



Hong Leong Industries

A Member of the Hong Leong Group

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
Revenue	540,023	402,125	540,023	402,125
Cost of sales	(445,220)	(331,386)	(445,220)	(331,386)
Gross profit	94,803	70,739	94,803	70,739
Operating expenses	(43,731)	(24,041)	(43,731)	(24,041)
Other operating income	6,649	577	6,649	577
Operating profit	57,721	47,275	57,721	47,275
Interest income	654	562	654	562
Finance costs	(8,399)	(5,521)	(8,399)	(5,521)
Share of profit of associated companies	8,000	7,170	8,000	7,170
Profit before taxation	57,976	49,486	57,976	49,486
Taxation	(15,038)	(10,114)	(15,038)	(10,114)
Profit from continuing operations	42,938	39,372	42,938	39,372
Discontinued Operation (NI)				
Profit from discontinued operation, net of tax	-	31,158	-	31,158
Profit for the period	42,938	70,530	42,938	70,530
Profit attributable to:				
Owners of the Company	32,356	45,502	32,356	45,502
Non-controlling interests	10,582	25,028	10,582	25,028
Profit for the period	42,938	70,530	42,938	70,530
Earnings per ordinary share (sen) :-				
(a) Basic (N2)	10.49	17.40	10.49	17.40
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2011.

HONG LEONG INDUSTRIES BERHAD (5486-P)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
Profit for the period	42,938	70,530	42,938	70,530
Foreign currency translation differences for foreign operations	29,228	(17,320)	29,228	(17,320)
Loss on fair value adjustment	(11,309)	-	(11,309)	-
Total comprehensive income for the period	60,857	53,210	60,857	53,210
Total comprehensive income attributable to:				
Owners of the Company	50,317	31,163	50,317	31,163
Non-controlling interests	10,540	22,047	10,540	22,047
Total comprehensive income for the period	60,857	53,210	60,857	53,210

(N1)

Malaysian Pacific Industries Berhad ("MPI") ceased to be a subsidiary of the Group at the end of the previous financial year ended 30.06.2011 ("MPI Demerger").

(N2)

Weighted average number of HLI Shares (net of treasury shares and Trust Shares) used in the calculation of basic earnings per ordinary shares for the quarter under review was 308,356,000 shares (1st quarter 2010/2011 : 261,574,000 shares)

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2011.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER
2011

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2011 RM'000	30/06/2011 RM'000
ASSETS		
Property, plant and equipment	440,143	451,009
Investments properties	17,231	17,231
Investments in associated companies	389,300	374,985
Available-for-sale financial assets	444,168	172,993
Intangible assets	12,290	12,179
Deferred tax assets	7,842	8,960
TOTAL NON-CURRENT ASSETS	1,310,974	1,037,357
Inventories	199,121	196,082
Trade and other receivables	390,633	403,108
Tax recoverable	23,025	21,433
Derivative financial assets	1,075	228
Cash and cash equivalents	312,459	376,155
TOTAL CURRENT ASSETS	926,313	997,006
TOTAL ASSETS	2,237,287	2,034,363
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	163,953	163,953
Reserves	1,047,369	997,110
Treasury shares - at cost	(63,318)	(63,318)
	1,148,004	1,097,745
NON-CONTROLLING INTERESTS	124,697	114,157
TOTAL EQUITY	1,272,701	1,211,902
LIABILITIES		
Borrowings (unsecured)	360,000	120,000
Deferred tax liabilities	14,078	13,253
Retirement benefits	16,089	15,779
TOTAL NON-CURRENT LIABILITIES	390,167	149,032
Trade and other payables	306,875	314,025
Borrowings (unsecured)	247,577	344,846
Derivative financial liabilities	2,037	-
Tax payable	17,930	14,558
TOTAL CURRENT LIABILITIES	574,419	673,429
TOTAL LIABILITIES	964,586	822,461
TOTAL EQUITY AND LIABILITIES	2,237,287	2,034,363
Net assets per share attributable to owners of the Company (RM)	3.72	3.56

