

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Revenue	681,095	603,604	2,750,382	2,502,966
Cost of sales	(531,534)	(495,457)	(2,174,250)	(2,013,398)
Gross profit	149,561	108,147	576,132	489,568
Operating expenses	(52,719)	(51,123)	(196,955)	(202,761)
Other operating income	20,276	50,797	30,154	57,749
Operating profit	117,118	107,821	409,331	344,556
Interest income	938	973	3,763	3,511
Finance costs	(710)	(1,219)	(3,191)	(5,303)
Share of profit in associated companies, net of tax	9,894	24,383	90,871	121,643
Profit before taxation	127,240	131,958	500,774	464,407
Taxation	(25,654)	(9,211)	(91,477)	(62,045)
Profit for the period	101,586	122,747	409,297	402,362
Profit attributable to:				
Owners of the Company	79,904	106,564	327,085	334,603
Non-controlling interests	21,682	16,183	82,212	67,759
Profit for the period	101,586	122,747	409,297	402,362
Earnings per ordinary share (sen) :-				
(a) Basic	25.45	34.11	104.20	107.77
(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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HONG LEONG INDUSTRIES BERHAD (5486-P)
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The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2019 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Profit for the period	101,586	122,747	409,297	402,362
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	(1,346)	(4,285)	(6,441)	(23,830)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	112	28	267	(462)
Share of other comprehensive (expense)/ income of equity accounted associates, net of tax	432	7,315	545	(14,352)
Cash flow hedge	(416)	259	(572)	221
Total other comprehensive income/(expense) for the period	(1,218)	3,317	(6,201)	(38,423)
Total comprehensive income for the period	100,368	126,064	403,096	363,939
Total comprehensive income attributable to:				
Owners of the Company	78,813	109,871	321,061	296,107
Non-controlling interests	21,555	16,183	82,035	67,832
Total comprehensive income for the period	100,368	126,064	403,096	363,939

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 30 JUNE 2019

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/06/2019 RM'000	30/06/2018 RM'000
ASSETS		
Property, plant and equipment	296,017	322,108
Investment properties	4,000	4,000
Investments in associated companies	163,788	179,510
Other investments	34,026	39,296
Intangible assets	18,225	14,982
Deferred tax assets	10,929	13,105
Tax credit receivables	5,370	5,370
TOTAL NON-CURRENT ASSETS	532,355	578,371
Inventories	223,203	210,344
Trade and other receivables, including derivatives	370,704	373,614
Current tax assets	12,841	19,835
Cash and cash equivalents	1,039,941	831,340
TOTAL CURRENT ASSETS	1,646,689	1,435,133
TOTAL ASSETS	2,179,044	2,013,504
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,369,354	1,202,377
Treasury shares - at cost	(63,318)	(63,318)
	1,627,253	1,460,276
NON-CONTROLLING INTERESTS	136,062	124,496
TOTAL EQUITY	1,763,315	1,584,772
LIABILITIES		
Deferred tax liabilities	9,034	8,740
Deferred income	3,191	3,793
Employee benefits	23,913	26,723
TOTAL NON-CURRENT LIABILITIES	36,138	39,256
Trade and other payables, including derivatives	309,155	295,701
Borrowings (unsecured)	38,730	70,630
Tax payable	31,706	23,145
TOTAL CURRENT LIABILITIES	379,591	389,476
TOTAL LIABILITIES	415,729	428,732
TOTAL EQUITY AND LIABILITIES	2,179,044	2,013,504
Net assets per share attributable to owners of the Company (RM)	5.18	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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QUARTERLY REPORTED ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2019

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

	←----- 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 30 June 2019											
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	-	-	-	-	-	-	-	327,085	327,085	82,212	409,297
Other comprehensive income/(expense):											
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(6,441)	(6,441)	-	(6,441)
Foreign currency translation differences	-	-	267	-	-	-	-	-	267	-	267
Share of other comprehensive income of equity accounted associates, net of tax	-	-	545	-	-	-	-	-	545	-	545
Cash flow hedge	-	-	-	-	(395)	-	-	-	(395)	(177)	(572)
Total comprehensive income/(expense) for the period	-	-	812	-	(395)	-	-	320,644	321,061	82,035	403,096
Share-based payments/transactions	-	-	-	-	-	-	1,841	-	1,841	812	2,653
ESS shares exercised	-	-	-	-	-	754	(230)	542	1,066	-	1,066
Dividends	-	-	-	-	-	-	-	(156,991)	(156,991)	(71,281)	(228,272)
Total transactions with owners of the Company	-	-	-	-	-	754	1,611	(156,449)	(154,084)	(70,469)	(224,553)
At 30 June 2019	321,217	(63,318)	21,694	3,714	(212)	(16,469)	4,563	1,356,064	1,627,253	136,062	1,763,315

