

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Restated Preceding Year Corresponding Quarter	Current Year - To -Date	Restated Preceding Year Corresponding Period
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Revenue	551,715	488,636	1,107,946	1,028,659
Cost of sales	(451,718)	(403,160)	(914,918)	(842,771)
Gross profit	99,997	85,476	193,028	185,888
Operating expenses	(56,480)	(51,412)	(111,338)	(100,744)
Other operating income	2,734	5,219	13,252	11,868
Operating profit	46,251	39,283	94,942	97,012
Interest income	517	862	1,136	1,516
Finance costs	(15,155)	(9,857)	(27,724)	(18,256)
Share of profit in associated companies	17,257	14,795	25,161	23,567
Profit before taxation	48,870	45,083	93,515	103,839
Taxation	(7,203)	(3,059)	(18,621)	(18,097)
Profit for the period	41,667	42,024	74,894	85,742
Profit attributable to:				
Owners of the Company	32,026	36,258	52,578	69,394
Non-controlling interests	9,641	5,766	22,316	16,348
Profit for the period	41,667	42,024	74,894	85,742
Earnings per ordinary share (sen) :-				
(a) Basic	10.39	11.76	17.06	22.51
(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 2012.

HONG LEONG INDUSTRIES BERHAD (5486-P)**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012**

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Restated Preceding Year Corresponding Quarter	Current Year - To-Date	Restated Preceding Year Corresponding Period
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Profit for the period	41,667	42,024	74,894	85,742
Foreign currency translation differences for foreign operations	8,577	1,116	(8,279)	30,344
Fair value gain/(loss) on available-for-sale financial assets	10,341	1,537	11,887	(9,772)
Total comprehensive income for the period	60,585	44,677	78,502	106,314
Total comprehensive income attributable to:				
Owners of the Company	50,944	38,931	56,063	90,028
Non-controlling interests	9,641	5,746	22,439	16,286
Total comprehensive income for the period	60,585	44,677	78,502	106,314

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2012.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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ENDED 31 DECEMBER 2012

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	As At End of Current Quarter 31/12/2012 RM'000	Restated As At End of Preceding Financial Year 30/06/2012 RM'000	As At Beginning of Preceding Financial Year 01/07/2011 RM'000
ASSETS			
Property, plant and equipment	408,805	404,469	449,930
Investment properties	2,231	2,231	17,231
Investments in associated companies	309,442	291,665	273,600
Available-for-sale financial assets	751,820	471,109	172,993
Intangible assets	13,664	14,347	12,179
Deferred tax assets	8,705	8,609	8,960
TOTAL NON-CURRENT ASSETS	1,494,667	1,192,430	934,893
Inventories	230,399	220,747	196,082
Trade and other receivables	417,177	446,595	403,108
Current tax assets	15,849	14,417	21,433
Assets held for sale	38,513	48,030	-
Derivative financial assets	20	439	228
Cash and cash equivalents	243,398	215,617	376,155
TOTAL CURRENT ASSETS	945,356	945,845	997,006
TOTAL ASSETS	2,440,023	2,138,275	1,931,899
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	163,953	163,953	163,953
Reserves	1,007,021	981,793	894,646
Treasury shares - at cost	(63,318)	(63,318)	(63,318)
	1,107,656	1,082,428	995,281
NON-CONTROLLING INTERESTS	108,573	102,767	114,157
TOTAL EQUITY	1,216,229	1,185,195	1,109,438
LIABILITIES			
Borrowings (unsecured)	690,163	418,663	120,000
Deferred tax liabilities	10,401	10,414	13,253
Retirement benefits	18,338	17,809	15,779
TOTAL NON-CURRENT LIABILITIES	718,902	446,886	149,032
Trade and other payables	339,547	346,041	314,025
Borrowings (unsecured)	143,656	144,731	344,846
Derivative financial liabilities	1,645	2,285	-
Tax payable	20,044	13,137	14,558
TOTAL CURRENT LIABILITIES	504,892	506,194	673,429
TOTAL LIABILITIES	1,223,794	953,080	822,461
TOTAL EQUITY AND LIABILITIES	2,440,023	2,138,275	1,931,899
Net assets per share attributable to owners of the Company (RM)	3.59	3.51	3.23

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2012.