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2011

**HONG LEONG INDUSTRIES BERHAD (5486-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011**

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2011

	←..... Attributable to owners of the Company Distributable		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Retained profits RM'000	
Current year-to-date ended 30 September 2011	163,953	387,096	(85,932)	737,405	1,097,745
At 1 July 2011	-	-	-	32,356	114,157
Profit for the period	-	-	-	32,356	10,582
Other comprehensive income	-	-	29,270	-	(42)
- Foreign currency translation differences	-	-	(11,309)	-	-
- Loss on fair value adjustments	-	-	17,961	-	10,540
Total comprehensive income for the period	-	(58)	-	32,356	(58)
Share issue expenses	-	(58)	-	-	(58)
Total distribution to owners	-	(58)	-	-	(58)
At 30 September 2011	163,953	387,038	(67,971)	769,761	1,272,701

**HONG LEONG INDUSTRIES BERHAD (5486-P)
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2011**

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2011 (Cont'd)

	←..... Attributable to owners of the Company→						Total equity RM'000			
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Reserve for own shares RM'000	Share option reserve RM'000	Treasury shares RM'000		Distributable Retained profits RM'000	Non- controlling interests RM'000	
Preceding year corresponding period ended 30 September 2010										
At 1 July 2010	140,573	586,926	(57,748)	(54,374)	442	(63,318)	835,850	1,388,351	638,094	2,026,445
Profit for the period	-	-	-	-	-	-	45,502	45,502	25,028	70,530
Other comprehensive income	-	-	(14,339)	-	-	-	-	(14,339)	(2,981)	(17,320)
- Foreign currency translation differences	-	-	(14,339)	-	-	-	-	(14,339)	(2,981)	(17,320)
Total comprehensive income for the period	-	-	(14,339)	-	-	-	45,502	31,163	22,047	53,210
Purchase of Trust Shares by a subsidiary	-	-	(1,962)	-	-	-	-	(1,962)	(1,236)	(3,198)
Share-based payments by a subsidiary	-	-	88	-	-	-	-	88	108	196
Total distribution to owners	-	-	(1,874)	-	-	-	-	(1,874)	(1,128)	(3,002)
At 30 September 2010	140,573	586,926	(73,961)	(54,374)	442	(63,318)	881,352	1,417,640	659,013	2,076,653

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 2011

HONG LEONG INDUSTRIES BERHAD (5486-P)
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30 SEPTEMBER 2011

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2011

	Current Year- To-Date 30/09/2011 RM'000	Preceding Year Corresponding Period 30/09/2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- From continuing operations	57,976	49,486
- From discontinued operations	-	34,790
	<u>57,976</u>	<u>84,276</u>
Adjustments for:-		
Share of profit of associated companies	(8,000)	(7,170)
Depreciation and amortisation	13,375	56,438
Non cash items	(7,584)	(217)
Net financing costs	7,745	6,266
Operating profit before changes in working capital	<u>63,512</u>	<u>139,593</u>
Changes in working capital		
Net change in current assets	8,801	(45,396)
Net change in current liabilities	12,398	29,472
Taxation paid	(11,317)	(8,169)
Net financing costs paid	(7,745)	(6,375)
Other operating income received	2,492	1,408
Net cash generated from operating activities	<u>68,141</u>	<u>110,533</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(5,613)	(94,442)
Proceeds from disposal of property, plant & equipment	11,987	20,849
Acquisition of other investments	(281,151)	-
Net cash used in investing activities	<u>(274,777)</u>	<u>(73,593)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	321,916	54,637
Repayment of borrowings	(179,298)	(67,251)
Shares issue expenses	(58)	-
Purchase of Trust Shares	-	(3,198)
Net cash generated from/ (used in) financing activities	<u>142,560</u>	<u>(15,812)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(64,076)</u>	<u>21,128</u>
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	376,155	429,160
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	380	(1,715)
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>312,459</u>	<u>448,573</u>

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	30/09/2011 RM'000	30/09/2010 RM'000
Deposits, cash and bank balances	312,492	448,597
Bank overdraft	(33)	(24)
	<u>312,459</u>	<u>448,573</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 2011

HONG LEONG INDUSTRIES BERHAD (5486-P)
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30 SEPTEMBER 2011

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 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 2011.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2011 except for the changes in accounting policies and presentation resulting from the adoption of relevant FRSs, Amendments to FRSs and IC Interpretations that are effective for the financial periods beginning on or after 1 January 2011 and 1 July 2011 respectively.

