

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Revenue	555,028	551,053	1,617,026	1,611,098
Cost of sales	(459,330)	(445,303)	(1,325,504)	(1,285,505)
Gross profit	95,698	105,750	291,522	325,593
Operating expenses	(43,424)	(48,312)	(134,642)	(145,765)
Other operating income	1,150	2,309	12,644	29,892
Operating profit	53,424	59,747	169,524	209,720
Interest income	500	706	1,985	2,057
Finance costs	(1,521)	(1,915)	(4,824)	(8,590)
Share of profit in associated companies, net of tax	30,365	9,718	79,160	27,260
Profit before taxation	82,768	68,256	245,845	230,447
Taxation	(13,197)	(11,961)	(38,848)	(67,187)
Profit from continuing operations	69,517	56,295	206,997	163,260
Profit from discontinued operation, net of tax (NI)	-	-	-	1,013
Profit for the period	69,517	56,295	206,997	164,273
Profit attributable to:				
Owners of the Company	58,653	46,032	177,728	129,821
Non-controlling interests	10,918	10,263	29,269	34,452
Profit for the period	69,517	56,295	206,997	164,273
Earnings per ordinary share (sen) :-				
(a) Basic	19.02	14.93	57.63	42.10
(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 2015.

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 MARCH 2016 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Profit for the period	69,571	56,295	206,997	164,273
Foreign currency translation differences for foreign operations	(21,213)	11,632	368	25,092
Gain/(loss) on fair value of available-for-sale financial assets	671	(6,065)	(7,243)	38,698
Reversal of fair value reserve upon disposal of available-for-sale financial asset	-	(14)	-	(14)
Cash flow hedge	(38)	-	(914)	-
Total comprehensive income for the period	48,991	61,848	199,208	228,049
Total comprehensive income attributable to:				
Owners of the Company	38,289	51,585	170,174	193,597
Non-controlling interests	10,702	10,263	29,034	34,452
Total comprehensive income for the period	48,991	61,848	199,208	228,049

(NI)

Hume Concrete Sdn Bhd ("HCCT") has ceased to be a subsidiary of the Company following the completion of the corporate exercise of HLI in the second quarter ended 31 December 2014 for the financial year ended 30 June 2015. The results of HCCT and its subsidiaries have been separately disclosed as discontinued operation.

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 2015.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/03/2016 RM'000	30/06/2015 RM'000
ASSETS		
Property, plant and equipment	380,729	381,079
Investment properties	4,000	4,000
Investments in associated companies	428,864	383,089
Other investments	63,476	71,064
Intangible assets	16,237	16,213
Deferred tax assets	1,816	1,586
Tax credit receivables	5,646	5,646
TOTAL NON-CURRENT ASSETS	900,768	862,677
Inventories	211,616	209,131
Trade and other receivables	393,366	387,071
Current tax assets	11,863	14,322
Derivative financial assets	48	188
Cash and cash equivalents	378,314	307,043
TOTAL CURRENT ASSETS	995,207	917,755
TOTAL ASSETS	1,895,975	1,780,432
Share capital	163,953	163,953
Reserves	1,218,447	1,087,186
Treasury shares - at cost	(63,318)	(63,318)
	1,319,082	1,187,821
NON-CONTROLLING INTERESTS	120,250	106,656
TOTAL EQUITY	1,439,332	1,294,477
LIABILITIES		
Deferred tax liabilities	10,397	10,443
Deferred income	5,183	5,598
Employee benefits	21,433	22,667
TOTAL NON-CURRENT LIABILITIES	37,013	38,708
Trade and other payables	300,651	284,803
Borrowings (unsecured)	102,928	137,609
Derivative financial liabilities	2,581	1,136
Tax payable	13,470	23,699
TOTAL CURRENT LIABILITIES	419,630	447,247
TOTAL LIABILITIES	456,643	485,955
TOTAL EQUITY AND LIABILITIES	1,895,975	1,780,432
Net assets per share attributable to owners of the Company (RM)	4.28	3.85

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2015.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

