



# Hong Leong Industries

A Member of the Hong Leong Group

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2011

The figures have not been audited

### CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
<b>Revenue</b>	537,429	391,303	1,803,233	1,485,576
Cost of sales	(425,932)	(318,213)	(1,475,742)	(1,209,362)
<b>Gross profit</b>	111,497	73,090	327,491	276,214
Operating expenses	(65,660)	(30,101)	(147,649)	(111,008)
Other operating income	15,322	(8,543)	58,473	(699)
<b>Operating profit</b>	61,159	34,446	238,315	164,507
Interest income	1,086	325	2,992	1,780
Finance costs	(4,961)	(5,390)	(21,310)	(18,603)
Share of profit of associated companies	3,966	16,278	36,549	54,256
<b>Profit before taxation</b>	61,250	45,659	256,546	201,940
Taxation	2,474	(6,460)	(29,690)	(34,270)
<b>Profit from continuing operations</b>	63,724	39,199	226,856	167,670
<b>Discontinued Operation (NI)</b>				
Profit from discontinued operation, net of tax	4,566	42,638	74,998	125,886
<b>Profit for the period</b>	68,290	81,837	301,854	293,556
<b>Profit attributable to:</b>				
Owners of the Company	54,945	50,921	219,379	194,278
Non-controlling interests	13,345	30,916	82,475	99,278
<b>Profit for the period</b>	68,290	81,837	301,854	293,556
<b>Earnings per ordinary share (sen) :-</b>				
(a) Basic (N2)	12.57	19.47	70.62	74.27
(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 2010.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To-Date	Preceding Year Corresponding Period
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
<b>Profit for the period</b>	68,290	81,837	301,854	293,556
Foreign currency translation differences for foreign operations	(18,926)	(1,159)	(47,258)	(33,894)
Loss on fair value adjustment	(1,925)	-	(1,925)	-
<b>Total comprehensive income for the period</b>	<b>47,439</b>	<b>80,678</b>	<b>252,671</b>	<b>259,662</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	33,164	49,482	172,282	165,513
Non-controlling interests	14,275	31,196	80,389	94,149
<b>Total comprehensive income for the period</b>	<b>47,439</b>	<b>80,678</b>	<b>252,671</b>	<b>259,662</b>

(N1)

Malaysian Pacific Industries Berhad ("MPI") ceased to be a subsidiary of the Group during the quarter under review ("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 437,120,000 shares (4<sup>th</sup> quarter 2009/2010 : 261,574,000 shares). The increase was attributable to a total of 206,495,848 new HLI Shares issued (pursuant to HIMB Acquisition and Rights Issue) in the preceding quarter, net of time weighted average for 159,736,405 HLI Shares cancelled (pursuant to MPI Demerger) during the quarter under review. The number of HLI shares (net of treasury shares and Trust Shares) outstanding as at 30 June 2011 was 308,355,677 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 2010.**

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/06/2011 RM'000	30/06/2010 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	451,009	1,318,992
Investments in associated companies	374,985	382,946
Investments properties	17,231	-
Other investments	172,993	60
Intangible assets	12,179	447,328
Deferred tax assets	8,960	-
	<u>1,037,357</u>	<u>2,149,326</u>
<b>Current assets</b>		
Inventories	196,082	190,225
Trade and other receivables	403,108	516,685
Tax recoverable	21,433	11,529
Assets held for sale	-	9,342
Other financial assets	228	-
Cash and cash equivalents	376,155	429,160
	<u>997,006</u>	<u>1,156,941</u>
<b>TOTAL ASSETS</b>	<u>2,034,363</u>	<u>3,306,267</u>
<b>Equity attributable to owners of the Company</b>		
Share capital	163,953	140,573
Reserves	997,110	1,311,096
Treasury shares - at cost	(63,318)	(63,318)
	<u>1,097,745</u>	<u>1,388,351</u>
<b>Non-controlling interests</b>	114,157	638,094
<b>TOTAL EQUITY</b>	<u>1,211,902</u>	<u>2,026,445</u>
<b>Non-current liabilities</b>		
Borrowings (unsecured)	120,000	371,768
Deferred tax liabilities	13,253	23,043
Retirement benefits	15,779	12,967
	<u>149,032</u>	<u>407,778</u>
<b>Current liabilities</b>		
Trade and other payables	314,025	469,788
Borrowings (unsecured)	344,846	387,504
Taxation	14,558	14,752
	<u>673,429</u>	<u>872,044</u>
<b>TOTAL LIABILITIES</b>	<u>822,461</u>	<u>1,279,822</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,034,363</u>	<u>3,306,267</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>	3.56	5.31