The adoption of relevant FRSs, Amendments to FRSs and IC Interpretations are not expected to have any significant financial 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 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 September 2011 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 HLI shares purchased by the ESOS Trust during the quarter under review and financial year-to-date. The total number of HLI shares purchased by the ESOS Trust as at 30 September 2011 was 11,117,133 shares.

There were no issuance of shares, share cancellations, resale of treasury shares nor repayments of debt or equity securities during the quarter under review and financial year-to-date.

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7. **Dividend paid**

There were no dividend paid during the quarter under review and financial year-to-date.

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	45,890	10,822	56,712
Included in the measure of segment profit are:			
Revenue from external customers	359,980	179,223	539,203
Depreciation and amortisation	9,569	3,730	13,299
Reconciliation of reportable segment			
Profit			
Reportable segment			56,712
Non-reportable segment			1,009
Interest income			654
Finance costs			(8,399)
Share of profit of associated companies			8,000
Consolidated profit before taxation			57,976
	External revenue RM'000		Depreciation and amortization RM'000
Reportable segment	539,203		13,299
Non-reportable segment	820		76
Total	540,023		13,375

9. **Valuations of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without any amendments from the previous annual financial statements.

10. **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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11. 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) Guotrade (Malaysia) Sdn Bhd, a wholly-owned subsidiary; and
- (d) MZ Engineering GmbH, an indirect wholly-owned subsidiary.

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

Subsequent to the quarter under review, Century Touch Sdn Bhd ("CT") (formerly known as Guocera Tile Industries (Labuan) Sdn Bhd), a 70% owned subsidiary of Guocera Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, has been placed under members' voluntary liquidation by its members pursuant to Section 254(1)(b) of the Companies Act, 1965. Mr. Ling Kam Hoong of Messrs Ling Kam Hoong & Co. has been appointed as liquidator of CT.

12. Contingent liabilities or contingent assets

There are no contingent liabilities or contingent assets as at the date of this report.

13. Review of Performance

For the quarter under review, the Group recorded a revenue of RM540.0 million and profit before taxation ("PBT") of RM58.0 million respectively compared with a revenue of RM402.1 million and PBT of RM49.5 million recorded in the corresponding quarter of the previous financial year ended 30 June 2011 ("FY 2011"). The aforesaid revenue and PBT were not inclusive of the results of Malaysian Pacific Industries Berhad ("MPI") which was disclosed separately under the caption "Discontinued Operations". MPI ceased to be a subsidiary of the Group at the end of FY 2011.

Included in the results of quarter under review were the results of the industrial products business which was acquired via the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd during the third quarter of FY 2011. The increase in revenue and PBT was partly contributed by the inclusion of the aforesaid industrial products business in the quarter under review.

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

For the quarter under review, the Group recorded a PBT of RM58.0 million as compared with a PBT of RM61.3 million recorded in the preceding quarter. There were no material changes during the quarter under review.

15. Prospects

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 30 June 2012.

16. Profit forecast / profit guaranteed

This note is not applicable.

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17. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- to-date	Preceding Year Corresponding Period
	30/09/2011 RM'000	30/09/2010 RM'000	30/09/2011 RM'000	30/09/2010 RM'000
Continuing operations				
Current tax				
Malaysian - current year	13,316	10,102	13,316	10,102
- prior years	388	-	388	-
	<u>13,704</u>	<u>10,102</u>	<u>13,704</u>	<u>10,102</u>
Deferred tax				
Malaysian - current year	460	12	460	12
- prior years	874	-	874	-
	<u>1,334</u>	<u>12</u>	<u>1,334</u>	<u>12</u>
Income tax attributable to continuing operations	15,038	10,114	15,038	10,114
Income tax attributable to discontinued operations	-	3,632	-	3,632
	<u>15,038</u>	<u>13,746</u>	<u>15,038</u>	<u>13,746</u>

The Group's effective tax rate for the financial year to-date is higher than the statutory tax rate due mainly to disallowable expenses.

18. **Sale of unquoted investments and/or properties**

There were no sales of unquoted investments and/or properties for the quarter under review.

