



annual report **2012**

Hong Leong Industries Berhad (5486-P)
Level 9, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
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Hong Leong Industries Berhad (5486-P)

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Company Profile

HONG LEONG INDUSTRIES BERHAD ("HLI") is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

HLI is principally an investment holding company whilst the principal activities engaged by its subsidiaries are primarily in the following business segments:

- Consumer Products - manufacture, assembly and distribution of motorcycles, scooters and related parts and products, as well as manufacturing and sale of ceramic tiles.
- Industrial Products - manufacturing and sale of fibre cement and concrete products.

HLI also has associated companies which are involved in the manufacture, assembly and distribution of motorcycles, motorcycle engines and spare parts, as well as manufacture and sale of newsprint and related paper products.



Corporate Information

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

YBhg Dato' Yau Kok Seng
(Group Managing Director)

YAM Tunku Dara Tunku Tan Sri Naquiah
bt Almarhum Tuanku Ja'afar

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Mr Chuah Chuan Thye

Dr Zaha Rina binti Zahari

COMPANY SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

KPMG
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7721 3388
Fax : 03-7721 3399

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company,
incorporated and domiciled in Malaysia



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-ninth Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Theatreffe, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 16 October 2012 at 12.00 noon in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2012.
2. To approve the payment of Director fees of RM430,000/- for the financial year ended 30 June 2012 (2011 : RM360,000/-), to be divided amongst the Directors in such manner as the Directors may determine. (Resolution 1)
3. To re-elect the following retiring Directors:
 - (a) YBhg Datuk Kwek Leng San (Resolution 2)
 - (b) YBhg Dato' Ahmad Johari bin Tun Abdul Razak (Resolution 3)
 - (c) Dr Zaha Rina binti Zahari. (Resolution 4)
4. To pass the following motion as an Ordinary Resolution:

" THAT YM Raja Dato' Seri Abdul Aziz bin Raja Salim, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 5)
5. To re-appoint Messrs KPMG as Auditors of the Company and authorise the Directors to fix their remuneration. (Resolution 6)

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:

6. **Authority To Directors To Issue Shares**

" THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 7)
7. **Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And Persons Connected With HLCM**

" THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) of Part A of the Circular to Shareholders dated 24 September 2012 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that:

 - (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and
 - (ii) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 8)
8. **Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") And Hong Bee Motors Sdn Bhd ("Hong Bee Motors")**

" THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 24 September 2012 with Hong Bee Hardware and Hong Bee Motors provided that:

 - (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware and Hong Bee Motors than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

Notice of Annual General Meeting

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- (iii) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 9)

9. **Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Syarikat Motor Singa Sdn Bhd ("Sykt Motor Singa") And Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor")**

" THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 24 September 2012 with Sykt Motor Singa and Sing Heng Motor provided that:

- (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Sykt Motor Singa and Sing Heng Motor than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and
- (ii) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 10)

10. **Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Yamaha Motor Co., Ltd ("YMC") And Its Subsidiaries**

" THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 24 September 2012 with YMC and its subsidiaries ("YMC Group") provided that:

- (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to YMC Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and
- (ii) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 11)

11. **Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Investment Holdings Pte. Ltd. ("HLIH") And Persons Connected With HLIH**

" THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 24 September 2012 with HLIH and persons connected with HLIH ("HLIH Group") provided that:

- (i) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to HLIH Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and
- (ii) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 12)

Notice of Annual General Meeting

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12. Proposed Termination Of The Existing Executive Share Option Scheme

" THAT subject to the passing of Resolution 14 below, approval be and is hereby given for the Company to terminate the executive share option scheme of the Company which was established in year 2006 ("Proposed Termination"); AND THAT the Directors of the Company be and are hereby authorised to give effect to the Proposed Termination with full power to assent to any condition, modification, variation and/or amendment in any manner as may be required by the relevant authorities and to do all such acts and things as they may consider necessary or expedient in relation to the Proposed Termination."