HONG LEONG INDUSTRIES BERHAD (5486-P)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012

	←----- Attributable to owners of the Company -----→									
	←----- Non-distributable -----→						Distributable			
	Share capital	Share premium	Exchange equalisation reserve	Other reserves	Reserve for own shares	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
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 2012										
At 1 July 2012 – previously reported	163,953	387,038	(86,068)	20,183	(41,459)	(63,318)	801,441	1,181,770	102,767	1,284,537
Effect of MFRS 1 adoption	-	-	104,343	-	-	-	(203,685)	(99,342)	-	(99,342)
At 1 July 2012 – restated	163,953	387,038	18,275	20,183	(41,459)	(63,318)	597,756	1,082,428	102,767	1,185,195
Profit for the period	-	-	-	-	-	-	52,578	52,578	22,316	74,894
Other comprehensive (expense)/ income										
- Foreign currency translation differences	-	-	(8,402)	-	-	-	-	(8,402)	123	(8,279)
- Gain on fair value adjustments	-	-	-	11,887	-	-	-	11,887	-	11,887
Total comprehensive (expense)/ income for the period	-	-	(8,402)	11,887	-	-	52,578	56,063	22,439	78,502
Dividends	-	-	-	-	-	-	(30,835)	(30,835)	(16,633)	(47,468)
Transfer to capital redemption reserve	-	-	-	39	-	-	(39)	-	-	-
At 31 December 2012	163,953	387,038	9,873	32,109	(41,459)	(63,318)	619,460	1,107,656	108,573	1,216,229

HONG LEONG INDUSTRIES BERHAD (5486-P)
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The figures have not been audited
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2012 (cont'd)

	←----- Attributable to owners of the Company -----→									
	←----- Non-distributable -----→						Distributable			
	Share capital	Share premium	Exchange equalisation reserve	Other reserves	Reserve for own shares	Treasury shares	Retained earnings	Total	Non- controlling interests	Total equity
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 2011										
At 1 July 2011 – previously reported	163,953	387,096	(104,343)	18,411	(41,459)	(63,318)	737,405	1,097,745	114,157	1,211,902
Effect of MFRS 1 adoption	-	-	104,343	-	-	-	(206,807)	(102,464)	-	(102,464)
At 1 July 2011 – restated	163,953	387,096	-	18,411	(41,459)	(63,318)	530,598	995,281	114,157	1,109,438
Profit for the period	-	-	-	-	-	-	69,394	69,394	16,348	85,742
Other comprehensive income/(expense)										
- Foreign currency translation differences	-	-	30,406	-	-	-	-	30,406	(62)	30,344
- Gain on fair value adjustments	-	-	-	(9,772)	-	-	-	(9,772)	-	(9,772)
Total comprehensive income/(expense) for the period	-	-	30,406	(9,772)	-	-	69,394	90,028	16,286	106,314
Dividends	-	-	-	-	-	-	(30,835)	(30,835)	(14,315)	(45,150)
Share issue expenses	-	(58)	-	-	-	-	-	(58)	-	(58)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	(7,200)	(7,200)
Total distribution to owners	-	(58)	-	-	-	-	(30,835)	(30,893)	(21,515)	(52,408)
Transfer to capital redemption reserve	-	-	-	10	-	-	(10)	-	-	-
At 31 December 2011 - restated	163,953	387,038	30,406	8,649	(41,459)	(63,318)	569,147	1,054,416	108,928	1,163,344

Dividends received by the ESOS Trust amounted to RM1,112,000 (2011/2012: RM1,112,000) are eliminated against the dividend expense of the Company following the consolidation of ESOS 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 2012

HONG LEONG INDUSTRIES BERHAD (5486-P)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2012

