

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Revenue	561,525	542,879	1,127,279	1,061,998
Cost of sales	(455,926)	(444,749)	(911,046)	(866,174)
Gross profit	105,599	98,130	216,233	195,824
Operating expenses	(47,476)	(44,230)	(96,952)	(91,218)
Other operating (expenses)/income	(3,736)	7,080	(3,205)	11,494
Operating profit	54,387	60,980	116,076	116,100
Interest income	691	983	1,239	1,485
Finance costs	(1,437)	(1,626)	(2,913)	(3,303)
Share of profit in associated companies, net of tax	37,338	35,791	68,018	48,795
Profit before taxation	90,979	96,128	182,420	163,077
Taxation	(11,927)	(12,932)	(26,059)	(25,651)
Profit for the period	79,052	83,196	156,361	137,426
Profit attributable to:				
Owners of the Company	68,667	74,253	133,433	119,075
Non-controlling interests	10,385	8,943	22,928	18,351
Profit for the period	79,052	83,196	156,361	137,426
Earnings per ordinary share (sen) :-				
(a) Basic	22.27	24.08	43.26	38.61
(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 2016.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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ENDED 31 DECEMBER 2016

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2016 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Profit for the period	79,052	83,196	156,361	137,426
Foreign currency translation differences for foreign operations	12,387	(7,709)	19,954	21,581
Loss on fair value of available-for-sale financial assets	(6,403)	(2,012)	(5,336)	(7,914)
Cash flow hedge	(1,209)	1,465	(1,593)	(876)
Total comprehensive income for the period	83,827	74,940	169,386	150,217
Total comprehensive income attributable to:				
Owners of the Company	73,449	65,964	146,466	131,886
Non-controlling interests	10,378	8,976	22,920	18,331
Total comprehensive income for the period	83,827	74,940	169,386	150,217

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 2016.

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

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2016 RM'000	30/06/2016 RM'000
ASSETS		
Property, plant and equipment	362,202	375,029
Investment properties	4,000	4,000
Investments in associated companies	440,956	385,310
Other investments	55,513	61,278
Intangible assets	15,904	15,585
Deferred tax assets	3,090	3,083
Tax credit receivables	5,646	5,646
TOTAL NON-CURRENT ASSETS	887,311	849,931
Inventories	238,762	205,600
Trade and other receivables	441,256	411,358
Current tax assets	15,131	14,032
Derivative financial assets	49	299
Cash and cash equivalents	429,965	399,503
TOTAL CURRENT ASSETS	1,125,163	1,030,792
TOTAL ASSETS	2,012,474	1,880,723
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	163,953	163,953
Reserves	1,302,001	1,202,151
Treasury shares - at cost	(63,318)	(63,318)
	1,402,636	1,302,786
NON-CONTROLLING INTERESTS		
	101,823	97,163
TOTAL EQUITY	1,504,459	1,399,949
LIABILITIES		
Deferred tax liabilities	11,974	12,736
Deferred income	4,720	4,996
Employee benefits	24,777	24,042
TOTAL NON-CURRENT LIABILITIES	41,471	41,774
Trade and other payables	318,302	295,273
Borrowings (unsecured)	121,371	127,965
Tax payable	24,308	15,762
Derivative financial liabilities	2,563	-
TOTAL CURRENT LIABILITIES	466,544	439,000
TOTAL LIABILITIES	508,015	480,774
TOTAL EQUITY AND LIABILITIES	2,012,474	1,880,723
Net assets per share attributable to owners of the Company (RM)	4.54	4.22

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2016.

HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

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

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

HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

The figures have not been audited

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

	←----- 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
Preceding year corresponding period ended 31 December 2015													
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	-	-	-	-	-	-	-	-	-	119,075	119,075	18,351	137,426
Other comprehensive income/(expense)													
- Foreign currency translation differences	-	-	21,581	-	-	-	-	-	-	-	21,581	-	21,581
- Loss on fair value of available-for-sale financial assets	-	-	-	(7,914)	-	-	-	-	-	-	(7,914)	-	(7,914)
- Cash flow hedge	-	-	-	-	(855)	-	-	-	-	-	(855)	(21)	(876)
Total comprehensive income/(expense) for the period	-	-	21,581	(7,914)	(855)	-	-	-	-	119,075	131,887	18,330	150,217
Dividends	-	-	-	-	-	-	-	-	-	(40,094)	(40,094)	(12,236)	(52,330)
Share-based payments	-	-	-	-	-	-	-	787	-	-	787	-	787
Cash distribution from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(120)	(120)
Total transactions with owners of the Company	-	-	-	-	-	-	-	787	-	(40,094)	(39,307)	(12,356)	(51,663)
At 31 December 2015	163,953	152,953	51,645	33,822	(855)	21,914	(33,140)	2,114	(63,318)	951,313	1,280,401	112,630	1,393,031

Dividends received by trust set up for the Executives Share Scheme ("ESS") ("ESS Trust") amounted to RM1,593,000 (2015/2016: RM1,438,000) 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 2016.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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ENDED 31 DECEMBER 2016

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

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2016	31/12/2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	182,420	163,077
Adjustments for:-		
Share of profit in associated companies, net of tax	(68,017)	(48,795)
Depreciation and amortisation	29,187	29,790
Dividend income	(6,386)	(4,610)
Non cash items	311	(7,778)
Net financing costs	1,674	1,818
Operating profit before changes in working capital	<u>139,189</u>	<u>133,502</u>
Changes in working capital		
Net change in current assets	(61,838)	(12,889)
Net change in current liabilities	21,288	22,321
Taxation paid	(18,871)	(20,862)
Net financing costs received /(paid)	(1,674)	(1,818)
Dividend received	38,336	37,635
Retirement benefits paid	(99)	(54)
Net cash generated from operating activities	<u>116,331</u>	<u>157,835</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(16,901)	(25,164)
Proceeds from disposal of property, plant & equipment	340	6,329
Cash distribution to non-controlling shareholder of a subsidiary company	-	(120)
Net cash used in investing activities	<u>(16,561)</u>	<u>(18,955)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(46,328)	(40,094)
Dividend paid to non-controlling shareholders of subsidiary companies	(18,319)	(12,236)
Exercise of Trust shares	1,574	-
Drawdown of borrowings	120,997	136,853
Repayment of borrowings	(127,591)	(158,055)
Net cash used in financing activities	<u>(69,667)</u>	<u>(73,532)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,103	65,348
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	399,503	307,043
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	359	2,898
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>429,965</u>	<u>375,289</u>

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

	31/12/2016	31/12/2015
	RM'000	RM'000
Deposits, cash and bank balances	<u>429,965</u>	<u>375,289</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 2016.

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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 2016. 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 2016.

The Group has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2016 where applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

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

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

3. Seasonality or cyclicity of interim operations

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

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

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

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

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

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

(a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 31 December 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, a total of 372,000 existing ordinary shares of RM0.50 each in the Company held in the ESS Trust were transferred to the option holders arising from the exercise of options pursuant to the ESS at an exercise price of RM4.23 per share.

As at 31 December 2016, the total number of shares held by the ESS Trust was 10,618,383 shares.

7. Dividend paid

During the financial year-to-date, the Company paid an interim single tier dividend of 15.0 sen per share amounting to RM46 million on 8 December 2016.

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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	107,938	7,067	115,005
Included in the measure of segment profit are:			
Revenue from external customers	840,014	282,642	1,122,656
Depreciation and amortisation	22,420	6,731	29,151
Reconciliation of reportable segment profit			
Profit			
Reportable segment			115,005
Non-reportable segment			1,071
Interest income			1,239
Finance costs			(2,913)
Share of profit in associated companies, net of tax			68,018
Consolidated profit before taxation			182,420
		External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment		1,122,656	29,151
Non-reportable segment		4,623	36
Total		1,127,279	29,187

9. Material events not reflected in the financial statements

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

10. Changes in the composition of the Group

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

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

- (a) Varinet Sdn Bhd, a 60% subsidiary;
- (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.