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2010

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

	Attributable to owners of the Company									
	Share capital RM'000	Share premium RM'000	Non-distributable		Share option reserve RM'000	Treasury shares RM'000	Distributable retained profits RM'000	Total	Non-controlling interests RM'000	Total equity RM'000
			Other reserves RM'000	Reserve for own shares RM'000						
<b>Current year-to-date ended 30 June 2011</b>										
<b>At 1 July 2010</b>	140,573	586,926	(57,748)	(54,374)	442	(63,318)	835,850	1,388,351	638,094	2,026,445
Adoption of FRS 139	-	-	4	-	-	-	(398)	(394)	(135)	(529)
Total comprehensive income for the period	-	-	(47,097)	-	-	-	219,379	172,282	80,389	252,671
Issue of new ordinary shares	103,248	362,321	-	-	-	-	-	465,569	-	465,569
Capital reduction	(79,868)	(562,151)	-	-	-	-	-	(642,019)	-	(642,019)
Transfer to capital redemption reserve	-	-	494	-	-	-	(494)	-	-	-
Transfer to capital reserve	-	-	883	-	-	-	(883)	-	-	-
Dividend paid	-	-	-	-	-	-	(72,989)	(72,989)	(94,116)	(167,105)
Demerger of a subsidiary	-	-	21,809	-	-	-	(243,502)	(221,693)	(506,968)	(728,661)
Purchase of Trust Share	-	-	-	(7,995)	-	-	-	(7,995)	-	(7,995)
Cancellation of Trust Share	-	-	-	20,730	-	-	-	20,730	-	20,730
Exercise of Trust Share	-	-	-	180	-	-	-	180	-	180
Purchase of Trust Share by subsidiaries	-	-	-	-	-	-	-	-	-	-
Shares issued by a subsidiary	-	-	-	-	-	-	-	-	535	535
Change in equity in a subsidiary	-	-	-	-	-	-	-	-	(628)	(628)
Other reserves movements	-	-	(95)	-	-	-	-	(95)	-	(95)
Share-based payments	-	-	(4,182)	-	(442)	-	442	(4,182)	(3,014)	(7,196)
<b>At 30 June 2011</b>	163,953	387,096	(85,932)	(41,459)	-	(63,318)	737,405	1,097,745	114,157	1,211,902

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

	Attributable to owners of the Company									
	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	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>Preceding year corresponding period ended 30 June 2010</b>	140,573	586,926	(28,479)	(54,374)	1,068	(63,309)	686,398	1,268,803	590,410	1,859,213
Total comprehensive income for the period	-	-	(28,765)	-	-	-	194,278	165,513	94,149	259,662
Dividend paid	-	-	-	-	-	-	(44,467)	(44,467)	(44,803)	(89,270)
Purchase of treasury shares	-	-	-	-	-	(9)	-	(9)	-	(9)
Transfer to capital redemption reserves	-	-	209	-	-	-	(209)	-	-	-
Transfer to capital reserves	-	-	900	-	-	-	(900)	-	-	-
Change in equity in a subsidiary	-	-	-	-	-	-	-	-	(5)	(5)
Share-based payments	-	-	(1,613)	-	(626)	-	750	(1,489)	(1,657)	(3,146)
<b>At 30 June 2010</b>	140,573	586,926	(57,748)	(54,374)	442	(63,318)	835,850	1,388,351	638,094	2,026,445

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 2010.