	Current Year- To-Date 31/12/2012 RM'000	Restated Preceding Year Corresponding Period 31/12/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	93,515	103,839
Adjustments for:-		
Share of profit of associated companies	(25,161)	(23,567)
Depreciation and amortisation	25,046	26,559
Non cash items	(14,616)	(15,377)
Net financing costs	26,588	16,740
Operating profit before changes in working capital	105,372	108,194
Changes in working capital		
Net change in current assets	22,138	(6,416)
Net change in current liabilities	(14,726)	(1,648)
Taxation paid	(13,254)	(28,131)
Net financing costs paid	(26,588)	(16,740)
Dividend received	15,543	7,368
Retirement benefits paid	(338)	(228)
Net cash generated from operating activities	88,147	62,399
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(31,222)	(13,463)
Proceeds from disposal of property, plant & equipment	2,146	11,976
Proceed from disposal of asset held for sale	16,946	-
Acquisition of available-for-sale financial assets	(270,000)	(281,574)
Cash distribution to non-controlling shareholder	-	(7,200)
Net cash used in investing activities	(282,130)	(290,261)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(30,835)	(30,835)
Dividend paid to non-controlling shareholders of subsidiaries	(16,633)	(14,315)
Drawdown of borrowings	371,136	379,398
Repayment of borrowings	(100,643)	(239,182)
Shares issue expenses	-	(58)
Net cash generated from financing activities	233,025	95,008
NET CHANGE IN CASH AND CASH EQUIVALENTS	29,042	(132,854)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	215,617	376,155
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,261)	(317)
CASH & CASH EQUIVALENTS AT END OF PERIOD	243,398	242,984

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

	31/12/2012 RM'000	31/12/2011 RM'000
Deposits, cash and bank balances	243,398	243,019
Bank overdraft	-	(35)
	243,398	242,984

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2012

HONG LEONG INDUSTRIES BERHAD (5486-P)
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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 2012. This interim financial report also complies with International Accounting Standards (“IAS”) 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 2012 except for the following transitional exemptions arising from the adoption of MFRS:

a) Foreign currency translation reserve

Foreign currency differences were previously recognised in other comprehensive income and accumulated in the foreign currency translation reserve (“FCTR”). As at the date of transition to MFRS 1, the cumulative amounts in the FCTR were reclassified to the retained earnings of the Group.

b) Property, plant and equipment

As at the date of transition to MFRS 1, certain property, plant & equipment previously stated at cost were fair valued and their fair values were regarded as deemed cost. The relevant differences were recognised to the retained earnings.

c) Investment properties

Investment properties were previously accounted for using fair value model where investment properties were initially measured at cost and subsequently at fair value with any change therein recognised in the profit or loss for the period in which they arose. The Group has elected to measure its investment properties using the cost model. As at the date of transition to MFRS 1, the fair value of the investment properties were regarded as deemed cost. However, this change in policy has not resulted in any financial impact on the interim financial report of the Group.

HONG LEONG INDUSTRIES BERHAD (5486-P)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012

The figures have not been audited

1. Basis of preparation (cont'd)

The reconciliations of the financial statements for the comparative periods are as follows:

Condensed Consolidated Statements of Comprehensive Income

Reconciliation of the affected financial caption reported for the preceding year comparative quarter ended 31 December 2011

	As previously reported at 31/12/2011	Effect of adoption of MFRS				As restated at 31/12/2011
	RM'000	RM'000 Note ⁽ⁱ⁾	RM'000 Note 1(a)	RM'000 Note 1(b)	RM'000 Note 1(c)	RM'000
Operating profit	39,274	-	-	9	-	39,283
Share of profit in associated companies	14,023	772	-	-	-	14,795
Profit before taxation	44,302	772	-	9	-	45,083
Profit for the period	41,243	772	-	9	-	42,024

Reconciliation of the affected financial caption reported for the preceding year comparative period ended 31 December 2011

	As previously reported at 31/12/2011	Effect of adoption of MFRS				As restated at 31/12/2011
	RM'000	RM'000 Note ⁽ⁱ⁾	RM'000 Note 1(a)	RM'000 Note 1(b)	RM'000 Note 1(c)	RM'000
Operating profit	96,995	-	-	17	-	97,012
Share of profit in associated companies	22,023	1,544	-	-	-	23,567
Profit before taxation	102,278	1,544	-	17	-	103,839
Profit for the period	84,181	1,544	-	17	-	85,742

HONG LEONG INDUSTRIES BERHAD (5486-P)**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2012**

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1. Basis of preparation (cont'd)

The reconciliation of the financial statements for the comparative periods are as follows: (cont'd)

