(2,878)	(10,680)	(2,878)	(8,252)
- prior years	(418)	-	612	(2,203)
	<u>(3,296)</u>	<u>(10,680)</u>	<u>(3,490)</u>	<u>(10,455)</u>
Utilisation of tax credit receivables arising from unutilised reinvestment allowances				
Malaysian - prior years	-	-	274	-
	<u>-</u>	<u>-</u>	<u>274</u>	<u>-</u>
	<u>9,211</u>	<u>164</u>	<u>62,045</u>	<u>41,350</u>

The Group's effective tax rate for the quarter under review and financial year-to-date is lower than the statutory tax rate mainly due to certain income not taxable.

18. **Corporate Proposals**

There are no corporate proposals announced but not completed as at the date of this report.

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

Particulars of the Group's borrowings and debt securities as at 30 June 2018 are as follows:-

	RM'000
Unsecured short term borrowings	<u>70,630</u>

There were no borrowings denominated in foreign currencies as at 30 June 2018.

20. **Changes in Material Litigation**

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

21. **Dividend**

(a) The Board does not recommend any final dividend for the financial year ended 30 June 2018.

(b) For the financial year-to-date, a total of 47.0 sen per share comprise of single tier dividend of 37.0 sen per share and a special single tier dividend of 10.0 sen per share (2016/2017: single tier dividend of 35.0 sen per share and a special single tier dividend of 10.0 sen per share), has been declared.



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22. Earnings/(Loss) Per Ordinary Share

(a) Basic earnings per ordinary share

The basic earnings/(loss) per ordinary share for the quarter under review is calculated by dividing the Group's profit/(loss) attributable to owners of the Company of RM106,554,000 (4th quarter 2016/2017: loss attributable to the owner of the Company RM104,569,000) by the weighted average number of ordinary shares during the quarter of 312,420,000 (4th quarter 2016/2017: 309,588,000).

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 RM334,593,000 (2016/2017: RM103,087,000) by the weighted average number of ordinary shares during the quarter of 310,466,000 (2016/2017: 308,949,000).

	<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
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	'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	(9,346)	(9,918)	(9,850)	(10,990)
	310,127	309,555	309,623	308,483
Effect of Trust Shares vested	2,293	33	843	466
Weighted average number of ordinary shares (basic)	312,420	309,588	310,466	308,949

(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.

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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 30 June 2018, 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>71,579</u>	<u>264</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.

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
28 August 2018