(Resolution 13)

13. Proposed Establishment Of A New Executive Share Option Scheme Of Up To Ten Percent (10%) Of The Issued And Paid-Up Ordinary Share Capital (Excluding Treasury Shares) Of The Company

" THAT subject to the passing of Resolution 13 above and the requisite approvals being obtained, the Directors of the Company be and are hereby authorised:

- (i) to establish and administer an executive share option scheme ("Scheme") for the benefit of eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives"), under which offers of options will be granted to such Eligible Executives to subscribe for/purchase ordinary shares of RM0.50 each ("Shares") in the Company in accordance with the provisions of the Bye-Laws referred to in the Circular to Shareholders dated 24 September 2012 ("Bye-Laws");
- (ii) from time to time to issue and allot such number of new Shares (unless otherwise adjusted) ("New Shares") and/or to transfer existing Shares ("Transferred Shares") to Eligible Executives pursuant to their exercise of the options under the Scheme, provided that the aggregate number of New Shares and/or Transferred Shares does not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point in time during the existence of the Scheme and that the New Shares shall, upon issuance and allotment, rank pari passu in all respects with the existing issued and paid-up ordinary share capital of the Company, except that the New Shares will not rank for any dividend, right, entitlement or distribution ("Rights") in respect of which the record date precedes the allotment date of the New Shares; and for Transferred Shares, such shares shall be transferred together with all Rights in respect of which the record date is on or after the transfer date; and such New Shares and Transferred Shares will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise;
- (iii) to make the necessary applications to Bursa Malaysia Securities Berhad and to take whatever necessary actions at the appropriate time or times for permission to deal in and for listing of and quotation for the New Shares which may from time to time be issued and allotted pursuant to the Scheme; and
- (iv) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Bye-Laws, to assent to any condition, modification, variation and/or amendment that may be required by the relevant authorities, and to do all such acts and enter into all such transactions, arrangements, agreements or undertakings, impose such terms and conditions or delegate such part of their powers as may be necessary or expedient in order to give full effect to the Scheme."

(Resolution 14)

14. Proposed Grant Of Options To YBhg Dato' Yau Kok Seng

" THAT subject to the passing of Resolutions 13 and 14 above, authority be and is hereby given to the Directors of the Company, from time to time, to offer and to grant to YBhg Dato' Yau Kok Seng, the Group Managing Director of the Company, options to subscribe for/purchase such number of ordinary shares of RM0.50 each in the Company (unless otherwise adjusted) under the executive share option scheme of the Company ("Scheme") as they shall deem fit PROVIDED THAT not more than ten percent (10%) of the Maximum Aggregate, the "Maximum Aggregate" being defined in the Bye-Laws of the Scheme as an amount equivalent to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time, are allotted to him if he, either singly or collectively through persons connected with him, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws of the Scheme."

(Resolution 15)

15. To consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
24 September 2012

Notice of Annual General Meeting

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Notes

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 9 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
3. A member who is an exempt authorised nominee for multiple beneficial owners in a securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

Explanatory Notes On Special Business

1. Authority To Directors To Issue Shares

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 18 October 2011 and which will lapse at the conclusion of the Forty-ninth Annual General Meeting.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

2. Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Shareholders' Mandate")

The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the HLI Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 24 September 2012 which is despatched together with the Company's Annual Report.

3. Executive Share Option Scheme

- a. Proposed Termination Of The Existing Executive Share Option Scheme ("Existing ESOS")

The proposed ordinary resolution, if passed, will allow the Company to terminate the Existing ESOS prior to its expiry ("Proposed Termination").

- b. Proposed Establishment Of A New Executive Share Option Scheme ("ESOS") Of Up To Ten Percent (10%) Of The Issued And Paid-Up Ordinary Share Capital (Excluding Treasury Shares) Of The Company

The proposed ordinary resolution, if passed, will allow the Company to establish a new ESOS ("Proposed New ESOS") for the benefit of eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives") and to provide an opportunity for Eligible Executives to participate in the equity of the Company, and from time to time, to issue and allot such number of new ordinary shares of RM0.50 each in the Company (unless otherwise adjusted) and/or to transfer existing ordinary shares of RM0.50 each in the Company to Eligible Executives pursuant to their exercise of the options under the Proposed New ESOS.

- c. Proposed Grant Of Options To YBhg Dato' Yau Kok Seng

The proposed ordinary resolution, if passed, will allow the Directors of the Company to offer and to grant to YBhg Dato' Yau Kok Seng, options to subscribe for/purchase such number of ordinary shares of RM0.50 each in the Company (unless otherwise adjusted) under the Proposed New ESOS as the Directors of the Company shall deem fit.