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

	Current Year- To-Date 30/06/2011 RM'000	Preceding Year Corresponding Period 30/06/2010 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation		
- From continuing operations	256,546	201,940
- From discontinued operations	83,658	84,984
	340,204	286,924
Adjustments for:-		
Share of profit of associated companies	(36,549)	(54,256)
Depreciation and amortisation	234,463	236,893
Non cash items	(54,642)	85,951
Net financing costs	24,754	19,267
Operating profit before changes in working capital	508,230	574,779
Changes in working capital		
Net change in current assets	(27,223)	(168,852)
Net change in current liabilities	(11,162)	169,429
Taxation paid	(39,536)	(25,671)
Net financing costs paid	(24,754)	(21,334)
Other operating income received	27,170	40,001
<b>Net cash generated from operating activities</b>	<b>432,725</b>	<b>568,352</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment	(235,895)	(281,884)
Acquisition of other investments	(162,003)	(2,287)
Proceeds from acquisition of a subsidiary	42,761	-
Discontinued of operations, net of cash disposed	(67,421)	-
Issued of shares to a non-controlling shareholder	538	-
<b>Net cash used in investing activities</b>	<b>(422,020)</b>	<b>(284,171)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to owners of the Company	(72,989)	(44,467)
Dividend paid to non-controlling shareholders of subsidiaries	(94,116)	(44,803)
Net repayment of borrowings	(107,860)	(24,132)
Proceeds from issue of new ordinary shares	230,369	-
Purchase of Trust Shares	(14,465)	-
Purchase of Treasury Shares	-	(21)
<b>Net cash generated from/ (used in) financing activities</b>	<b>(59,061)</b>	<b>(113,423)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(48,356)</b>	<b>170,758</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>429,160</b>	<b>261,008</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(4,649)</b>	<b>(2,606)</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>376,155</b>	<b>429,160</b>

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

	30/06/2011 RM'000	30/06/2010 RM'000
Deposits, cash and bank balances	376,155	429,160
Bank overdraft	-	-
	376,155	429,160

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2010.

**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 2010.

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 2010 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 2010, 1 March 2010 and 1 July 2010 respectively.

FRS 4 and IC Interpretations 12,13,14 and 15 are not applicable to the Group. Other than as stated below, the adoption of the other FRSs, Amendments to FRSs and IC Interpretations does not have any material impact on the financial statements of the Group:

**a)FRS 101: Presentation of Financial Statements (revised)**

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. The revised FRS also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

The group has adopted the two statements format for presentation of comprehensive income. Comparative information has been re-presented to be in conformity with the revised FRS. The revised FRS does not have any impact on the financial position and results of the Group.

**b)FRS 139: Financial Instruments: Recognition and Measurement and Amendments to FRS 139: Financial Instruments: Recognition and Measurement**

The Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the assets and the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

The Group’s non-current investments other than investments in subsidiaries, associates and jointly controlled entities were previously stated at cost less impairment losses. Following the adoption of FRS 139, these investments are now being classified as available-for-sale financial assets which are not for trading. Subsequent to initial recognition, they are measured at fair value and changes therein, other than for impairment losses, and foreign exchanges gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement.

Prior to the adoption for FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now 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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**1. Basis of preparation (cont'd)**

**b)FRS 139: Financial Instruments: Recognition and Measurement and Amendments to FRS 139: Financial Instruments: Recognition and Measurement (continued)**

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 FRSS 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 FRSS.

**c)Amendments to FRS 117 Lease**

The Group has adopted the Amendment to FRS 117. The Group has reassessed and determined that all leasehold land are in substance finance lease and has reclassified the leasehold land to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which has been made retrospectively in accordance with the transitional provision of the Amendment. The reclassification does not have any impact to the financial results of the Group for the current period and corresponding period of the previous financial year.