Condensed Consolidated Statements of Changes in Equity

Reconciliation of the affected financial caption reported as at 31 December 2011

	As previously reported at 31/12/2011 RM'000	Effect of adoption of MFRS				As restated at 31/12/2011 RM'000
		RM'000 Note ⁽ⁱ⁾	RM'000 Note 1(a)	RM'000 Note 1(b)	RM'000 Note 1(c)	
Exchange equalisation reserves	(73,937)	-	104,343	-	-	30,406
Retained earnings	774,393	(99,841)	(104,343)	(1,062)	-	569,147

Note ⁽ⁱ⁾ An associate of the Group had on the date of transition to MFRS 1, fair valued certain of its PPE and regarded them as deemed cost and adjusted foreign exchange losses that were previously capitalised into certain of its PPE. These related differences were adjusted to the associate's retained earnings and the Group had on even date, accounted for its share of these differences via its retained earnings accordingly. Adjustments on depreciation saving subsequent to the date of transition to MFRS1 have been adjusted accordingly via the Group's profit or loss.

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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) The total number of shares bought back as at 31 December 2012 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 2012 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 10.0 sen per share tax exempt amounting to RM31.9 million on 28 December 2012.

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	74,394	10,960	85,354
Included in the measure of segment profit are:			
Revenue from external customers	724,605	375,984	1,100,589
Depreciation and amortisation	18,383	6,607	24,990
Reconciliation of reportable segment profit			
Profit			
Reportable segment			85,354
Non-reportable segment			9,588
Interest income			1,136
Finance costs			(27,724)
Share of profit of associated companies			25,161
Consolidated profit before taxation			<u>93,515</u>
		External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment		1,100,589	24,990
Non-reportable segment		7,357	56
Total		<u>1,107,946</u>	<u>25,046</u>

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) 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;
- (e) Century Touch Sdn Bhd ("CT") (formerly known as Guocera Tile Industries (Labuan) Sdn Bhd), a 70% indirect-owned subsidiary; and

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) Prester Sdn Bhd ("Prester"), a wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The joint liquidators of Prester have convened a Final Meeting to conclude the Member's Voluntary Liquidation of Prester and accordingly, Prester will be dissolved on 7 March 2013.

iii) Guocera Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, has, on 15 October 2012, entered into a Sale of Charter Capital Agreement ("Agreement") with Mr Luru Thành Trung (the "Purchaser"), a Vietnamese citizen, to dispose of its entire 97% interest in Guocera Tile Industries (Vietnam) Co., Ltd ("GTI(V)") to the Purchaser for a total cash consideration of USD370,000 ("Disposal"). The Disposal has been completed on 23 January 2013 and accordingly, GTI(V) ceased to be an indirect subsidiary of the Company.

11. Review of Performance

For the quarter under review, the Group recorded a revenue of RM551.7 million as compared with a revenue of RM488.6 million in the corresponding quarter of the preceding year ended 30 June 2012 ("FY 2012"). The Group recorded a 8% improvement in profit before taxation ("PBT") for the quarter under review as compared with the corresponding quarter of the preceding year, mostly contributed by the higher revenue and better margins from the consumer products.

For the financial year-to-date, the Group recorded a revenue of RM1,107.9 million, which was 8% higher than the corresponding period of FY 2012. However, PBT for the financial year-to-date of RM93.5 million was 10% lower than the RM103.8 million recorded in the corresponding period of FY 2012, mainly due to lower operating margins in first quarter of the current financial year ending 30 June 2013 ("FY 2013"). Operating margins in the first quarter of FY 2013 for both the consumer and industrial products were affected by higher production costs and unfavourable foreign exchange rates.

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

For the quarter under review, the Group recorded a PBT of RM48.9 million as compared with a PBT of RM44.6 million recorded in the preceding quarter, despite a marginal decline in revenue. This was mainly due to better operating margins and higher profit from the associated companies in the quarter under review.

13. Prospects

Barring any unforeseen circumstances, 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 2013.

