

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Revenue	573,603	527,800	2,190,629	2,138,898
Cost of sales	(456,082)	(432,201)	(1,781,586)	(1,717,706)
Gross profit	117,521	95,599	409,043	421,192
Operating expenses	(51,633)	(44,938)	(186,275)	(190,703)
Other operating income	8,533	6,259	21,177	36,151
Operating profit	74,421	56,920	243,945	266,640
Interest income	993	655	2,978	2,712
Finance costs	(1,490)	(1,589)	(6,314)	(10,179)
Share of profit in associated companies, net of tax	23,375	14,067	102,535	41,327
Profit before taxation	97,299	70,053	343,144	300,500
Taxation	(13,716)	(15,804)	(52,564)	(82,991)
Profit from continuing operations	83,583	54,249	290,580	217,509
Profit from discontinued operation, net of tax (NI)	-	-	-	1,013
Profit for the period	83,583	54,249	290,580	218,522
Profit attributable to:				
Owners of the Company	69,494	43,411	247,223	173,232
Non-controlling interests	14,089	10,838	43,357	45,290
Profit for the period	83,583	54,249	290,580	218,522
Earnings per ordinary share (sen) :-				
(a) Basic	22.53	14.08	80.16	56.18
(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 30 JUNE 2016 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year -	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period	83,583	54,249	290,580	218,522
Foreign currency translation differences for foreign operations	4,641	1,974	5,009	27,066
Gain/(loss) on fair value of available-for-sale financial assets	(2,190)	3,038	(9,433)	41,736
Reversal of fair value reserve upon disposal of available-for-sale financial asset	-	-	-	(14)
Cash flow hedge	1,060	-	146	-
Total comprehensive income for the period	87,094	59,261	286,302	287,310
Total comprehensive income attributable to:				
Owners of the Company	72,771	48,423	242,945	242,020
Non-controlling interests	14,323	10,838	43,357	45,290
Total comprehensive income for the period	87,094	59,261	286,302	287,310

(N1)

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.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	As At End of Current Quarter 30/06/2016 RM'000	As At End of Preceding Financial Year 30/06/2015 RM'000
ASSETS		
Property, plant and equipment	375,029	381,079
Investment properties	4,000	4,000
Investments in associated companies	385,310	383,089
Other investments	61,278	71,064
Intangible assets	15,585	16,213
Deferred tax assets	3,083	1,586
Tax credit receivables	5,646	5,646
TOTAL NON-CURRENT ASSETS	849,931	862,677
Inventories	205,600	209,131
Trade and other receivables	411,362	387,071
Current tax assets	14,032	14,322
Derivative financial assets	299	188
Cash and cash equivalents	399,503	307,043
TOTAL CURRENT ASSETS	1,030,796	917,755
TOTAL ASSETS	1,880,727	1,780,432
Share capital	163,953	163,953
Reserves	1,202,151	1,087,186
Treasury shares - at cost	(63,318)	(63,318)
	1,302,786	1,187,821
NON-CONTROLLING INTERESTS	97,163	106,656
TOTAL EQUITY	1,399,949	1,294,477
LIABILITIES		
Deferred tax liabilities	12,736	10,443
Deferred income	5,006	5,598
Employee benefits	24,042	22,667
TOTAL NON-CURRENT LIABILITIES	41,784	38,708
Trade and other payables	295,267	284,803
Borrowings (unsecured)	127,965	137,609
Derivative financial liabilities	-	1,136
Tax payable	15,762	23,699
TOTAL CURRENT LIABILITIES	438,994	447,247
TOTAL LIABILITIES	480,778	485,955
TOTAL EQUITY AND LIABILITIES	1,880,727	1,780,432
Net assets per share attributable to owners of the Company (RM)	4.22	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 30 JUNE 2016

	←----- Attributable to owners of the Company ----->														
	←----- Non-distributable ----->									Distributable			Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	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				
Current year-to-date ended 30 June 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	-	-	-	-	-	-	-	-	-	247,223	247,223	43,357	290,580		
Other comprehensive income/(expense)															
- Foreign currency translation differences	-	-	5,009	-	-	-	-	-	-	-	5,009	-	5,009		
- Loss on fair value of available-for-sale financial assets	-	-	-	(9,433)	-	-	-	-	-	-	(9,433)	-	(9,433)		
- Cash flow hedge	-	-	-	-	146	-	-	-	-	-	146	-	146		
Total comprehensive income/(expense) for the period	-	-	5,009	(9,433)	146	-	-	-	-	247,223	242,945	43,357	286,302		
Dividends	-	-	-	-	-	-	-	-	-	(129,534)	(129,534)	(52,689)	(182,223)		
Share-based payments	-	-	-	-	-	-	-	1,210	-	344	1,554	19	1,573		
Share vested	-	-	-	-	-	-	202	-	-	(202)	-	-	-		
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(180)	(180)		
Total transactions with owners of the Company	-	-	-	-	-	-	202	1,210	-	(129,392)	(127,980)	(52,850)	(180,830)		
At 30 June 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		