The following comparative figures has been restated following the adoption of the Amendment to FRS 117;-

Balance Sheet as at 30 June 2010:	As previously reported RM'000	Effect of adopting the Amendment to FRS 117 RM'000	As restated RM'000
Prepaid lease payments	35,291	(35,291)	-
Property, plant and equipment	1,283,701	35,291	1,318,992

The Group plans to adopt from the financial year beginning 1 July 2011, those FRSSs, Amendments to FRSSs and IC Interpretations that will be effective for the annual periods beginning on or after 1 January 2011 and 1 July 2011. The first adoption of those FRSSs, Amendments to 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 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.



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**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 June 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) The Group has previously granted 2,000,000 conditional incentive share options to eligible executives of the Group ("Option Holders") pursuant to the Executive Share Option Scheme of the Company which was established on 23 January 2006 ("ESOS"), subject to the achievement of certain performance criteria over an option performance period ("Options").

At the end of the option performance period, the Option Holders fulfilled the performance criteria and accordingly, 2,000,000 Options over 2,000,000 ordinary shares of RM0.50 each ("HLI Shares") in the Company were vested to the Option Holders in the financial year ended 30 June 2009 ("Vested Options"). During the previous financial years, 1,600,000 Vested Options have lapsed.

During the preceding quarter, 36,000 Vested Options were exercised by an Option Holder at an exercise price of RM5.51 per HLI Share, satisfied by the transfer of existing HLI Shares held by the trust set up for the ESOS ("ESOS Trust") to the Option Holder pursuant to the ESOS. The remaining 364,000 Vested Options lapsed during the preceding quarter.

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

- (c) During the preceding quarter,
- (i) 36,000 existing HLI Shares held by the ESOS Trust were transferred to an Option Holder arising from the exercise of 36,000 Vested Options at an exercise price of RM5.51 per HLI Share pursuant to the ESOS; and
  - (ii) 5,571,900 new HLI Shares were issued and allotted to the ESOS Trust pursuant to the Rights Issue as disclosed in Note 20.

During the quarter under review and financial year-to-date, pursuant to the MPI Demerger as disclosed in Note 20,

- (i) 5,558,567 HLI Shares held by the ESOS Trust were cancelled; and
- (ii) 4,168,925 new ordinary shares of RM0.50 each in MPI Shares ["MPI Entitlements"] were received by the ESOS Trust. On 30 June 2011, the MPI Entitlements were disposed of to the Company and Hong Leong Manufacturing Group Sdn Bhd (formerly known as Spectrum Arrangement Sdn Bhd) ("HLMG") at RM4.516 per MPI share.

As at 30 June 2011, the total number of HLI Shares held by the ESOS Trust was 11,117,133 HLI Shares.

- (d) During the preceding quarter, the Company has issued and allotted a total of 206,495,848 HLI Shares, pursuant to the HIMB Acquisition and Rights Issue as disclosed in Note 20.

During the quarter under review and financial year-to-date, 159,736,405 HLI Shares were cancelled pursuant to the MPI Demerger.

As at 30 June 2011, the issued and paid-up share capital of HLI, before adjusting for treasury shares held was RM163,952,655.00 divided into 327,905,310 HLI Shares.

There were no resale of treasury shares or repayment of debt or equity securities during the quarter under review and financial year-to-date.

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**7. Dividend paid**

The Company has paid the following dividends during the current financial year-to-date:-

	<b>Current year-to-date RM'000</b>
First interim dividend of 10.0 sen per share tax exempt, paid on 22 December 2010	27,271
Second interim dividend of 1.5 sen less tax 25% and 9.0 sen per share tax exempt, paid on 10 June 2011	48,520
	<u>75,791</u>

**8. Operating Segments**

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

	<b>Semi- conductor (Discontinued operations) RM'000</b>	<b>Consumer products RM'000</b>	<b>Industrial products RM'000</b>	<b>Total RM'000</b>
<b>Segment profit</b>	83,658	192,505	28,370	304,533

Included in the measure of segment profit are:

Revenue from external customers	1,415,247	1,344,873	455,672	3,215,792
Depreciation and amortisation	193,914	34,739	5,152	233,805