19. **Quoted securities**

- (a) There were no purchases or disposals of quoted securities (other than securities in existing subsidiaries and associated companies) for the quarter under review and financial year-to-date except for the following:

	Current Year Quarter	Current Year-to- date
	30/09/2011 RM'000	30/09/2011 RM'000
Purchase of quoted securities	<u>26,151</u>	<u>26,151</u>

- (b) Particulars of investments in quoted securities as at 30 September 2011:-

	RM'000
Available-for-sale financial assets - at fair value	<u>28,157</u>

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20. Corporate Proposals

There are no corporate proposals announced but not completed as at the date of this report other than as mentioned below:

The Company entered into a conditional subscription agreement with Hume Cement Sdn Bhd ("Hume Cement") and Hong Leong Manufacturing Group Sdn Bhd for the subscription of up to 175 million 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each ("ICPS") at the par value of RM1.00 each in Hume Cement for a total cash subscription of up to RM175 million. As at to date, HLI had subscribed for 161 million ICPS in Hume Cement for a total cash subscription of RM161 million.

21. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2011 are as follows:-

	RM'000
(i) Unsecured short term borrowings	247,577
(ii) Unsecured long term borrowings	360,000
	<u>607,577</u>

The above include borrowings denominated in foreign currency as follows:-

USD	60,000
VND	2,754
	<u>62,754</u>

22. Derivative Financial Instruments

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The outstanding foreign exchange forward contracts as at 30 September 2011 are as followings:

Type of Derivative	Nominal Value RM'000	Fair Value (Loss)/Gain RM'000
Interest rate swap contracts (more than 3 years)	80,000	(1,620)
Foreign exchange forward contracts (less than 1 year)	<u>41,362</u>	<u>658</u>

There is minimal credit and market risk because the contracts were executed with established financial institutions.

With the adoption of FRS 139, derivative contracts are recognised and measured at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value with changes in fair value recognised in the income statement at each reporting date.

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23. Changes in Material Litigation

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

24. Dividend

- (a) The Board has declared interim dividend of 4.0 sen per share less tax and 7.0 sen per share tax exempt for the quarter ended 30 September 2011 of the financial year ending 30 June 2012 (1st quarter 2010/2011: 10.0 sen per share tax exempt) to be paid on 22 December 2011 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 8 December 2011.

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 8 December 2011 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, dividend of 4.0 sen per share less tax and 7.0 sen per share tax exempt (2010/2011: 10.0 sen per share tax exempt) has been declared.

25. Earnings Per Ordinary Share

(a) Basic earnings per ordinary share

The calculation of 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 RM32,356,000 (1st quarter 2010/2011: RM45,502,000) and the weighted average number of ordinary shares during the quarter of 308,356,000 (1st quarter 2010/2011: 261,574,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2011 '000	Preceding Year Corresponding Quarter 30/09/2010 '000	Current Year- To-Date 30/09/2011 '000	Preceding Year Corresponding Period 30/09/2010 '000
Issued ordinary shares at beginning of period	327,905	281,145	327,905	281,145
Treasury shares held at beginning of period	(8,432)	(8,431)	(8,432)	(8,431)
Trust Shares held at beginning of period	(11,117)	(11,140)	(11,117)	(11,140)
Weighted average number of ordinary shares (basic)	308,356	261,574	308,356	261,574

(b) Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the quarter under review as there are no dilutive potential ordinary shares. The Group had no dilution in its earnings per ordinary share in the preceding year's corresponding quarter as the potential ordinary shares from the assumed exercise to ordinary shares of options would increase the basic earnings per ordinary share.

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26. Realised and unrealised profits /losses included in retained profits

The retained profits as at 30 September 2011 and 30 June 2011 analysed as follows:-

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2011 RM'000	30/06/2011 RM'000
Total retained profits of the Company and the subsidiaries:-		
-Realised	329,539	278,296
-Unrealised	(14,587)	(8,335)
	314,952	269,961
Total share of retained profits from associated companies:		
-Realised	123,557	116,248
-Unrealised	2,199	2,512
	125,756	118,760
 Add: Consolidation adjustments	 329,053	 348,684
Total group retained profits	769,761	737,405

By Order of the Board
 Hong Leong Industries Berhad

Joanne Leong Wei Yin
 Company Secretary

Kuala Lumpur
 21 November 2011