Hong Leong Industries
A Member of the Hong Leong Group

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2011

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/03/2011 RM'000	31/03/2010 RM'000	31/03/2011 RM'000	31/03/2010 RM'000
Revenue	772,006	717,687	2,338,668	2,106,848
Cost of sales	(676,629)	(601,918)	(2,002,403)	(1,770,574)
Gross profit	95,377	115,769	336,265	336,274
Operating expenses	(46,178)	(40,086)	(123,028)	(122,645)
Other operating income	39,927	11,264	45,663	12,139
Operating profit	89,126	86,947	258,900	225,768
Interest income	1,107	1,204	3,091	2,639
Finance costs	(6,851)	(5,910)	(21,142)	(17,627)
Share of profit of associated companies	8,076	15,275	32,582	37,978
Profit before taxation	91,458	97,516	273,431	248,758
Taxation	(14,656)	(16,014)	(39,867)	(37,039)
Profit for the period	76,802	81,502	233,564	211,719
Profit attributable to:				
Equity holders of the parent	60,119	52,386	164,434	143,357
Minority interests	16,683	29,116	69,130	68,362
Profit for the period	76,802	81,502	233,564	211,719
Earnings per ordinary share (sen) :-				
(a) Basic *(N1)*	21.24	20.03	61.21	54.81
(b) Fully diluted	N/A	N/A	N/A	N/A

(N1)
The weighted average number of shares used in the calculation of basic earnings per ordinary shares for the quarter under review/financial year to date are 283,047,000 (2009/2010: 261,575,000) and 268,627,000 (2009/2010: 261,575,000) respectively. The increase in weighted average number of shares as compared with the preceding year's corresponding quarter/period was mainly due to the issue and allotment of new ordinary shares during the quarter under review (time-weighted) as consideration for the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd.

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)
Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Tel: 03-2164 2631 Fax: 03-2164 2514 (Legal & Secretarial) / 03-2715 4808 (Finance) / 03-2164 2593 (Human Resource)
Website: www.hli.com.my

HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2011

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/03/2011 RM'000	31/03/2010 RM'000	31/03/2011 RM'000	31/03/2010 RM'000
Profit for the period	76,802	81,502	233,564	211,719
Foreign currency translation differences for foreign operations	(8,328)	(15,766)	(28,332)	(32,735)
Total comprehensive income for the period	68,474	65,736	205,232	178,984
Total comprehensive income attributable to:				
Equity holders of the parent	52,591	39,963	139,118	116,031
Minority interests	15,883	25,773	66,114	62,953
Total comprehensive income for the period	68,474	65,736	205,232	178,984

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.

HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2011

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/03/2011 RM'000	30/06/2010 RM'000
Non-current assets		
Property, plant and equipment	1,489,244	1,318,992
Investments in associated companies	396,128	382,946
Investments properties	17,231	-
Other investments	80,060	60
Intangible assets	437,440	447,328
Deferred tax assets	10,228	-
	2,430,331	2,149,326
Current assets		
Inventories	318,517	190,225
Trade and other receivables	564,488	516,685
Tax recoverable	7,837	11,529
Assets held for sale	8	9,342
Other financial assets	351	-
Cash and cash equivalents	523,127	429,160
	1,414,328	1,156,941
TOTAL ASSETS	3,844,659	3,306,267
Equity attributable to equity holders of the parent		
Share capital	243,820	140,573
Reserves	1,774,834	1,311,096
Treasury shares - at cost	(63,318)	(63,318)
	1,955,336	1,388,351
Minority interests	641,363	638,094
TOTAL EQUITY	2,596,699	2,026,445
Non-current liabilities		
Borrowings (unsecured)	294,211	371,768
Deferred tax liabilities	33,214	23,043
Retirement benefits	16,377	12,967
	343,802	407,778
Current liabilities		
Trade and other payables	502,302	469,788
Borrowings (unsecured)	378,394	387,504
Taxation	23,462	14,752
	904,158	872,044
TOTAL LIABILITIES	1,247,960	1,279,822
TOTAL EQUITY AND LIABILITIES	3,844,659	3,306,267
Net assets per share attributable to ordinary equity holders of the parent (RM)	4.23	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