Detailed information on the Proposed Termination, Proposed New ESOS and proposed grant of options to YBhg Dato' Yau Kok Seng is set out in the Circular to Shareholders dated 24 September 2012 which is despatched together with the Company's Annual Report.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- Details of individuals who are standing for election as Directors

No individual is seeking election as a Director at the Forty-ninth Annual General Meeting of the Company.

Directors' Profile

YBhg Datuk Kwek Leng San

Chairman; Non-Executive/Non-Independent

Datuk Kwek Leng San, aged 57, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Directors ("Board") of Hong Leong Industries Berhad ("HLI") on 1 September 1990 and assumed the position of President & Chief Executive Officer in 1993. He was appointed as Chairman of HLI on 9 February 2012. He does not sit on any committee of HLI.

He is the Executive Chairman of Malaysian Pacific Industries Berhad, Chairman of Narra Industries Berhad and Southern Steel Berhad ("SSB"), and a Director of Hong Leong Bank Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad, Hong Leong Marketing Co Berhad and Hong Leong Foundation.

YBhg Dato' Yau Kok Seng

Group Managing Director/Non-Independent

Dato' Yau Kok Seng, aged 52, a Malaysian, is a Chartered Accountant with more than 25 years of experience in auditing, corporate finance and general management. Dato' Yau started his career with Ernst & Young from 1980 to 1992 before joining the Sunway Group as Head of Corporate Finance in 1992. He was promoted as Group Finance Director in 1995 and subsequently as the Managing Director of Sunway Holdings Berhad in 2001.

Dato' Yau joined HLI as Group Managing Director on 5 September 2011. He does not sit on any committee of HLI.

He is a Director and an Executive Committee member of Federation of Public Listed Companies Berhad.

YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar

Non-Executive Director/Independent

YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar, aged 67, a Malaysian, graduated from University of Cairo with a Bachelor of Economics/Political Science degree. She also holds a Diploma in Public Relations from the Malaysian Institute of Public Relations. YAM Tunku Dara is a founder and governor of Kolej Tuanku Ja'afar and is a shareholder and Director of Syarikat Pesaka Antah Sdn Bhd.

YAM Tunku Dara was appointed to the Board of HLI on 19 June 1971. She is a member of the Board Audit & Risk Management Committee of HLI.

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

Non-Executive Director/Independent

Dato' Ahmad Johari bin Tun Abdul Razak, aged 57, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in Law and qualified as a Barrister-at-Law from Lincoln's Inn. Presently, he is a Partner of a law firm in Kuala Lumpur. He was previously the Executive Chairman of Ancom Berhad ("Ancom").

Dato' Ahmad Johari was appointed to the Board of HLI on 2 January 1981. He is the Chairman of the Board Audit & Risk Management Committee of HLI.

He is the Chairman of Ancom and Daiman Development Berhad, and a Director of British American Tobacco (Malaysia) Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Daiman Golf Berhad and Deutsche Bank (Malaysia) Berhad.

Directors' Profile

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YM Raja Dato' Seri Abdul Aziz bin Raja Salim Non-Executive Director/Independent

YM Raja Dato' Seri Abdul Aziz bin Raja Salim, aged 73, a Malaysian, is an Honorary Fellow of the Malaysian Institute of Taxation, Fellow of the Chartered Association of Certified Accountants, United Kingdom, Fellow of the Chartered Institute of Management Accountants ("CIMA"), United Kingdom and a Chartered Accountant (Malaysia). He served as Director-General of Inland Revenue Malaysia from 1980 to 1990 and Accountant-General Malaysia from 1990 to 1995. YM Raja Dato' Seri Abdul Aziz was the President of CIMA, Malaysia from 1976 to 1993 and a Council Member of CIMA, United Kingdom from 1990 to 1996. He was awarded the CIMA Gold Medal in recognition of his outstanding service to the accounting profession.

YM Raja Dato' Seri Abdul Aziz was appointed to the Board of HLI on 14 November 2008. He is a member of the Board Audit & Risk Management Committee of HLI.

He is a Director of SSB, Gamuda Berhad, PPB Group Berhad, K & N Kenanga Holdings Berhad and Panasonic Manufacturing Malaysia Bhd, companies listed on the Main Market of Bursa Securities. He is also a Director of Kenanga Investment Bank Berhad, Kenanga Islamic Investors Berhad and Kenanga Investors Berhad.