14. Profit forecast / profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter	Current Year To-date
	31/12/2012 RM'000	31/12/2012 RM'000
Profit before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(3,238)	(7,358)
Depreciation and amortisation	12,631	25,046
Allowance for impairment loss on trade receivables	352	963
Inventories written off	1,749	454
Gain on foreign exchange	(1,446)	(2,307)
Fair value gain on derivative instruments	(670)	(221)
Impairment of property, plant and equipment	-	-
(Gain)/loss on disposal of quoted or unquoted investments or properties	-	-

HONG LEONG INDUSTRIES BERHAD (5486-P)

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The figures have not been audited

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
Continuing operations				
Current taxation				
Malaysian - current year	7,185	2,252	18,594	15,568
- prior years	-	(305)	42	83
Overseas - current year	18	17	94	17
	<u>7,203</u>	<u>1,964</u>	<u>18,730</u>	<u>15,668</u>
Deferred taxation				
Malaysian - current year	-	851	-	1,311
- prior years	-	244	(109)	1,118
	<u>-</u>	<u>1,095</u>	<u>(109)</u>	<u>2,429</u>
	<u>7,203</u>	<u>3,059</u>	<u>18,621</u>	<u>18,097</u>

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

17. Corporate Proposals

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

Hong Leong Industries Berhad ("the Company" or "HLI") has, on 10 August 2012, announced that the Company proposed to undertake the following:

- (a) terminate the existing executive share option scheme ("ESOS") of HLI, which was established in year 2006 and will expire in year 2016 ("Termination"); and
- (b) establish a new ESOS of up to 10% of the issued and paid-up share capital of HLI (excluding treasury shares) ("New ESOS")

(Termination and New ESOS are collectively referred to as the "Proposals").

The Proposals were approved by shareholders of HLI at its Annual General Meeting held on 16 October 2012.

Bursa Securities Malaysia Berhad has, via its letter dated 11 September 2012, approved the listing of such number of additional new ordinary shares of RM0.50 each, representing up to 10% of the issued and paid-up share capital of HLI, to be issued pursuant to the exercise of options under the New ESOS.

Barring any unforeseen circumstances, the Company expects to implement the Proposals by the first quarter of year 2013.

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The figures have not been audited

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

Particulars of the Group's borrowings and debt securities as at 31 December 2012 are as follows:-

	RM'000
(i) Unsecured short term borrowings	143,656
(ii) Unsecured long term borrowings	690,163
	<u>833,819</u>

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

	RM'000
USD	60,000
VND	<u>2,058</u>

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 2012 of the financial year ending 30 June 2013 (2nd quarter 2011/2012: Nil).
- (b) For the financial year-to-date, dividend of 10.0 sen per share tax exempt (2011/2012: 4.0 sen per share less tax and 7.0 sen per share tax exempt) has been declared and paid.

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 RM32,026,000 (2nd quarter 2011/2012 (restated): RM36,258,000) and the weighted average number of ordinary shares during the quarter of 308,356,000 (2nd quarter 2011/2012: 308,356,000).

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 RM52,578,000 (2011/2012 (restated): RM69,394,000) and the weighted average number of ordinary shares during the period of 308,356,000 (2011/2012: 308,356,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2012 '000	Preceding Year Corresponding Quarter 31/12/2011 '000	Current Year- To-Date 31/12/2012 '000	Preceding Year Corresponding Period 31/12/2011 '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)
Trust Shares held at beginning of period	(11,117)	(11,117)	(11,117)	(11,117)
Weighted average number of ordinary shares (basic)	<u>308,356</u>	<u>308,356</u>	<u>308,356</u>	<u>308,356</u>

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21. Earnings Per Ordinary Share (cont'd)

(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.

22. Realised and unrealised profits /losses included in retained earnings

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

	As At End of Current Quarter	Restated As At End of Preceding Financial Year
	31/12/2012 RM'000	30/06/2012 RM'000
Total retained earnings of the Company and the subsidiaries:-		
- realised	287,927	360,113
- unrealised	15,557	21,231
	<hr/> 303,484	<hr/> 381,344
Total share of retained earnings of associated companies:		
- realised	57,502	40,099
- unrealised	(2,794)	(731)
	<hr/> 54,708	<hr/> 39,368
Add: Consolidation adjustments	261,268	177,044
Group retained earnings	<hr/> 619,460	<hr/> 597,756

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
31 January 2013