The figures have not been audited

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

	Attributable to equity holders of the parent									
	Non-distributable						Distributable			
	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Treasury shares	Retained profits	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
Current year to date ended 31 March 2011										
At 1 July 2010	140,573	586,926	(57,748)	(54,374)	442	(63,318)	835,850	1,388,351	638,094	2,026,445
Total comprehensive income for the period	-	-	(25,316)	-	-	-	164,434	139,118	66,114	205,232
Issue of new ordinary shares	103,247	362,473	-	-	-	-	-	465,720	-	465,720
Transfer to capital redemption reserve	-	-	390	-	-	-	(390)	-	-	-
Transfer to capital reserve	-	-	789	-	-	-	(789)	-	-	-
Dividend paid	-	-	-	-	-	-	(26,157)	(26,157)	(60,509)	(86,666)
Purchase of Trust Share				(7,880)				(7,880)	-	(7,880)
Purchase of Trust Share by subsidiaries	-	-	(4,080)	-	-	-	-	(4,080)	(2,570)	(6,650)
Issued of shares to a minority shareholder	-	-	-	-	-	-	-	-	538	538
Acquisition of minority interest of an existing subsidiary	-	-	-	-	-	-	-	-	(630)	(630)
Share-based payments	-	-	264	-	(442)	-	442	264	326	590
At 31 March 2011	243,820	949,399	(85,701)	(62,254)	-	(63,318)	973,390	1,955,336	641,363	2,596,699

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2011 (Cont'd)

	Attributable to equity holders of the parent									
	Non-distributable						Distributable			
	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	Minority interests RM'000	Total equity RM'000
Preceding year corresponding period ended 31 March 2010										
At 1 July 2009	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	-	-	(27,326)	-	-	-	143,357	116,031	62,953	178,984
Dividend paid	-	-	-	-	-	-	(18,310)	(18,310)	(22,020)	(40,330)
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)
At 31 March 2010	140,573	586,926	(57,443)	(54,374)	1,162	(63,314)	811,384	1,364,914	629,561	1,994,475

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.

HONG LEONG INDUSTRIES BERHAD (5486-P)
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2011

The figures have not been audited

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

	Current Year To Date 31/03/2011 RM'000	Preceding Year Corresponding Period 31/03/2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	273,431	248,758
Adjustments for:-		
Share of profit of associated companies	(32,582)	(37,978)
Depreciation and amortisation	171,538	177,613
Non cash items	(47,688)	12,361
Net financing costs	18,051	14,988
Operating profit before changes in working capital	382,750	415,742
Changes in working capital		
Net change in current assets	(37,129)	(80,420)
Net change in current liabilities	(28,716)	67,308
Taxation paid	(23,467)	(15,950)
Net financing costs paid	(18,197)	(14,988)
Other operating income received	3,714	6,078
Net cash generated from operating activities	278,955	377,770
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(190,515)	(192,243)
Acquisition of other investments	(80,000)	-
Proceeds from acquisition of a subsidiary	42,761	-
Issued of shares to a minority shareholder	538	-
Net cash used in investing activities	(227,216)	(192,243)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to equity holders of the Company	(26,157)	(18,310)
Dividend paid to minority shareholders of subsidiaries	(60,509)	(22,020)
Net repayment of borrowings	(85,587)	(39,355)
Proceeds from issue of new ordinary shares	230,520	-
Purchase of Trust Shares	(14,530)	-
Purchase of Treasury Shares	-	(10)
Net cash generated from/ (used in) financing activities	43,737	(79,695)
NET CHANGE IN CASH AND CASH EQUIVALENTS	95,476	105,832
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	429,160	261,008
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,509)	(1,298)
CASH & CASH EQUIVALENTS AT END OF PERIOD	523,127	365,542

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

	31/03/2011 RM'000	31/03/2010 RM'000
Deposits, cash and bank balances	523,127	365,559
Bank overdraft	-	(17)
	523,127	365,542

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.

The figures have not been audited

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 do not has 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 has 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.

1. **Basis of preparation (cont'd)**

b)FRS 139: Financial Instruments: Recognition and Measurement and Amendments to FRS 139: Financial Instruments: Recognition and Measurement (con'd)

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 FRSs, Amendments to FRSs and IC Interpretations that will be effective for the annual periods beginning on or after 1 January 2011. The first adoption of those FRSs, Amendments to FRSs 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 cyclicality 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.

The figures have not been audited

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 March 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 quarter under review, 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 quarter under review.

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

(c) During the quarter under review and financial year to date,

(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. The total number of HLI Shares held by the ESOS Trust as at 31 March 2011 was 16,675,700 HLI Shares. Upon completion of the Proposed Demerger as disclosed in Note 20, the ESOS Trust will hold 11,117,133 HLI Shares and 4,168,925 MPI Shares respectively.

(d) During the quarter under review and financial year to date, the Company has issued and allotted a total of 206,495,848 HLI Shares, pursuant to the Acquisition and Rights Issue as disclosed in Note 20. As at 31 March 2011, the issued and paid-up share capital of HLI, before adjusting for treasury shares of 8,432,500 was RM243,820,857.50 divided into 487,641,715 HLI Shares.