Mr Chuah Chuan Thye Non-Executive Director/Non-Independent

Mr Chuah Chuan Thye, aged 56, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 30 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Company, Sdn Berhad ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

Mr Chuah was appointed to the Board of HLI on 1 December 1993. He does not sit on any committee of HLI.

Dr Zaha Rina binti Zahari Non-Executive Director/Independent

Dr Zaha Rina binti Zahari, aged 50, a Malaysian, received her Bachelor of Arts (Honours) degree in Accounting and Finance from Leeds Metropolitan University, United Kingdom and Master in Business Administration from University of Hull, United Kingdom. She also holds a Doctorate in Business Administration from University of Hull, focusing on capital markets research and specialising in derivatives.

Dr Zaha Rina was Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange launched in January 2009. Prior to this, Dr Zaha Rina was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. Dr Zaha Rina has more than 20 years experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market which includes managing a futures broking company. She was the Chief Executive Officer of RHB Securities Sdn Bhd from 2004 to 2006. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia ("COMMEX") from 1993 to 1996, and then as the Chief Operating Officer ("COO") of Kuala Lumpur and Financial Futures Exchange ("KLOFFE") in 2001.

She was instrumental in the merger of COMMEX and KLOFFE which ultimately led to the creation of Malaysian Derivatives Exchange ("MDEX") and the subsequent appointment as COO of MDEX in June 2001. Dr Zaha Rina was then appointed Head of Exchanges, managing the operations of Bursa Securities, Malaysian Exchange of Securities Dealings & Automated Quotation, MDEX and Labuan International Financial Exchanges in September 2003 prior to Bursa Securities's demutualisation.

Dr Zaha Rina was appointed to the Board of HLI on 9 February 2012. She does not sit on any committee of HLI.

She is a Director of Zurich Insurance Malaysia Berhad and MIMB Investment Bank Berhad.

Notes

- 1. Family Relationship with Director and/or Major Shareholder**
YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders of HLI. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLI.
- 2. Conflict of Interest**
None of the Directors has any conflict of interest with HLI.
- 3. Conviction of Offences**
None of the Directors has been convicted of any offences within the past 10 years.
- 4. Attendance of Directors**
Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance and Internal Control in the Annual Report.

Chairman's Statement



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Hong Leong Industries Berhad ("HLI" or the "Company") for the financial year ended 30 June 2012 ("FY 2012").

OPERATING ENVIRONMENT

The Group continues to see increasing challenges in the operating environments of local and neighbouring countries in our quest to create further earnings momentum. However, we have somewhat benefited from the relatively robust economy in Malaysia and the region during the past 12 months, amidst the Euro debt crisis and a sluggish global economy.

The intervention by the Government to boost spending with the continuous roll-out of the Economic Transformation Programme (ETP) has played an important role in sustaining the growth.

SIGNIFICANT CORPORATE DEVELOPMENT

HLI had fully subscribed for the 175 million Irredeemable Convertible Preference Shares in Hume Cement Sdn Bhd for a total cash subscription of RM175 million. Accordingly, the subscription was completed during the FY 2012.

FINANCIAL REVIEW

For the FY 2012, the Group recorded a revenue of RM2,172.6 million and profit before taxation ("PBT") of RM212.9 million as compared with a revenue of RM1,803.2 million and PBT of RM256.5 million in the previous financial year ended 30 June 2011 ("FY 2011"), excluding the results of Malaysian Pacific Industries Berhad ("MPI") which were disclosed separately under the caption "Discontinued Operations". MPI ceased as a subsidiary of the Company at the end of FY 2011.

Apart from a slight hiccup during the first half of the FY 2012 caused by the flooding in Thailand which had affected the supply of parts to our motorcycles manufacturing and the problems faced by our new ceramic tiles factory which we are now confident of overcoming, businesses of the Group have generally been performing to expectations.

PBT for the FY 2011 included a gain of RM46.7 million which arose from the disposal of a property and negative goodwill on the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("Hume"). Excluding this, PBT for the FY 2012 was better comparatively, contributed mainly by the inclusion of the full year profits from Hume, which was acquired in February 2011.

Chairman's Statement

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FUTURE AND PROSPECTS

Given the relatively strong economic fundamentals of the country, albeit growth is expected to be at a slower pace, we are confident that the Group will continue to build on its momentum for further growth.

Barring any unforeseen circumstances, the Board expects the Group's performance for both the Consumer Products segment and Industrial Products segment to be satisfactory in the financial year ending 30 June 2013.

