



# Hong Leong Industries

A Member of the Hong Leong Group

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2010

The figures have not been audited

### CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2010

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
<b>Revenue</b>	717,687	549,126	2,106,848	2,058,157
Cost of sales	(601,918)	(516,048)	(1,770,574)	(1,799,536)
<b>Gross profit</b>	115,769	33,078	336,274	258,621
Operating expenses	(40,086)	(38,881)	(122,645)	(124,016)
Other operating income/(expenses)	11,264	(48,225)	12,139	(78,460)
<b>Operating profit/(loss)</b>	86,947	(54,028)	225,768	56,145
Interest income	1,204	1,492	2,639	5,711
Finance costs	(5,910)	(8,278)	(17,627)	(28,573)
Share of profit of associated companies	15,275	15,493	37,978	26,013
<b>Profit/(loss) before taxation</b>	97,516	(45,321)	248,758	59,296
Taxation	(16,014)	(6,762)	(37,039)	(27,591)
<b>Profit/(loss) for the period</b>	81,502	(52,083)	211,719	31,705
<b>Attributable to:</b>				
Equity holders of the parent	52,386	(16,279)	143,357	46,952
Minority interests	29,116	(35,804)	68,362	(15,247)
<b>Profit/(loss) for the period</b>	81,502	(52,083)	211,719	31,705
<b>Earnings/(loss) per ordinary share (sen) :-</b>				
(a) Basic	20.03	(6.22)	54.81	17.95
(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 2009.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2010**

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/03/2010 RM'000	30/06/2009 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	1,310,697	1,300,242
Prepaid lease payments	35,670	36,977
Investments in associated companies	401,689	387,084
Other investments	60	56
Intangible assets	470,681	482,732
Deferred tax assets	877	877
	<u>2,219,674</u>	<u>2,207,968</u>
<b>Current assets</b>		
Inventories	181,891	177,236
Trade and other receivables	471,626	425,983
Tax recoverable	8,871	17,148
Short term investments	-	4
Deposits, cash and bank balances	365,559	261,008
	<u>1,027,947</u>	<u>881,379</u>
<b>TOTAL ASSETS</b>	<u>3,247,621</u>	<u>3,089,347</u>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	140,573	140,573
Reserves	1,287,655	1,191,539
Treasury shares - at cost	(63,314)	(63,309)
	<u>1,364,914</u>	<u>1,268,803</u>
<b>Minority interests</b>	629,561	590,410
<b>TOTAL EQUITY</b>	<u>1,994,475</u>	<u>1,859,213</u>
<b>Non-current liabilities</b>		
Borrowings (unsecured)	399,754	377,117
Deferred tax liabilities	71,429	65,198
Retirement benefits	12,999	12,369
	<u>484,182</u>	<u>454,684</u>
<b>Current liabilities</b>		
Trade and other payables	406,563	350,775
Borrowings (unsecured)	344,351	413,207
Taxation	18,050	11,468
	<u>768,964</u>	<u>775,450</u>
<b>TOTAL LIABILITIES</b>	<u>1,253,146</u>	<u>1,230,134</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>3,247,621</u>	<u>3,089,347</u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	5.22	4.85

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2010**

	Attributable to equity holders of the parent								Total equity	
	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares	Total		Minority interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current year-to date ended</b>										
<b>31 March 2010</b>										
<b>At 1 July 2009</b>	140,573	586,926	(28,479)	(54,374)	1,068	686,398	(63,309)	1,268,803	590,410	1,859,213
Profit for the period	-	-	-	-	-	143,357	-	143,357	68,362	211,719
Dividend paid	-	-	-	-	-	(18,310)	-	(18,310)	(22,020)	(40,330)
Foreign currency translation differences	-	-	(27,326)	-	-	-	-	(27,326)	(5,409)	(32,735)
Purchase of treasury shares	-	-	-	-	-	-	(5)	(5)	-	(5)
Transfer to capital redemption reserves	-	-	61	-	-	(61)	-	-	-	-
Share-based payments	-	-	(1,699)	-	94	-	-	(1,605)	(1,782)	(3,387)
<b>At 31 March 2010</b>	<b>140,573</b>	<b>586,926</b>	<b>(57,443)</b>	<b>(54,374)</b>	<b>1,162</b>	<b>811,384</b>	<b>(63,314)</b>	<b>1,364,914</b>	<b>629,561</b>	<b>1,994,475</b>

