



Hong Leong Industries

A Member of the Hong Leong Group

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Revenue	488,636	426,489	1,028,659	828,614
Cost of sales	(408,511)	(351,322)	(853,731)	(682,708)
Gross profit	80,125	75,167	174,928	145,906
Operating expenses	(46,070)	(25,541)	(89,801)	(49,582)
Other operating income	5,219	950	11,868	1,527
Operating profit	39,274	50,576	96,995	97,851
Interest income	862	606	1,516	1,168
Finance costs	(9,857)	(5,665)	(18,256)	(11,186)
Share of profit of associated companies	14,023	17,336	22,023	24,506
Profit before taxation	44,302	62,853	102,278	112,339
Taxation	(3,059)	(8,617)	(18,097)	(18,731)
Profit from continuing operations	41,243	54,236	84,181	93,608
Discontinued Operation (NI)				
Profit from discontinued operation, net of tax	-	31,996	-	63,154
Profit for the period	41,243	86,232	84,181	156,762
Profit attributable to:				
Owners of the Company	35,477	58,813	67,833	104,315
Non-controlling interests	5,766	27,419	16,348	52,447
Profit for the period	41,243	86,232	84,181	156,762
Earnings per ordinary share (sen) :-				
(a) Basic (N2)	11.51	22.48	22.00	39.88
(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 SECOND QUARTER ENDED 31 DECEMBER 2011

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Profit for the period	41,243	86,232	84,181	156,762
Foreign currency translation differences for foreign operations	1,116	(2,684)	30,344	(20,004)
Fair value gain/(loss) on available-for-sale financial assets	1,537	-	(9,772)	-
Total comprehensive income for the period	43,896	83,548	104,753	136,758
Total comprehensive income attributable to:				
Owners of the Company	38,150	55,364	88,467	86,527
Non-controlling interests	5,746	28,184	16,286	50,231
Total comprehensive income for the period	43,896	83,548	104,753	136,758

(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 (2nd 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.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER
2011

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2011 RM'000	30/06/2011 RM'000
ASSETS		
Property, plant and equipment	424,579	451,009
Investments properties	17,231	17,231
Investments in associated companies	402,240	374,985
Available-for-sale financial assets	445,579	172,993
Intangible assets	13,863	12,179
Deferred tax assets	7,813	8,960
TOTAL NON-CURRENT ASSETS	1,311,305	1,037,357
Inventories	223,193	196,082
Trade and other receivables	387,254	403,108
Tax recoverable	28,644	21,433
Assets held for sale	9,517	-
Derivative financial assets	355	228
Cash and cash equivalents	242,984	376,155
TOTAL CURRENT ASSETS	891,947	997,006
TOTAL ASSETS	2,203,352	2,034,363
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	163,953	163,953
Reserves	1,054,684	997,110
Treasury shares - at cost	(63,318)	(63,318)
	1,155,319	1,097,745
NON-CONTROLLING INTERESTS	108,928	114,157
TOTAL EQUITY	1,264,247	1,211,902
LIABILITIES		
Borrowings (unsecured)	360,000	120,000
Deferred tax liabilities	14,929	13,253
Retirement benefits	16,387	15,779
TOTAL NON-CURRENT LIABILITIES	391,316	149,032
Trade and other payables	291,301	314,025
Borrowings (unsecured)	245,187	344,846
Derivative financial liabilities	2,286	-
Tax payable	8,915	14,558
TOTAL CURRENT LIABILITIES	547,689	673,429
TOTAL LIABILITIES	939,005	822,461
TOTAL EQUITY AND LIABILITIES	2,203,352	2,034,363
Net assets per share attributable to owners of the Company (RM)	3.75	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 SECOND QUARTER ENDED 31 DECEMBER 2011**

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2011

	Attributable to owners of the Company							Total equity RM'000
	Share capital RM'000	Share premium RM'000	Non-distributable		Distributable		Total	
			Other reserves RM'000	Reserve for own shares RM'000	Treasury shares RM'000	Retained profits RM'000	Non- controlling interests RM'000	
Current year-to-date ended								
31 December 2011								
At 1 July 2011	163,953	387,096	(85,932)	(41,459)	(63,318)	737,405	114,157	1,211,902
Profit for the period	-	-	-	-	-	67,833	16,348	84,181
Other comprehensive income	-	-	30,406	-	-	-	(62)	30,344
- Foreign currency translation differences	-	-	(9,772)	-	-	-	-	(9,772)
- Loss on fair value adjustments	-	-	20,634	-	-	67,833	16,286	104,753
Total comprehensive income for the period	-	-	-	-	-	(30,835)	(14,315)	(45,150)
Dividends	-	(58)	-	-	-	-	-	(58)
Share issue expenses	-	-	-	-	-	-	(7,200)	(7,200)
Liquidation of a subsidiary	-	(58)	-	-	-	(30,835)	(21,515)	(52,408)
Total distribution to owners	-	-	10	-	-	(10)	-	-
Transfer to capital redemption reserve	-	-	-	-	-	-	-	-
At 31 December 2011	163,953	387,038	(65,288)	(41,459)	(63,318)	774,393	108,928	1,264,247