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019 (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	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Preceding year corresponding period ended 30 June 2018												
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	-	-	-	-	-	-	-	-	334,603	334,603	67,759	402,362
Other comprehensive income/(expense)												
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(23,830)	(23,830)	-	(23,830)
Foreign currency translation differences	-	-	(462)	-	-	-	-	-	-	(462)	-	(462)
Share of other comprehensive income of equity accounted associates, net of tax	-	-	(14,352)	-	-	-	-	-	-	(14,352)	-	(14,352)
Cash flow hedge	-	-	-	-	148	-	-	-	-	148	73	221
Total comprehensive income/(expense) for the period	-	-	(14,814)	-	148	-	-	-	310,773	296,107	67,832	363,939
Share-based payments/transactions												
ESS shares exercised	-	-	-	-	-	3,131	(889)	-	2,174	4,416	655	2,020
Disposal of Trust shares	-	-	-	-	-	9,164	-	-	24,645	33,809	-	33,809
Dividends	-	-	-	-	-	-	-	-	(146,889)	(146,889)	(55,986)	(202,875)
Transfer of reserve upon disposal of an associate company	-	-	-	(13,889)	-	-	-	-	13,889	-	-	-
Total transactions with owners of the Company	-	-	-	(13,889)	-	12,295	476	-	(106,181)	(107,299)	(55,331)	(162,630)
At 30 June 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

Dividends received by trust set up for the Executives Share Scheme ("ESS") ("ESS Trust") amounted to RM2,745,000 (2017/2018: RM3,263,000) 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
30 JUNE 2019

	Current Year- To-Date 30/06/2019 RM'000	Preceding Year Corresponding Period 30/06/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	500,774	464,407
Adjustments for:-		
Share of profit in associated companies, net of tax	(90,871)	(121,643)
Depreciation and amortisation	59,895	69,367
Dividend income	(32,820)	(22,526)
(Write back)/Impairment loss on an investment in an associated company	-	(60,184)
Non cash item	(1,252)	9,964
Net financing costs	(572)	1,792
Operating profit before changes in working capital	435,154	341,177
Changes in working capital		
Net change in current assets	(11,324)	28,900
Net change in current liabilities	16,370	11,013
Taxation paid	(76,673)	(63,574)
Net financing costs received/(paid)	572	(1,792)
Dividend received	139,967	163,091
Retirement benefits paid	(779)	(321)
Net cash generated from operating activities	503,287	478,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(38,326)	(37,859)
Proceeds from disposal of property, plant & equipment	555	644
Proceed from disposal of share in an associated company	-	60,184
Addition of other investments	(5,263)	-
Proceed from disposal of other investments	7,200	-
Net cash generated from / (used in) investing activities	(35,834)	22,969
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(156,991)	(146,889)
Dividend paid to non-controlling shareholders of subsidiary companies	(71,281)	(55,986)
Disposal of Trust Shares	1,066	38,225
Drawdown of borrowings	116,865	236,029
Repayment of borrowings	(148,765)	(278,528)
Net cash used in financing activities	(259,106)	(207,149)
NET CHANGE IN CASH AND CASH EQUIVALENTS	208,347	294,314
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	831,340	537,483
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	254	(457)
CASH & CASH EQUIVALENTS AT END OF PERIOD	1,039,941	831,340

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

	30/06/2019 RM'000	30/06/2018 RM'000
Deposits, cash and bank balances	1,039,941	831,340

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.

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 2019 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 financial year-to-date, a total of 252,000 existing ordinary shares in the Company held in the ESS Trusts were transferred to the option holders arising from the exercise of options pursuant to the ESS. There were no ordinary shares in the Company held in the ESS Trust that were transferred to the option holders pursuant to the ESS.

There were no additional shares purchased by the ESS Trusts during the quarter under review. As at 30 June 2019, the total number of ordinary shares in the Company held by the ESS Trusts was 5,480,000 ordinary shares.



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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 13 December 2018	47,921
Second interim single tier dividend of 25.0 sen per share, paid on 28 June 2019	79,868
Special interim single tier dividend of 10.0 sen per share, paid on 28 June 2019	31,947
	<u>159,736</u>

8. **Operating Segments**

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

	Consumer products RM'000	Industrial products RM'000	Total RM'000
Segment profit / (loss)	391,214	(7,013)	384,201

Included in the measure of segment profit are:

Revenue from external customers	2,309,020	418,667	2,727,687
Depreciation and amortisation	48,538	11,344	59,882

Reconciliation of reportable segment profit

Profit

Reportable segment	384,201
Non-reportable segment	25,130
Interest income	3,763
Finance costs	(3,191)
Share of profit in associated companies, net of tax	90,871
Consolidated profit before taxation	<u>500,774</u>

	External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	2,727,687	59,882
Non-reportable segment	22,695	13
Total	<u>2,750,382</u>	<u>59,895</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.