DIVIDENDS

The Company has declared and paid a first and second interim dividend of 4.0 sen per share less tax and 19.0 sen per share tax exempt respectively for the FY 2012. The Board does not recommend a final dividend for the FY 2012.

APPRECIATION

On behalf of the Board, I would like to express our utmost gratitude to YBhg Tan Sri Quek Leng Chan who stepped down as the Executive Chairman of HLI on 9 February 2012. At the same time, I would like to extend a warm welcome to Dr Zaha Rina binti Zahari who joined the Board as Independent Non-Executive Director on 9 February 2012.

I would also like to take this opportunity to express our sincere appreciation to all of our employees for their unwavering commitments and contributions to the Group and we look forward to their continuous dedication and focus in bringing the Group to a new height.

Last but not least, our sincere thanks to our valued customers, business associates, vendors, financiers, shareholders and the Government for their continuous support.

DATUK KWEK LENG SAN
Chairman



Group Managing Director's Review

We are pleased with the satisfactory performance of the Group as it further consolidates its position as the leader in both the Consumer Products (motorcycles and tiles) and Industrial Products (building materials) segments after the demerger of Malaysian Pacific Industries Berhad ("MPI") and the acquisition of Hume Industries (Malaysia) Sdn Bhd ("Hume") in the previous financial year ended 30 June 2011 ("FY 2011").

The Group recorded a revenue of RM2,172.6 million and profit before taxation ("PBT") of RM212.9 million in the financial year ended 30 June 2012 ("FY 2012") as compared with a revenue of RM1,803.2 million and PBT of RM256.5 million in the FY 2011. Included in PBT for FY 2011 was a gain of RM46.7 million which arose from the disposal of a property and negative goodwill on the acquisition of the entire equity interest in Hume.

PBT was slightly lower in the Consumer Products segment but was more than offset by the inclusion of profits from the newly acquired Industrial Products segment.

CONSUMER PRODUCTS

The Consumer Products segment performed satisfactorily for the financial year under review but profit was slightly lower due to the temporary disruption in parts supply to the motorcycles manufacturing arising from the floods in Thailand and productivity issues faced by the new tiles factory which we are confident of overcoming.

Motorcycles

The motorcycle industry remains resilient but highly competitive. During the year under review, new players have entered the market and a stream of low-end motorcycles was introduced. Demand for motorcycles in 2012 grew at a rapid pace of 10% and total industry volume reached 561,798 units as compared with last year's figure of 511,418 units. The growth was attributed to easier accessibility to financing, sustainability of commodity prices, strong employment figures coupled with low inflation rate which led to better purchasing sentiment alongside a relatively robust economy that is still on track for a Gross Domestic Product (GDP) growth of 5% in 2012.

The floods in Thailand at the end of 2011 caused a shortage in the supply of component parts and derailed production leading to lower wholesale volume. Hong Leong Yamaha Motor Sdn Bhd ("HLYM") took the opportunity to realign its in-market motorcycles inventory during that period and managed to achieve a market share of 33% as compared with 37% last year, maintaining its position as a leading manufacturer and distributor of motorcycles in Malaysia.

In our continuous pursuit for competitive edge, we have, during the financial year, embarked on a 3-year transformation programme aiming for a Quantum Leap in our operational efficiencies. An elaborate and comprehensive plan has been developed by our engineers charting out the process re-engineering to transform our supply chain and internal manufacturing capabilities to further strengthen our standards in terms of quality, cost and delivery.

On the corporate social responsibility front, HLYM, in taking pride to promote sports for the betterment of the community, sponsored the 1MCC Hong Leong Yamaha 2012 Football League for ages under 12, 14 and 16 to develop youth football at the grass-root level. Alongside football, the annual Yamaha Balik Kampung Road Safety Campaign and Yamaha Safety Riding Science Programme spearhead HLYM's efforts in promoting road safety awareness and education to help reduce the number of road accidents involving motorcyclists.



Group Managing Director's Review

cont'd

Our associate, Yamaha Motor Vietnam Co., Ltd's retail sales grew by 10% to 945,685 units as compared with 857,986 units in FY 2011. Its market share was relatively stable at 29%. The demand for its low end moped model, Sirius, was still very strong and two new models, namely Nozza and Nouvo SX, were launched during the year to complement the existing model line-up and their demand has been commendable.