**HONG LEONG INDUSTRIES BERHAD (5486-P)  
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2010 (Cont'd)**

	Attributable to equity holders of the parent										Total equity
	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares	Total	Minority 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 March 2009	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062	
At 1 July 2008	-	-	-	-	-	46,952	-	46,952	(15,247)	31,705	
Profit/(loss) for the period	-	-	-	-	-	(13,079)	-	(13,079)	(18,954)	(32,033)	
Dividend paid	-	-	-	-	-	-	-	-	6,868	23,967	
Foreign currency translation differences	-	-	17,099	-	-	-	-	17,099	-	(2,119)	
Purchase of Trust Shares	-	-	-	(2,119)	-	-	-	(2,119)	-	(4)	
Purchase of treasury shares	-	-	-	-	-	-	(4)	(4)	-	-	
Transfer to capital redemption reserves	-	-	4	-	-	(4)	-	-	-	-	
Transfer to capital reserves	-	-	312	-	-	(312)	-	-	-	-	
Capital injection by minority shareholders in a subsidiary company	-	-	-	-	-	-	-	-	82	82	
Share-based payments	-	-	554	-	(403)	858	-	1,009	346	1,355	
<b>At 31 March 2009</b>	<b>140,573</b>	<b>586,926</b>	<b>(27,360)</b>	<b>(54,374)</b>	<b>1,385</b>	<b>678,631</b>	<b>(63,306)</b>	<b>1,262,475</b>	<b>608,540</b>	<b>1,871,015</b>	

Dividends received by the Executive Share Option Scheme ("ESOS") Trust amounted to RM 780,000 (2008/2009: RM 557,000) 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 2009.**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010**

	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2010 RM'000	31/03/2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	248,758	59,296
Adjustments for:-		
Share of profit of associated companies	(37,978)	(26,013)
Depreciation and amortisation	177,613	202,664
Non cash items	12,361	(4,562)
Net financing costs	14,988	22,862
Operating profit before changes in working capital	415,742	254,247
Changes in working capital		
Net change in current assets	(80,420)	138,834
Net change in current liabilities	67,308	(77,969)
Net income taxes paid	(15,950)	(29,886)
Net financing costs paid	(14,988)	(22,862)
Other operating income received	6,078	82
<b>Net cash generated from operating activities</b>	<b>377,770</b>	<b>262,446</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equity investments	-	24,441
Purchase of property, plant & equipment	(192,243)	(127,381)
<b>Net cash used in investing activities</b>	<b>(192,243)</b>	<b>(102,940)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to equity holders of the Company	(18,310)	(13,079)
Dividend paid to minority shareholders of subsidiaries	(22,020)	(18,954)
Net repayments of borrowings	(39,355)	(181,099)
Purchase of treasury shares	(10)	(10)
Purchase of Trust Shares	-	(2,119)
<b>Net cash used in financing activities</b>	<b>(79,695)</b>	<b>(215,261)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>105,832</b>	<b>(55,755)</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>261,008</b>	<b>267,975</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(1,298)</b>	<b>2,178</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>365,542</b>	<b>214,398</b>
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	31/03/2010 RM'000	31/03/2009 RM'000
Deposits, cash and bank balances	365,559	214,427
Bank overdraft	(17)	(29)
	<b>365,542</b>	<b>214,398</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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**1. Basis of preparation**

The interim financial report is unaudited and had been prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and the applicable disclosure provisions of the 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 2009.

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 2009.

On 1 July 2009, the Group had adopted FRS 8 Operating Segments. The adoption of FRS 8 does not had any financial impact on the financial statements of the Group.

The Group had not applied all the Amendments to FRSSs, FRSSs and IC Interpretations that had been issued by the Malaysian Accounting Standard Board ("MASB") but are not yet effective.

FRS 4, FRS120, FRS129, FRS131, FRS140, IC Interpretation 12,13,14,15,16 and 17 are not applicable to the Group and hence, no further disclosure is required.