	←..... 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
Current year-to-date ended 31 March 2016													
At 1 July 2015	163,953	152,953	30,064	41,736	-	21,914	(33,140)	1,327	(63,318)	872,332	1,187,821	106,656	1,294,477
Profit for the period	-	-	-	-	-	-	-	-	-	177,728	177,728	29,269	206,997
Other comprehensive income/(expense)													
- Foreign currency translation differences	-	-	368	-	-	-	-	-	-	-	368	-	368
- Loss on fair value of available-for-sale financial assets	-	-	-	(7,243)	-	-	-	-	-	-	(7,243)	-	(7,243)
- Cash flow hedge	-	-	-	-	(679)	-	-	-	-	-	(679)	(235)	(914)
Total comprehensive income/(expense) for the period	-	-	368	(7,243)	(679)	-	-	-	-	177,728	170,174	29,034	199,208
Dividends	-	-	-	-	-	-	-	-	-	(40,094)	(40,094)	(15,260)	(55,354)
Share-based payments	-	-	-	-	-	-	-	1,181	-	-	1,181	-	1,181
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)
Total transactions with owners of the Company	-	-	-	-	-	-	-	1,181	-	(40,094)	(38,913)	(15,440)	(54,353)
At 31 March 2016	163,953	152,953	30,432	34,493	(679)	21,914	(33,140)	2,508	(63,318)	1,009,966	1,319,082	120,250	1,439,332

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

	←..... Attributable to owners of the Company→											
	←..... Non-distributable→							Distributable				Total equity RM'000
	Share capital	Share premium	Exchange equalisation reserve	Fair value reserve	Other reserves	Reserve for own shares	Executive share scheme reserve	Treasury shares	Retained earnings	Total	Non-controlling interests	
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 31 March 2015												
At 1 July 2014	163,953	387,038	2,998	14	21,468	(41,459)	293	(63,318)	790,602	1,261,589	114,929	1,376,518
Profit for the period	-	-	-	-	-	-	-	-	129,821	129,821	34,452	164,273
Other comprehensive income/(expense)												
- Foreign currency translation differences	-	-	25,092	-	-	-	-	-	-	25,092	-	25,092
- Gain on fair value of available-for-sale financial assets	-	-	-	38,698	-	-	-	-	-	38,698	-	38,698
- Reversal of fair value reserve upon disposal of available-for-sale financial asset	-	-	-	(14)	-	-	-	-	-	(14)	-	(14)
Total comprehensive income for the period	-	-	25,092	38,684	-	-	-	-	129,821	193,597	34,452	228,049
Dividends	-	-	-	-	-	-	-	-	(37,003)	(37,003)	(19,242)	(56,245)
Share-based payments	-	-	-	-	-	-	910	-	-	910	9	919
Capital distribution	-	(234,085)	-	-	-	8,146	-	-	-	(225,939)	-	(225,939)
Disposal of subsidiary companies	-	-	-	-	-	-	-	-	(1,713)	(1,713)	-	(1,713)
Redemption of redeemable preferences shares in a subsidiary companies	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Total transactions with owners of the Company	-	(234,085)	-	-	-	8,146	910	-	(38,716)	(263,745)	(19,236)	(282,981)
Transfer to capital reserve	-	-	-	-	122	-	-	-	(122)	-	-	-
At 31 March 2015	163,953	152,953	28,090	38,698	21,590	(33,313)	1,203	(63,318)	881,585	1,191,441	130,145	1,321,586

Dividends received by trust set up for the Executive Share Scheme ("ESS") ("ESS Trust") amounted to RM1,438,000 (2014/2015: RM1,334,000) are eliminated against the dividend expense 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 2015.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 MARCH 2016