**Reconciliation of reportable segment**

**Profit**

Reportable segment	304,533
Non-reportable segment	17,440
Profit from discontinued operations	(83,658)
Interest income	2,992
Finance costs	(21,310)
Share of profit of associated companies	36,549
Consolidated profit before taxation	<u>256,546</u>

	<b>External revenue RM'000</b>	<b>Depreciation and amortisation RM'000</b>
Reportable segment	3,215,791	233,805
Non-reportable segment	2,689	656
Discontinued operations	(1,415,247)	(193,914)
<b>Total</b>	<u>1,803,233</u>	<u>40,547</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.

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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) The Company disposed of 408,000 ordinary shares of RM1.00 each in HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd) ("HMMC"), representing the entire equity interest in HMMC to HLMG for a cash consideration of RM2,380,700 ("Disposal"). The Disposal was completed on 30 May 2011.
- ii) 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

**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**

Malaysian Pacific Industries Berhad ("MPI") ceased to be a subsidiary of the Group during the quarter under review. Results of MPI have been separately disclosed as discontinued operation ("Discontinued Operation").

For the quarter under review, the Group (excluding Discontinued Operation) recorded a revenue and profit before taxation ("PBT") of RM537.4 million and RM61.2 million respectively as compared with a revenue and PBT of RM391.3 million and RM45.7 million recorded in the corresponding quarter of the preceding year ("FY 2010").

For the financial year-to-date, the Group recorded a revenue and PBT of RM1,803.2 million and RM256.5 million respectively as compared with a revenue and PBT of RM1,485.6 million and RM201.9 million recorded in the corresponding period of FY2010.

The higher PBT of the Group was mainly attributable to higher sales recorded by the Group's consumer products business and the additional profit contribution from the industrial products business which was acquired via the HIMB Acquisition during the financial year as disclosed in Note 20.

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

During the quarter under review, the Group (excluding Discontinued Operation) recorded a PBT of RM61.2 million as compared with a PBT of RM 83.0 million recorded in the preceding quarter. The PBT for the preceding quarter was inclusive of a gain of RM46.7 million arising from the disposal of a piece of property and a negative goodwill on the HIMB Acquisition.

**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.

**17. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	30/06/2011 RM'000	30/06/2010 RM'000	30/06/2011 RM'000	30/06/2010 RM'000
Current tax				
Malaysian - current year	(2,365)	(720)	28,042	26,741
- prior years	(1,237)	(689)	(1,105)	1,094
Overseas - current year	-	2,382	-	219
	<u>(3,602)</u>	<u>973</u>	<u>26,937</u>	<u>28,054</u>
Deferred tax				
Malaysian - current year	1,234	5,109	2,973	5,839
- prior years	(106)	378	(220)	377
	<u>1,128</u>	<u>5,487</u>	<u>2,753</u>	<u>6,216</u>
Income tax attributable to continuing operations	(2,474)	6,460	29,690	34,270
Income tax attributable to discontinued operations	957	(50,131)	8,660	(40,902)
	<u>(1,517)</u>	<u>(43,671)</u>	<u>38,350</u>	<u>(6,632)</u>

The tax income for the quarter under review was mainly due utilisation of tax incentive and tax credit on dividends received.

The Group's effective tax rate for the financial year to-date is lower than the statutory tax rate due mainly to tax incentives granted to certain subsidiaries.

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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
	30/06/2011 RM'000	30/06/2011 RM'000
Purchase of quoted securities	1,003	1,003

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

	RM'000
Other investment - at fair value	11,982

20. **Corporate Proposals**

During the financial year-to-date, the Company had:

- (i) completed the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB") from HLMG for a total consideration of RM235.2 million, satisfied by the issuance of 46,759,443 new ordinary shares of RM0.50 each in HLI ("HIMB Acquisition");
- (ii) subscribed for 161 million 6-year 2% non-cumulative Irredeemable Convertible Preference Shares ("ICPS") at par value of RM1.00 each in Hume Cement Sdn Bhd at an issue price of RM1.00 per ICPS;
- (iii) issued 159,736,405 new ordinary shares of RM0.50 each ("Rights Shares") on the basis of 1 Rights Share for every 2 existing ordinary shares held in the Company at an issue price of RM1.45 per Rights Share ("Rights Issue"); and
- (iv) distributed 119,802,303 ordinary shares of RM0.50 each in MPI, on the basis of 75 MPI shares for every 300 ordinary shares held in the Company, to the shareholders of the Company by way of a reduction in the share capital of the Company, on the basis of 100 ordinary shares of the Company cancelled for every 300 ordinary shares held in the Company and the reduction in the share premium reserve of the Company pursuant to Section 64 of the Companies Act, 1965 ("MPI Demerger"). The MPI Demerger was completed on 21 June 2011 and accordingly, MPI ceased to be a subsidiary of the Company.

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

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

	<b>RM'000</b>
(i) Unsecured short term borrowings	344,846
(ii) Unsecured long term borrowings	120,000
	<u>464,846</u>

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

USD	<u>60,000</u>
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**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 June 2011 are as followings:

Type of Derivative	Nominal Value RM'000	Net Fair Value RM'000
Interest rate swap contracts (more than 3 years)	80,000	92
Foreign exchange forward contracts ( less than 1 year)	<u>29,941</u>	<u>136</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.

**23. Changes in Material Litigation**

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

**24. Dividend**

- (a) The Board does not recommend any final dividend for the financial year ended 30 June 2011 (2009/2010: nil).
- (b) For the financial year-to-date, a total dividend of 1.5 sen less tax and 19.0 sen per share tax exempt had been declared (2009/2010: 17.0 sen per share tax exempt).

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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 RM54,945,000 (4<sup>th</sup> quarter 2009/2010: RM50,921,000) and the weighted average number of ordinary shares during the quarter of 437,120,000 (4<sup>th</sup> quarter 2009/2010: 261,575,000).

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 RM219,379,000 (2009/2010: RM194,278,000) and the weighted average number of ordinary shares during the period of 310,634,000 (2009/2010: 261,575,000).

*Weighted average number of ordinary shares*

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2011 '000	Preceding Year Corresponding Quarter 30/06/2010 '000	Current Year- To-Date 30/06/2011 '000	Preceding Year Corresponding Period 30/06/2010 '000
Issued ordinary shares at beginning of period	487,642	281,146	281,146	281,146
Treasury shares held at beginning of period	(8,433)	(8,431)	(8,432)	(8,430)
Trust Shares held at beginning of period	(16,676)	(11,140)	(11,140)	(11,140)
	462,533	261,575	261,574	261,576
Effect of issue of ordinary shares	-	-	56,788	-
Effect of capital reduction	(26,330)	-	(6,565)	-
ESOS Trust – effects on:				
Transfer of HLI Shares to an Option Holder	-	-	13	-
Subscription of HLI Shares	-	-	(1,404)	-
Cancellation of HLI Shares – capital reduction	917	-	228	-
	917	-	(1,163)	-
Effect of purchase of treasury shares	-	-	-	(1)
Weighted average number of ordinary shares (basic)	437,120	261,575	310,634	261,575

(b) Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the quarter under review / financial year-to-date and preceding year's corresponding quarter / period as the potential ordinary shares from the exercise 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 June 2011 are analysed as follows:-

	<b>As At End of Current Quarter</b>
	<b>30/06/2011 RM'000</b>
Total retained profits of the Company and the subsidiaries:-	
-Realised	278,296
-Unrealised	(8,335)
	<hr/> 269,961
Total share of retained profits from associated companies:	
-Realised	116,248
-Unrealised	2,512
	<hr/> 118,760
 Add: Consolidated adjustments	 348,684
Total group retained profits as per consolidated income statements	<hr/> <hr/> 737,405

By Order of the Board  
Hong Leong Industries Berhad

Joanne Leong Wei Yin  
Company Secretary

Kuala Lumpur  
18 August 2011