The Group plans to adopt the other Amendments to FRSSs, FRSSs and IC Interpretations for the financial year ending 30 June 2011.

The financial impact on the financial statements of the Group resulting from the adoption of FRS 7 and FRS 139 upon first adoption of these FRSSs as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemptions given in the respective FRSSs.

The first adoption of the other Amendments to FRSSs, FRSSs and IC Interpretations are not expected to have any material 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 had been no material seasonal or cyclical factors 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.

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

- (a) There were no share buy back during the quarter under review. During the financial year-to-date, the Company bought back 1,000 of its own shares from the open market for a total consideration of RM4,400. The total number of shares bought back as at 31 March 2010 was 8,431,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.
- (b) During the quarter under review, 40% of the vested conditional incentive share options (“Options”) over 2,000,000 ordinary shares of RM0.50 each in HLI, ie 800,000 Options had lapsed. As at 31 March 2010, a total of 1,600,000 Options had lapsed and the balance of the Options vested to the eligible executives of the Group was 400,000.

There were no share options granted during the quarter under review and financial year-to-date.

- (c) There were no additional shares purchased by the trust set up for the ESOS (“ESOS Trust”) during the quarter under review. The total number of shares purchased by the ESOS Trust (“Trust Shares”) as at 31 March 2010 was 11,139,800 shares.

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

**7. Dividend paid**

During the financial year-to-date, the Company paid a first interim dividend of 7.0 sen per share tax exempt amounting to RM19.1 million on 21 December 2009.

**8. Operating Segments**

The Group’s segmental report for the financial year-to-date is as follows:-

	Semi- conductor RM’000	Motorcycles RM’000	Building materials RM’000	Others RM’000	Total RM’000
<b>Revenue</b>					
External sales	1,012,575	604,018	488,516	1,739	2,106,848
<b>Results</b>					
Segment results	95,708	95,453	34,019	(9,633)	215,547
Unallocated income					10,221
<b>Operating profit</b>					225,768
Interest income					2,639
Finance costs					(17,627)
Share of profit of associated companies					37,978
<b>Profit before taxation</b>					248,758
Taxation					(37,039)
<b>Profit for the period</b>					211,719

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

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

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**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.

**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:-

- (i) Guocera Holdings Sdn Bhd (“GHSB”), a wholly-owned subsidiary of the Company on 26 March 2010, entered into a joint venture (“JV”) contract with Infrastructure Development And Construction Corporation (“LICOGI”) to form a JV company to be known as Guocera Tile Industries (Vietnam) Co., Ltd. (“GTI(V”). Subsequent to the establishment of GTI(V), GTI(V) shall acquire and operate a factory (“Factory”) located in Dong Nai Province, Vietnam, and which is currently involved in the production of porcelain tiles.

The proposed JV is subject to the issuance of an Investment Certificate by the Licensing Authority.

- (ii) The following Company’s subsidiaries had 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) Kilatas Sdn Bhd, 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.

**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 and profit before taxation (“PBT”) of RM717.7 million and RM97.5 million respectively as compared with a revenue and loss before taxation of RM549.1 million and RM45.3 million respectively recorded in the corresponding quarter of the preceding year (“FY2009”). The higher PBT was mainly attributable to the improvement in profits of the semiconductor business in line with the higher sales achieved.

For the financial year-to-date, the Group recorded a revenue and PBT of RM2,106.8 million and RM248.8 million respectively as compared with a revenue and PBT of RM2,058.2 million and RM59.3 million respectively recorded in the corresponding period of FY2009. The increase in PBT was mainly attributable to the improvement in profits of the semiconductor business.



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

The Group recorded a PBT of RM97.5 million for the quarter under review as compared with a PBT of RM83.6 million for the preceding quarter. The higher PBT was mainly attributable to the improvement in profits of the semiconductor business due mainly to the higher revenue achieved 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 2010.

**16. Profit forecast / profit guaranteed**

This note is not applicable.