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11. Review of Performance

For the quarter under review, the Group recorded a revenue of RM561.5 million and profit before taxation (“PBT”) of RM91.0 million as compared with a revenue and PBT of RM542.9 million and RM96.1 million respectively for the corresponding quarter of the preceding year ended 30 June 2016 (“FY 2016”). The decrease in PBT was mainly attributable to higher operating expenses and higher foreign exchange loss from the consumers products segment.

For the financial year-to-date, the Group recorded a revenue of RM1,127.3 million and PBT of RM182.4 million as compared with a revenue of RM1,062.0 million and PBT of RM163.1 million respectively for the corresponding period of FY 2016. The increase in PBT was mainly due to higher profit contribution from an associated company.

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

For the quarter under review, the Group recorded a PBT of RM91.0 million as compared with a PBT of RM91.4 million recorded in the preceding quarter. The lower PBT was mainly attributed to lower sales revenue from the consumers products segment but partly mitigated by higher 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.

15. Profit before taxation

	Current Year Quarter	Current Year To-date
	31/12/2016 RM'000	31/12/2016 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(3,260)	(6,386)
Depreciation and amortisation	14,403	29,187
Allowance of impairment and write off of trade receivables	186	845
Provision for and write off of inventories	2,239	2,963
Gain on foreign exchange	2,878	4,015
Fair value loss on financial instruments designated as hedge instrument	586	717
Share-based payments	323	(59)
Gain on disposal of a property	-	-
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
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Current taxation				
Malaysian - current year	12,312	12,918	26,719	25,613
- prior years	(309)	-	(335)	-
Overseas - current year	3	14	21	38
- prior years	(79)	-	(79)	-
	<u>11,927</u>	<u>12,932</u>	<u>26,326</u>	<u>25,651</u>
Deferred taxation				
Malaysian - current year	-	-	-	-
- prior years	-	-	(267)	-
	<u>-</u>	<u>-</u>	<u>(267)</u>	<u>-</u>
	<u>11,927</u>	<u>12,932</u>	<u>26,059</u>	<u>25,651</u>

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

17. **Corporate Proposals**

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

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

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

Unsecured short term borrowings	<u>RM'000</u> <u>121,371</u>
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There were no borrowings denominated in foreign currencies as at 31 December 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 interim dividend for the quarter ended 31 December 2016 of the financial year ended 30 June 2017 (2nd quarter 2015/2016: Nil)

(b) For the financial year-to-date, single tier dividend of 15.0 sen per share (2015/2016: single tier dividend of 13.0 sen per share) 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 RM68,667,000 (2nd quarter 2015/2016: RM74,253,000) by the weighted average number of ordinary shares during the quarter of 308,647,000 (2nd quarter 2015/2016: 308,415,000).

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 RM133,433,000 (2nd quarter 2015/2016: RM119,075 000) by the weighted average number of ordinary shares during the quarter of 308,565,000 (2nd quarter 2015/2016: 308,415,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To- Date	Preceding Year Corresponding Period
	31/12/2016 '000	31/12/2015 '000	31/12/2016 '000	31/12/2015 '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	(10,990)	(11,058)	(10,990)	(11,058)
	308,483	308,415	308,483	308,415
Effect of Trust Shares vested	164	-	82	-
Weighted average number of ordinary shares (basic)	308,647	308,415	308,565	308,415

(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
	31/12/2016 RM'000	30/06/2016 RM'000
Total retained earnings of the Company and its subsidiaries:-		
- realised	1,047,035	1,001,463
- unrealised	953	(1,782)
	<u>1,047,988</u>	<u>999,681</u>
Total share of retained earnings of associated companies:		
- realised	137,052	100,910
- unrealised	6,077	6,114
	<u>143,129</u>	<u>107,024</u>
Less: Consolidation adjustments	(104,657)	(116,542)
Group retained earnings	<u>1,086,460</u>	<u>990,163</u>

By Order of the Board
 Hong Leong Industries Berhad

Joanne Leong Wei Yin
 Valerie Mak Mew Chan
 Company Secretaries

Kuala Lumpur
 6 February 2017