Upon the completion of the Proposed Demerger as disclosed in Note 20, the issued and paid-up share capital of HLI, before adjusting for treasury shares of 8,432,500 will be RM163,952,655.00 divided into 327,905,310 HLI Shares.

There were no share cancellations, resale of treasury shares or 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 an interim dividend of 10.0 sen per share tax exempt amounting to RM27.3 million on 22 December 2010.

8. **Operating Segments**

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

	Semi-conductor RM'000	Consumer products RM'000	Total RM'000
Segment profit	81,743	139,454	221,197
Included in the measure of segment profit are:			
Revenue from external customers	1,072,864	1,263,550	2,336,414
Depreciation and amortisation	145,469	25,724	171,193

Reconciliation of reportable segment

Profit	
Reportable segment	221,197
Non- reportable segment	34,786
Unallocated income	2,917
Interest income	3,091
Finance costs	(21,142)
Share of profit of associated companies	32,582
Consolidated profit before taxation	273,431

	External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment	2,336,414	171,193
Non-reportable segment	2,254	345
Total	2,338,668	171,538

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.

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) HLI Trading Limited, a wholly-owned subsidiary of the Company, has on 16 March 2011, incorporated a wholly-owned subsidiary in the Federal Territory of Labuan known as Avenues Zone Inc. as an investment holding company.

ii) Kilatas Sdn Bhd ("Kilatas"), a wholly-owned subsidiary of Taman Terang Sdn Bhd, which in turn is 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 liquidator of Kilatas has convened a Final Meeting to conclude the Member's Voluntary Liquidation of Kilatas and accordingly, Kilatas will be dissolved on 22 May 2011.

iii) The following Company's subsidiaries has 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**

For the quarter under review, the Group recorded a revenue and profit before taxation ("PBT") of RM772.0 million and RM91.5 million respectively as compared with a revenue and PBT of RM717.7 million and RM97.5 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 RM2,338.7 million and RM273.4 million respectively as compared with a revenue and PBT of RM2,106.8 million and RM248.8 million recorded in the corresponding period of FY2010.

Included in PBT for the quarter under review was a gain of RM46.7 million arising from disposal of a property and negative goodwill on acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd.

The lower PBT of the Group was mainly due to the strengthening of the Ringgit Malaysia ("RM") against the US Dollar ("USD") and rising commodities prices during the quarter under review. The lower PBT of the Group was also due to the lower PBT recorded by the consumer products business as a result of the increase in raw material prices and higher provision for slow moving inventories.

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

During the quarter under review, the Group recorded a PBT of RM91.5 million as compared with a PBT of RM97.7 million recorded in the preceding quarter. The PBT for the quarter under review was inclusive of a gain on disposal of property and a negative goodwill as explained in Note 13.

In comparison with the preceding quarter, the lower PBT of the Group is mainly due to lower PBT recorded by the semiconductor business as a result of inventory adjustment in the semiconductor industry and the strengthening of the RM against the USD 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 2011.

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**
	31/03/2011 RM'000	**31/03/2010 RM'000**	**31/03/2011 RM'000**	**31/03/2010 RM'000**
Current tax				
Malaysian - current year	11,179	11,605	31,382	28,961
- prior years	132	1,743	100	1,783
Overseas - current year	248	-	2,261	65
	11,559	13,348	33,743	30,809
Deferred tax				
Malaysian - current year	3,211	2,666	6,238	6,230
- prior years	(114)	-	(114)	-
	3,097	2,666	6,124	6,230
	14,656	16,014	39,867	37,039

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 except for a sale of property for a cash consideration of RM39.9 million, at a gain of RM26.0 million.

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 2011:-

	RM'000
Other investment	
At cost	27
At fair value	4

20. **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 ("HLI" / the "Company") had on 16 November 2010, announced that:

(a) HLI had on even date entered into a conditional shares sale agreement ("SSA") with Hong Leong Manufacturing Group Sdn Bhd ("HLMG") (formerly known as Spectrum Arrangement Sdn Bhd) for the proposed acquisition of the entire equity interest of Hume Industries (Malaysia) Sdn Bhd ("HIMB") ("Sale Shares") represented by:

- 182,932,871 ordinary shares of RM1.00 each in HIMB ("HIMB Share(s)"); and
- 10,000 Class 'B' ordinary shares of RM1.00 each in HIMB ("HIMB B Shares"),

for a total purchase consideration of RM235.2 million ("Purchase Consideration") to be satisfied by the issuance of 46,759,443 new HLI Shares ("Consideration Shares")("Acquisition");