	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- From continuing operations	245,845	230,447
- From discontinued operation	-	1,351
	<u>245,845</u>	<u>231,798</u>
Adjustments for:-		
Share of profit in associated companies, net of tax	(79,160)	(27,260)
Depreciation and amortisation	44,301	42,556
Dividend income	(7,239)	(10,202)
Non cash items	(4,337)	(18,718)
Net financing costs	2,842	6,908
Operating profit before changes in working capital	<u>202,252</u>	<u>225,082</u>
Changes in working capital		
Net change in current assets	(8,887)	(57,830)
Net change in current liabilities	16,342	(14,222)
Taxation paid	(46,606)	(34,830)
Net financing costs paid	(2,842)	(6,908)
Dividend received	40,264	19,812
Retirement benefits paid	(201)	(81)
Net cash generated from operating activities	<u>200,322</u>	<u>131,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(45,907)	(40,504)
Proceeds from disposal of property, plant & equipment	6,335	1,465
Cash distribution to non-controlling shareholder of a subsidiary company	(180)	-
Proceeds from redemption of investment in unit trust	-	548,175
Proceeds from disposal of quoted investment	-	17
Proceeds from redemption of redeemable preference shares in an associated company	-	5,360
Redemption of redeemable preference shares by non-controlling shareholder of a subsidiary company	-	(3)
Cash contribution from an associate company	-	78
Net cash (used in)/generated from investing activities	<u>(39,752)</u>	<u>514,588</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(40,094)	(37,003)
Dividend paid to non-controlling shareholders of subsidiary companies	(15,260)	(19,242)
Drawdown of borrowings	190,965	324,181
Repayment of borrowings	(225,646)	(771,901)
Net cash used in financing activities	<u>(90,035)</u>	<u>(503,965)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	70,535	141,646
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	307,043	196,410
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	736	2,869
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>378,314</u>	<u>340,925</u>

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

	31/03/2016 RM'000	31/03/2015 RM'000
Deposits, cash and bank balances	378,314	340,925

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2015.

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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 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 2015. 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 2015.

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 31 March 2016 was 8,432,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

(b) There were no additional shares purchased by the ESS Trust during the quarter under review and financial year-to-date. As at 31 March 2016, the total number of shares held by the ESS Trust was 11,058,633 shares.

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

7. Dividend paid

During the financial year-to-date, the Company paid an interim single tier dividend of 13.0 sen per share amounting to RM41.5 million on 17 December 2015.

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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	150,908	17,428	168,336
Included in the measure of segment profit are:			
Revenue from external customers	1,185,595	427,765	1,613,360
Depreciation and amortisation	34,274	9,869	44,143
Reconciliation of reportable segment profit			
Profit			
Reportable segment			168,336
Non-reportable segment			1,188
Interest income			1,985
Finance costs			(4,824)
Share of profit in associated companies, net of tax			79,160
Consolidated profit before taxation			245,845
– Continuing operations			245,845
	External revenue RM'000	Depreciation and amortisation RM'000	
Reportable segment	1,613,360	44,143	
Non-reportable segment	3,666	158	
Total	1,617,026	44,301	

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) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
- (b) Varinet Sdn Bhd, a 60% subsidiary;
- (c) Century Touch Sdn Bhd, a 70% indirect-owned subsidiary; and
- (d) Taman Terang Sdn Bhd, a wholly-owned subsidiary.

The liquidations are currently pending completion of legal execution proceedings against debtors and/or tax clearance from the Inland Revenue Board and/or final meeting to be convened.

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11. Review of Performance

For the quarter under review, the Group recorded a revenue of RM555.0 million and profit before taxation (“PBT”) of RM82.8 million as compared with a revenue and PBT of RM551.1 million and RM68.3 million respectively for the corresponding quarter of the preceding year ended 30 June 2015 (“FY 2015”). The increase in PBT was mainly attributable to higher profit contribution from an associated company.

For the financial year-to-date, the Group recorded a revenue of RM1,617.0 million and PBT of RM245.8 million as compared with a revenue and PBT of RM1,611.1 million and RM230.4 million respectively for the corresponding period of FY 2015. The improvement in PBT for the financial year-to-date as compared with the corresponding period of FY 2015 was mainly attributable to higher profit contribution from an associated company, partly offset by higher production cost due to the weakening of the RM against the USD from our consumer products segment.

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

For the quarter under review, the Group recorded a PBT of RM82.8 million as compared with a PBT of RM96.1 million recorded in the preceding quarter. The decline in PBT was mainly due to lower revenue, higher production costs recorded for industrial products segment and lower contribution from an associated company, partly mitigated by favourable sales mix for consumer products segment.