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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	Non-distributable Reserve for own shares RM'000	Share option reserve RM'000	Treasury shares RM'000	Distributable Retained profits RM'000			
Preceding year corresponding period ended 31 December 2010	140,573	586,926	(57,748)	(54,374)	442	(63,318)	835,850	1,388,351	638,094	2,026,445
At 1 July 2010	-	-	-	-	-	-	104,315	104,315	52,447	156,762
Profit for the period	-	-	(17,788)	-	-	-	-	(17,788)	(2,216)	(20,004)
Other comprehensive income	-	-	(17,788)	-	-	-	-	(17,788)	(2,216)	(20,004)
- Foreign currency translation differences	-	-	(17,788)	-	-	-	-	(17,788)	(2,216)	(20,004)
Total comprehensive income for the period	-	-	(17,788)	-	-	-	104,315	86,527	50,231	136,758
Dividends	-	-	-	-	-	-	(26,157)	(26,157)	(58,997)	(85,154)
Purchase of Trust Shares by a subsidiary	-	-	(4,080)	-	-	-	-	(4,080)	(2,570)	(6,650)
Share-based payments by a subsidiary	-	-	175	-	-	-	-	175	217	392
Total distribution to owners	-	-	(3,905)	-	-	-	(26,157)	(30,062)	(1,128)	(91,412)
Shares issued by a subsidiary	-	-	-	-	-	-	-	-	538	538
At 31 December 2010	140,573	586,926	(79,441)	(54,374)	442	(63,318)	914,008	1,444,816	627,513	2,072,329

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

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2011

	Current Year- To-Date 31/12/2011 RM'000	Preceding Year Corresponding Period 31/12/2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- From continuing operations	102,278	112,339
- From discontinued operations	-	69,634
	<u>102,278</u>	<u>181,973</u>
Adjustments for:-		
Share of profit of associated companies	(22,023)	(24,506)
Depreciation and amortisation	26,576	112,476
Non cash items	(15,377)	(1,950)
Net financing costs	16,740	12,160
Operating profit before changes in working capital	<u>108,194</u>	<u>280,153</u>
Changes in working capital		
Net change in current assets	(6,416)	(91,942)
Net change in current liabilities	(1,648)	52,824
Taxation paid	(28,131)	(15,607)
Net financing costs paid	(16,740)	(12,306)
Dividend received	7,368	2,909
Retirement benefits paid	(228)	(230)
Net cash generated from operating activities	<u>62,399</u>	<u>215,801</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(13,463)	(198,114)
Proceeds from disposal of property, plant & equipment	11,976	21,494
Acquisition of available-for-sale financial assets	(281,574)	-
Cash distribution to non-controlling shareholder	(7,200)	-
Issue of shares by a subsidiary company to non controlling shareholder	-	538
Net cash used in investing activities	<u>(290,261)</u>	<u>(176,082)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(30,835)	(26,157)
Dividend paid to non-controlling shareholders of subsidiaries	(14,315)	(58,997)
Drawdown of borrowings	379,398	202,369
Repayment of borrowings	(239,182)	(206,004)
Shares issue expenses	(58)	-
Purchase of Trust Shares	-	(6,650)
Net cash generated from/ (used in) financing activities	<u>95,008</u>	<u>(95,439)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(132,854)	(55,720)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	376,155	429,160
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(317)	(1,271)
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>242,984</u>	<u>372,169</u>

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

	31/12/2011 RM'000	31/12/2010 RM'000
Deposits, cash and bank balances	243,019	372,192
Bank overdraft	(35)	(23)
	<u>242,984</u>	<u>372,169</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

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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 31 December 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 31 December 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

During the financial year-to-date, the Company paid an interim dividend of of 4.0 sen per share less tax and 7.0 sen per share tax exempt amounting to RM31.9 million on 22 December 2011.

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	73,413	19,573	92,986

Included in the measure of segment profit are:

Revenue from external customers	648,746	374,146	1,022,892
Depreciation and amortisation	19,046	7,364	26,410

Reconciliation of reportable segment profit

Profit

Reportable segment	92,986
Non- reportable segment	4,009
Interest income	1,516
Finance costs	(18,256)
Share of profit of associated companies	22,023
Consolidated profit before taxation	<u>102,278</u>

	External revenue RM'000	Depreciation and amortization RM'000
Reportable segment	1,022,892	26,410
Non-reportable segment	5,767	166
Total	<u>1,028,659</u>	<u>26,576</u>

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;
- (d) MZ Engineering GmbH, an indirect wholly-owned subsidiary; and
- (e) 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.

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

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 RM488.6 million and profit before taxation ("PBT") of RM44.3 million as compared with a revenue of RM426.5 million and PBT of RM62.9 million recorded in the corresponding quarter of the previous financial year ended 30 June 2011 ("FY 2011").