**17. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
Current tax				
Malaysian				
- current	11,605	6,127	28,961	21,394
- prior years	1,743	-	1,783	28
Overseas				
- current	-	(5)	65	517
- prior years	-	-	-	(412)
	13,348	6,122	30,809	21,527
Deferred tax				
Malaysia - current	2,666	640	6,230	6,064
	2,666	640	6,230	6,064
	16,014	6,762	37,039	27,591

The Group's effective tax rate is lower than the statutory tax rate due mainly to tax incentives / allowances granted to certain subsidiaries.

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

There were no sales of unquoted investments and/or properties for the quarter under review and financial year-to-date.

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**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.

(b) Particulars of investments in quoted securities as at 31 March 2010:-

	<b>RM'000</b>
Other investment	
At cost	27
At book value	4
At market value	8

**20. Corporate Proposals**

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

The Company had, on 18 May 2010, announced that the Company proposed to undertake a medium term note ("MTN") programme involving the issuance of up to RM600.0 million nominal value MTNs ("Proposed MTN Programme"). The proceeds raised from the Proposed MTN Programme will be utilised for investments and working capital purposes. The Proposed MTN Programme is subject to the approval of the Securities Commission.

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

Particulars of the Group's borrowings and debt securities as at 31 March 2010 are as follows:-

	<b>RM'000</b>
(i) Unsecured short term borrowings	344,351
(ii) Unsecured long term borrowings	399,754
	<u>744,105</u>

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

USD borrowings	<u>93,964</u>
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**22. Financial Instruments with Off Balance Sheet Risk**

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest 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 financial instruments with off balance sheet risk as at 31 March 2010 are as follows:-

	<b>Contract amount</b> <b>RM'000</b>
Foreign exchange forward contracts	<u>58,975</u>

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**22. Financial Instruments with Off Balance Sheet Risk (Cont'd)**

The above contracts are maturing within a period of 6 months.

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

Gains and losses on foreign exchange forward contracts are recognised in the income statements upon realisation.

**23. Changes in Material Litigation**

There is no material litigation as at the date of this report.

**24. Dividend**

(a) The Board had declared a second interim dividend of 10.0 sen per share tax exempt for the quarter ended 31 March 2010 of the financial year ending 30 June 2010 (3<sup>rd</sup> quarter 2008/2009 : 5.0 sen per share tax exempt ) to be paid on 28 June 2010 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 11 June 2010.

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 11 June 2010 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, a total dividend of 17.0 sen per share tax exempt had been declared (2008/2009: 10.0 sen per share tax exempt).

**25. Earnings Per Ordinary Share**

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share for the quarter under review is based on the profit attributable to equity holders of the parent of RM52,386,000 (3<sup>rd</sup> quarter 2008/2009: loss attributable to equity holders of the parent of RM16,279,000) and the weighted average number of ordinary shares during the quarter of 261,575,000 (2008/2009: 261,577,000).

The calculation of basic earnings per ordinary share for the financial year-to-date is based on the profit attributable to equity holders of the parent of RM143,357,000 (2008/2009: RM46,952,000) and the weighted average number of ordinary shares during the period of 261,575,000 (2008/2009: 261,611,000).

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25. **Earnings Per Ordinary Share (Cont'd)**

*Weighted average number of ordinary shares*

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2010 '000	31/03/2009 '000	31/03/2010 '000	31/03/2009 '000
Issued ordinary shares at beginning of period	281,146	281,146	281,146	281,146
Treasury shares held at beginning of period	(8,431)	(8,429)	(8,430)	(8,428)
Trust Shares held at beginning of period	(11,140)	(11,140)	(11,140)	(10,611)
	261,575	261,577	261,576	262,107
Effect of purchase of Trust Shares	-	-	-	-
Effect of purchase of treasury shares	-	-	(1)	(496)
Weighted average number of ordinary shares (basic)	261,575	261,577	261,575	261,611

**Diluted earnings per ordinary share**

The Group had no dilution in its earnings per ordinary share in the quarter under review / financial year-to-date and preceding year's corresponding quarter / period as the potential ordinary shares from the exercise of Options would increase the basic earnings per ordinary share.

By Order of the Board  
 Hong Leong Industries Berhad

Joanne Leong Wei Yin  
 Company Secretary

Kuala Lumpur  
 25 May 2010