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

	←----- Attributable to owners of the Company -----→											Total equity
	←----- Non-distributable -----→							Distributable				
	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	RM'000	
Preceding year corresponding period ended 30 June 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	-	-	-	-	-	-	-	-	173,232	173,232	45,290	218,522
Other comprehensive income/(expense)												
- Foreign currency translation differences	-	-	27,066	-	-	-	-	-	-	27,066	-	27,066
- Gain on fair value of available-for-sale financial assets	-	-	-	41,736	-	-	-	-	-	41,736	-	41,736
- Reversal of fair value reserve upon disposal of available-for-sale financial asset	-	-	-	(14)	-	-	-	-	-	(14)	-	(14)
Total comprehensive income for the period	-	-	27,066	41,722	-	-	-	-	173,232	242,020	45,290	287,310
Dividends	-	-	-	-	-	-	-	-	(89,424)	(89,424)	(53,560)	(12,984)
Share-based payments	-	-	-	-	-	-	1,034	-	297	1,331	-	1,331
Share vested	-	-	-	-	-	173	-	-	(216)	(43)	-	(43)
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)	-	-	-	8,319	1,034	-	(91,056)	(315,788)	(53,563)	(369,351)
Transfer to capital reserve	-	-	-	-	446	-	-	-	(446)	-	-	-
At 30 June 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

Dividends received by trust set up for the Executive Share Scheme (“ESS”) (“ESS Trust”) amounted to RM4,645,000 (2014/2015: RM3,223,000) 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
30 JUNE 2016

	Current Year- To-Date 30/06/2016 RM'000	Preceding Year Corresponding Period 30/06/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- From continuing operations	343,144	300,500
- From discontinued operation	-	1,351
	<u>343,144</u>	<u>301,851</u>
Adjustments for:-		
Share of profit in associated companies, net of tax	(102,535)	(41,327)
Depreciation and amortisation	59,951	56,834
Dividend income	(10,834)	(12,800)
Non cash items	(3,288)	(16,012)
Net financing costs	3,336	7,842
Operating profit before changes in working capital	<u>289,774</u>	<u>296,388</u>
Changes in working capital		
Net change in current assets	(19,978)	(36,511)
Net change in current liabilities	13,437	(9,458)
Taxation paid	(62,370)	(50,912)
Net financing costs paid	(3,336)	(7,842)
Dividend received	114,615	42,612
Retirement benefits paid	(601)	(81)
Net cash generated from operating activities	<u>331,541</u>	<u>234,196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(55,449)	(56,294)
Proceeds from disposal of property, plant & equipment	6,913	1,725
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>(48,716)</u>	<u>499,058</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(129,534)	(89,424)
Dividend paid to non-controlling shareholders of subsidiary companies	(52,689)	(53,560)
Drawdown of borrowings	187,180	511,036
Repayment of borrowings	(196,824)	(994,169)
Net cash used in financing activities	<u>(191,867)</u>	<u>(626,117)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	90,958	107,137
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	307,043	196,410
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	1,502	3,496
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>399,503</u>	<u>307,043</u>

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

	30/06/2016 RM'000	30/06/2015 RM'000
Deposits, cash and bank balances	399,503	307,043

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 30 June 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.

During the quarter under review and financial year-to-date, 68,250 existing ordinary shares of RM0.50 each in the Company (“HLI Shares”) held in ESS Trust were transferred to certain eligible executives of the Group arising from the vesting of HLI Shares free of consideration pursuant to the Executive Share Grant Scheme.