For the financial year-to-date, the Group recorded a revenue of RM1,028.7 million and PBT of RM102.3 million as compared with a revenue of RM828.6 million and PBT of RM112.3 million in the corresponding period of FY 2011.

The aforesaid revenue and PBT for the corresponding quarter/period of FY 2011 were not inclusive of the results of Malaysian Pacific Industries Berhad ("MPI") which were 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 the quarter under review and financial year-to-date 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.

In comparison with the corresponding quarter of FY 2011, the revenue and PBT of the consumer products segment were lower mainly due to the motorcycle business which was affected by the disruption of imported parts from Thailand following the recent flood in Thailand.

In comparison with the corresponding period of FY 2011, the revenue and PBT of the consumer products segment were lower mainly due to the motorcycle business which was affected by the disruption of imported parts as mentioned above and the ceramic tiles business which was affected by the lower demand from export market as well as lower production yield in the new ceramic tiles factories.

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

For the quarter under review, the Group recorded a PBT of RM44.3 million as compared with a PBT of RM58.0 million recorded in the preceding quarter. The lower PBT of the Group was mainly due to the lower profit contribution from the consumer products business which was mainly due to the motorcycle business affected by the disruption of imported parts from Thailand. There were no material differences in the profit for industrial products business as compared with the preceding quarter.

15. Prospects

Although the economic outlook remains uncertain due to the Euro debt crisis, the Board expects the Group's performance for both the consumer products segment and industrial products segment to be satisfactory for the financial year ending 30 June 2012.

16. Profit forecast / profit guaranteed

This note is not applicable.

17. Profit before tax

	Current Year Quarter	Current Year To-date
	31/12/2011 RM'000	31/12/2011 RM'000
Profit before tax is arrived at after charging/(crediting) :-		
Gross dividend income from short term investments	(1,736)	(3,330)
Depreciation and amortization	13,201	26,576
Reversal of impairment loss on trade receivables	(407)	(430)
Inventories written back	(990)	(754)
Gain on foreign exchange	(2,067)	(988)
Fair value loss on derivative instruments	965	2,155
Negative goodwill realised on liquidation of a subsidiary	(1,120)	-
(Gain)/loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of property, plant and equipment	-	-

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18. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- to-date	Preceding Year Corresponding Period
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Continuing operations				
Current tax				
Malaysian - current year	2,252	8,602	15,568	18,704
- prior years	(305)	-	83	-
Overseas – current year	17	-	17	-
	<u>1,964</u>	<u>8,602</u>	<u>15,668</u>	<u>18,704</u>
Deferred tax				
Malaysian - current year	851	15	1,311	27
- prior years	244	-	1,118	-
	<u>1,095</u>	<u>15</u>	<u>2,429</u>	<u>27</u>
Income tax attributable to continuing operations	3,059	8,617	18,097	18,731
Income tax attributable to discontinued operations	-	2,848	-	6,480
	<u>3,059</u>	<u>11,465</u>	<u>18,097</u>	<u>25,211</u>

The Group's effective tax rate for the financial year to-date is lower than the statutory tax rate due mainly to non taxable income.

19. **Corporate Proposals**

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

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

Particulars of the Group's borrowings and debt securities as at 31 December 2011 are as follows:-

	RM'000
(i) Unsecured short term borrowings	245,187
(ii) Unsecured long term borrowings	360,000
	<u>605,187</u>

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

USD	60,000
VND	<u>6,304</u>

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21. Changes in Material Litigation

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

22. Dividend

- (a) The Board does not recommend any interim dividend for the quarter ended 31 December 2011 of the financial year ending 30 June 2012 (2nd quarter 2010/2011: Nil).
- (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 and paid.

23. 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 RM35,477,000 (2nd quarter 2010/2011: RM58,813,000) and the weighted average number of ordinary shares during the quarter of 308,356,000 (2nd quarter 2010/2011: 261,574,000).

The calculation of 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 RM67,833,000 (2010/2011: RM104,315,000) and the weighted average number of ordinary shares during the period of 308,356,000 (2010/2011: 261,574,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2011 '000	Preceding Year Corresponding Quarter 31/12/2010 '000	Current Year- To-Date 31/12/2011 '000	Preceding Year Corresponding Period 31/12/2010 '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 and financial year-to-date 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/period 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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24. Realised and unrealised profits /losses included in retained profits

The retained profits as at 31 December 2011 and 30 June 2011 analysed as follows:-

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2011 RM'000	30/06/2011 RM'000
Total retained profits of the Company and the subsidiaries:-		
-Realised	388,524	279,410
-Unrealised	(11,765)	(9,129)
	<u>376,759</u>	<u>270,281</u>
Total share of retained profits from associated companies:		
-Realised	134,430	116,251
-Unrealised	2,326	2,512
	<u>136,756</u>	<u>118,763</u>
Add: Consolidation adjustments	260,878	348,361
Total group retained profits	<u>774,393</u>	<u>737,405</u>

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
9 February 2012