13. Prospects

Barring any unforeseen circumstances, the Board expects the Group's performance for both the consumer products and industrial products segment to be satisfactory for the financial year ending 30 June 2016.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter	Current Year To-date
	31/03/2016 RM'000	31/03/2016 RM'000
Continuing operations		
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(2,434)	(7,044)
Depreciation and amortisation	14,511	44,301
Allowance of impairment and write off of trade receivables	93	170
(Reversal of provision)/Provision for and write off of inventories	(1,691)	759
Gain on foreign exchange	(670)	(2,587)
Fair value loss on derivative instruments	74	2,909
Share-based payments	1,082	2,692
Gain on disposal of a property	-	(4,565)
Impairment of property, plant and equipment	-	-

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16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- to-date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
Current taxation				
Malaysian - current year	12,834	11,957	38,447	42,037
- prior years	350	-	350	25,215
Overseas - current year	-	4	38	35
	<u>13,184</u>	<u>11,961</u>	<u>38,835</u>	<u>67,287</u>
Deferred taxation				
Malaysian - current year	13	-	13	-
- prior years	-	-	-	(100)
	<u>13</u>	<u>-</u>	<u>13</u>	<u>(100)</u>
Income tax attributable to continuing operations	13,197	11,961	38,848	67,187
Income tax attributable to discontinued operation	-	-	-	338
	<u>13,197</u>	<u>11,961</u>	<u>38,848</u>	<u>67,525</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.

The Group's effective tax rate for the corresponding period of FY 2015 is higher than the statutory tax rate mainly due to provision for taxation under provided for prior years.

17. **Corporate Proposals**

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

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

Particulars of the Group's borrowings and debt securities as at 31 March 2016 are as follows:-

Unsecured short term borrowings	<u>RM'000</u> <u>102,928</u>
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There were no borrowings denominated in foreign currencies as at 31 March 2016.

19. **Changes in Material Litigation**

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

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20. Dividend

- (a) The Board has declared a second interim single tier dividend of 19.0 sen per share and a special interim single tier dividend of 10.0 sen per share for the quarter ended 31 March 2016 of the financial year ending 30 June 2016 (3rd quarter 2014/2015: 17.0 sen per share tax exempt) to be paid on 24 May 2016 to holders of the ordinary shares whose names appear in the Record of Depositors at the close of business on 9 May 2016.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.00 p.m. on 9 May 2016 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements
- (b) For the financial year-to-date, a total of 42.0 sen, single tier dividend of 32.0 sen per share and special single tier dividend of 10.0 sen per share (2014/2015: 29.0 sen per share tax exempt), 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 RM58,653,000 (3rd quarter 2014/2015: RM46,032,000) by the weighted average number of ordinary shares during the quarter of 308,414,000 (3rd quarter 2014/2015: 308,356,000).

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 RM177,728,000 (2014/2015: RM129,821,000) by the weighted average number of ordinary shares during the period of 308,414,000 (2014/2015: 308,356,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2016 '000	Preceding Year Corresponding Quarter 31/03/2015 '000	Current Year- To-Date 31/03/2016 '000	Preceding Year Corresponding Period 31/03/2015 '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	(11,059)	(11,117)	(11,059)	(11,117)
Weighted average number of ordinary shares (basic)	308,414	308,356	308,414	308,356

- (b) Diluted earnings per ordinary share

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

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22. Realised and unrealised profits /(losses) disclosure

The breakdown of the retained earnings of the Group, into realised and unrealised profits/(losses) are as follows:-

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/03/2016 RM'000	30/06/2015 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- realised	1,017,596	923,370
- unrealised	(12,902)	(2,643)
	<hr/> 1,004,694	<hr/> 920,727
Total share of retained earnings of associated companies:		
- realised	148,307	103,181
- unrealised	6,133	5,089
	<hr/> 154,440	<hr/> 108,270
Less: Consolidation adjustments	(149,168)	(156,665)
Group retained earnings	<hr/> 1,009,966	<hr/> 872,332

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
19 April 2016