(b) HLI had on even date entered into a conditional subscription agreement ("SA") with Hume Cement Sdn Bhd ("Hume Cement') and HLMG for the proposed subscription of up to 175 million 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each ("ICPS") at the par value of RM1.00 each ("Subscription Price") in Hume Cement for a total cash subscription of up to RM175 million ("Subscription");

(c) After the completion of the Acquisition, HLI proposes to undertake a rights issue of up to 159,736,405 new HLI shares ("Rights Shares") on the basis of 1 Rights Share for every 2 HLI Shares held at an indicative issue price of RM1.45 per Rights Share ("Rights Issue"); and

(d) HLI proposes to distribute up to 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI Shares") to the shareholders of HLI on the basis of 75 MPI Shares for every 300 HLI Shares held upon completion of the Proposed Rights Issue, via a capital distribution involving a reduction of share capital and share premium reserve of the Company ("Proposed Demerger")

the Acquisition, Subscription, Rights Issue and Proposed Demerger collectively referred to as "Proposals".

20. **Corporate Proposals (cont'd)**

The Acquisition was completed on 22 February 2011.

Pursuant to the Subscription, HLI had on 30 March 2011, subscribed 80,000,000 ICPS in Hume Cement for a total cash subscription of RM80 million.

The Right Issue was completed on 31 March 2011. As at 19 April 2011, a total of RM145.0 million out of the proceeds from the Rights Issue was utilised to repay bank borrowings which includes a bridging financing of RM80.0 million for the Subscription.

All approvals in relation to the Proposed Demerger have been obtained except for the followings:

(i) sanction of the High Court;
(ii) creditors of the Company, if so directed by the High Court; and
(iii) any other authorities, if required.

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

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

		RM'000
(i)	Unsecured short term borrowings	378,394
(ii)	Unsecured long term borrowings	294,211
		672,605

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

USD	88,510
JPY	2,841
VND	24
	91,375

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 31 March 2011 are as followings:

Type of Derivative	Nominal Value RM'000	Net Fair Value RM'000
Foreign exchange forward contracts (less than 1 year)	10,032	351

22. **Derivative Financial Instruments (cont'd)**

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 has declared a second interim dividend of 1.5 sen per share less tax and 9.0 sen per share tax exempt for the quarter ended 31 March 2011 of the financial year ending 30 June 2011 (3rd quarter 2009/2010 : 10.0 sen per share tax exempt) to be paid on 10 June 2011 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 18 May 2011.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

(i) shares transferred into the Depositor's securities account before 4.00 p.m. on 18 May 2011 in respect of ordinary transfers; and

(ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.

(b) For the financial year to date, dividend of 1.5 sen per share less tax and 19.0 sen per share tax exempt had been declared (2009/2010: 17.0 sen per share tax exempt).

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 equity holders of the parent of RM60,119,000 (3rd quarter 2009/2010: RM52,386,000) and the weighted average number of ordinary shares during the quarter of 283,047,000 (3rd 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 equity holders of the parent of RM164,434,000 (2009/2010: RM143,357,000) and the weighted average number of ordinary shares during the period of 268,627,000 (2009/2010: 261,575,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2011 '000	Preceding Year Corresponding Quarter 31/03/2010 '000	Current Year-To-Date 31/03/2011 '000	Preceding Year Corresponding Period 31/03/2010 '000
Issued ordinary shares at beginning of period	281,146	281,146	281,146	281,146
Treasury shares held at beginning of period	(8,432)	(8,431)	(8,432)	(8,430)
Trust Shares held at beginning of period	(11,140)	(11,140)	(11,140)	(11,140)
	261,574	261,575	261,574	261,576
Effect of issue of ordinary shares	21,517	-	7,068	-
Effect of transfer of HLI Shares from ESOS Trust to an Option Holder	18		5	
Effect of purchase of HLI Shares by ESOS Trust	(62)	-	(20)	-
Effect of purchase of treasury shares	-	-	-	(1)
Weighted average number of ordinary shares (basic)	283,047	261,575	268,627	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.

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

The retained profits as at 31 March 2011 are analysed as follows:-

	As At End of Current Quarter 31/03/2011 RM'000
Total retained profits of the Company and the subsidiaries:-	
-Realised	880,728
-Unrealised	(25,141)
	855,587
Total share of retained profits from associated companies:	
-Realised	96,877
-Unrealised	8,047
	104,924
Add: Consolidated adjustments	12,879
Total group retained profits as per consolidated income statements	973,390

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
29 April 2011