As at 30 June 2016, the total number of shares held by the ESS Trust was 10,990,383 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 13.0 sen per share, paid on 17 December 2015	41,531
Second interim single tier dividend of 19.0 sen per share, paid on 24 May 2016	60,700
Special interim single tier dividend of 10.0 sen per share, paid on 24 May 2016	31,947
	<u>134,178</u>

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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	219,750	20,412	240,162
Included in the measure of segment profit are:			
Revenue from external customers	1,603,706	580,888	2,184,594
Depreciation and amortisation	45,567	13,196	58,763
Reconciliation of reportable segment profit			
Profit			
Reportable segment			240,162
Non-reportable segment			3,783
Interest income			2,978
Finance costs			(6,314)
Share of profit in associated companies, net of tax			102,535
Consolidated profit before taxation			343,144
– Continuing operations			343,144
		External revenue	Depreciation and amortisation
		RM'000	RM'000
Reportable segment		2,184,594	59,759
Non-reportable segment		6,035	192
Total		2,190,629	59,951

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:

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

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

ii) Hong Leong Maruken Sdn Bhd ("HL Maruken"), a 70% owned subsidiary of the Company, has been placed under members' voluntary liquidation pursuant to Section 245(1)(b) of the Companies Act, 1965. The liquidator of HL Maruken has convened a Final Meeting to conclude the Members' Voluntary Liquidation of HL Maruken and accordingly, HL Maruken has been dissolved on 4 August 2016.

11. Review of Performance

For the quarter under review, the Group recorded a revenue of RM573.6 million and profit before taxation ("PBT") of RM97.3 million as compared with a revenue and PBT of RM527.8 million and RM70.1 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 revenue for consumer products segment and higher profit contribution from an associated company.

For the financial year-to-date, the Group recorded a revenue of RM2,190.6 million and PBT of RM343.1 million as compared with a revenue and PBT of RM2,138.9 million and RM300.5 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 the 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 RM97.3 million as compared with a PBT of RM82.8 million recorded in the preceding quarter. The improvement in PBT was mainly due to favourable sales mix for consumer products segment, partly offset by lower contribution from an associated company.

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 2017.

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
	30/06/2016 RM'000	30/06/2016 RM'000
Continuing operations		
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(2,811)	(9,855)
Depreciation and amortisation	15,650	59,951
Allowance of impairment and write off of trade receivables (Reversal of provision)/Provision for and write off of inventories	144	314
Gain on foreign exchange	(1,540)	(4,127)
Fair value loss on derivative instruments	(1,766)	(1,007)
Share-based payments	(2,606)	303
Gain on disposal of a property	1,018	3,710
Impairment of property, plant and equipment	-	(4,565)
	37	37

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- to-date	Preceding Year Corresponding Period
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Current taxation				
Malaysian - current year	16,171	13,775	54,590	55,955
- prior years	(3,174)	-	(2,824)	25,317
Overseas - current year	10	42	48	46
	13,007	13,817	51,814	81,318
Deferred taxation				
Malaysian - current year	739	1,941	750	1,372
- prior years	-	(386)	-	(131)
	739	1,555	750	1,241
Utilisation of tax credit receivables arising from unutilised reinvestment allowances				
Malaysian – prior years	-	432	-	432
		432		432
Income tax attributable to continuing operations	13,716	15,804	52,564	82,991
Income tax attributable to discontinued operation	-	-	-	338
	13,716	15,804	52,564	83,329

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.

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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 30 June 2016 are as follows:-

Unsecured short term borrowings	RM'000 <u>127,965</u>
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There were no borrowings denominated in foreign currencies as at 30 June 2016.

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 final dividend for the financial year ended 30 June 2016 (2014/2015: nil)
- (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.

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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 RM69,494,000 (4th quarter 2014/2015: RM43,411,000) by the weighted average number of ordinary shares during the quarter of 308,449,000 (3rd quarter 2014/2015: 308,386,000).

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 RM247,223,000 (2014/2015: RM173,232,000) by the weighted average number of ordinary shares during the period of 308,423,000 (2014/2015: 308,363,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2016 '000	Preceding Year Corresponding Quarter 30/06/2015 '000	Current Year- To-Date 30/06/2016 '000	Preceding Year Corresponding Period 30/06/2015 '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)
	308,414	308,356	308,414	308,356
Effect of vested of ESS Trust Shares	35	30	9	7
Weighted average number of ordinary shares (basic)	308,449	308,386	308,423	308,363

(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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ENDED 30 JUNE 2016

The figures have not been audited

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
	30/06/2016 RM'000	30/06/2015 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- realised	1,009,402	923,370
- unrealised	(9,721)	(2,643)
	<hr/> 999,681	<hr/> 920,727
Total share of retained earnings of associated companies:		
- realised	100,869	103,181
- unrealised	6,114	5,089
	<hr/> 106,983	<hr/> 108,270
Less: Consolidation adjustments	(116,501)	(156,665)
Group retained earnings	<hr/> 990,163	<hr/> 872,332

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
18 August 2016