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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 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.

Jersen Limited (formerly known as HLI Overseas Limited) ["Jersen"], a wholly-owned subsidiary, has on 1 July 2019, received notification from the Jersey Financial Services Commission ("JFSC") confirming that Jersen has been dissolved on 28 June 2019 following the registration of a special resolution to wind up Jersen by summary winding up with JFSC.

11. Review of Performance

For the quarter under review, the Group recorded revenue of RM681 million and profit before taxation ("PBT") of RM127 million as compared with revenue and PBT of RM604 million and RM132 million respectively for the corresponding quarter of the preceding year ended 30 June 2018 ("FY 2018").

For the financial year-to-date, the Group recorded revenue of RM2,750 million and PBT of RM501 million as compared with revenue of RM2,503 million and PBT of RM464 million for the corresponding period of FY 2018.

PBT of the corresponding quarter and corresponding period of FY2018 were inclusive of a write-back of RM60 million impairment of the Group's investment in and advance to Malaysian Newsprint Industries Sdn Bhd. Operationally, the improvement in revenue and PBT for the quarter under review and for the financial year-to-date were attributable to the higher sales and lower cost of production from the consumer products segment. The improvement was however negated by the share of lower profit 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 RM138 million for the preceding quarter. The lower PBT for the quarter under review as compared with the preceding quarter was attributable to the share of lower profit from an associated company.

13. Prospects

Barring any unforeseen circumstances, the Board expects the Group's performance for the consumer products segment to be satisfactory while the industrial products segment remains challenging for the financial year ending 30 June 2020.

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
	30/06/2019	30/06/2019
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(9,813)	(32,820)
Depreciation and amortisation	14,946	59,895
Write back of impairment loss of trade receivables	(1,194)	(2,760)
Write back of provision for inventories	(4,926)	(8,868)
(Gain)/Loss on foreign exchange	(917)	1,110
Fair value gain on derivatives	(2)	(2)
Fair value gain of equity investment at fair value through profit or loss	(2,473)	(2,473)
Share-based payments	777	2,653
Impairment of property, plant and equipment	340	340

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	23,231	12,550	88,078	64,691
- prior years	(61)	(43)	930	570
	23,170	12,507	89,008	65,261
Deferred taxation				
Malaysian - current year	876	(2,894)	876	(2,894)
- prior years	1,608	(402)	1,593	(596)
	2,484	(3,296)	2,469	(3,490)
Utilisation of tax credit receivables arising from unutilised reinvestment allowances Malaysian - prior year	-	-	-	274
	-	-	-	274
	25,654	9,211	91,477	62,045

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.

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19. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 June 2019 are as follows:-

	RM'000
Unsecured short term borrowings	38,730

There were no borrowings denominated in foreign currencies as at 30 June 2019.

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 2019.
- (b) For the financial year-to-date, a total of 50.0 sen per share comprise of single tier dividend of 40.0 sen per share and a special single tier dividend of 10.0 sen per share (2017/2018: single tier dividend of 37.0 sen per share and a special single tier dividend of 10.0 sen per share), has been declared.

22. 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 RM79,904,000 (4th quarter 2017/2018: RM106,564,000) by the weighted average number of ordinary shares during the quarter of 313,993,000 (4th quarter 2017/2018: 312,420,000).

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 RM327,085,000 (2017/2018: RM334,603,000) by the weighted average number of ordinary shares during the quarter of 313,916,000 (2017/2018: 310,466,000).

	<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
	30/06/2019	Quarter	30/06/2019	Period
	'000	'000	'000	30/06/2018
	'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	(5,480)	(9,346)	(5,732)	(9,850)
	313,993	310,127	313,741	309,623
Effect of Trust Shares vested	-	2,293	175	843
Weighted average number of ordinary shares (basic)	313,993	312,420	313,916	310,466

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22. Earnings/(Loss) Per Ordinary Share (cont'd)

(b) Diluted earnings per ordinary share

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

The Group's diluted earnings per ordinary share for the preceding year corresponding quarter/period approximates its basic earnings per ordinary share.

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 2019, 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>45,400</u>	<u>305</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
29 August 2019