The prolonged high inflation and interest rate, overheating of real estate market and weakening export due to weak demand from the United States of America ("US") and Europe have weakened the Vietnamese economy and consumer demand significantly. However, the outlook for the motorcycle industry is still expected to be positive in the longer term.

Ceramic Tiles

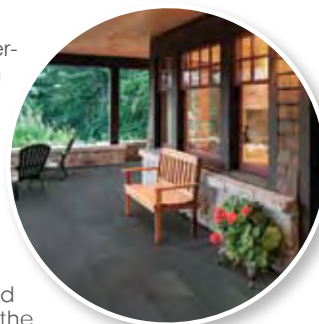
Generally, the domestic tiles market has weakened, predominantly caused by over-capacity from existing key manufacturers as well as the influx of Chinese tiles. The reduction of import duty on tiles from 50%-60% to 20% in January 2012 has somewhat aided the growth of imported tiles from China and increased the competition locally.

The effects of ongoing uncertainty in Europe and a sluggish US economy have continued to plague our export's business and added woes to the performance of our tiles division.

Gross profit margin was affected by the teething problems we have been experiencing with a new plant as inefficiencies in operations have resulted in poor production yield and throughput. The new plant has since been showing positive improvements towards the end of the financial year. The Group continued to increase focus on cost down initiatives and productivity improvement to mitigate the pressure on margins.

The Group had also decided to cease its tiles manufacturing facility in Vietnam and is currently going through the process of closing down the plant. This had resulted in an impairment charge and closure costs amounting to RM19.7 million during FY 2012.

Moving forward, the Group will be focusing on transforming Guocera into a market driven innovation-focused industry leader. In spite of the challenging operating environment, the Group has positioned and equipped itself well to compete in terms of superior designs, better quality and higher cost efficiencies.



INDUSTRIAL PRODUCTS

The Industrial Products business from Hume was acquired in February 2011. Therefore, only 4 months of the Industrial Products segment's profit was included for FY 2011. On a full year comparable basis, the Industrial Products segment's profit was lower than last year, due mainly to higher production costs as well as the weaker US Dollar.

Fibre Cement Products

Revenue for fibre cement grew by 4% from the previous financial year despite the challenging operating environment. Export sales grew by 10% with growth coming from established key export markets whilst demand in the domestic Malaysian market only increased marginally.

However, profitability in the fibre cement segment declined marginally as the growth in volume was offset by lower margins attributed to higher production cost, stronger Malaysian Ringgit and price pressure in the domestic market due to increased imports.

The division will continue its efforts in developing system marketing comprising flush joint ceiling, drywall, solid wall and roof sarking for local private and Government projects. The export strategy is to continue to focus on the key export markets like Australia, the Philippines, Vietnam, Taiwan and South Korea for volume growth.

Moving forward, the division will continue to emphasise on internal cost down initiatives, increase in productivity through skills and knowledge enhancement and investment in production technology. The division will also continue its research and development efforts aimed at promoting new applications such as Low Density Plank PRIMAwOOD and improving existing products to achieve cost competitiveness and superior quality.



Group Managing Director's Review

cont'd



Concrete Products

Following the Economic Transformation Programme (ETP) implementation by the Malaysian Government, the overall demand for precast concrete products has increased and resulted in higher revenue for the concrete business. We expect construction activities to continue its steady upward trend in view of the continuous roll-out of public funded works, particularly the Light Rail Transit (LRT) and Mass Rapid Transit (MRT) projects.

Meanwhile, the concrete roofing tiles' revenue was slightly lower in FY 2012 as the increase in infrastructure projects and construction of high-rise buildings did not result in higher consumption of concrete roofing tiles. The division will continue to strengthen its market position through on-going marketing activities, new product launches, as well as improvement in quality and productivity to remain competitive in the challenging times ahead.

HUMAN CAPITAL

The Group strongly believes in building a strong talent bench strength in our organisation to lay the foundation to execute its business strategies. To this end, the Group has been focusing on recruiting and retaining talented people to achieve our objective of creating an organisation with the "Right Structure and Right People".

OUTLOOK

With the lingering uncertainty of the global economy, we expect a challenging year ahead.

However, with the recent introduction of minimum wage which will come into effect on 1 January 2013, the Group expects the motorcycle business to benefit from the higher purchasing power of consumers. In addition, with the continuous roll-out of the Government infrastructure projects from the second half of year 2012 onwards, the Industrial Products segment of the Group will stand to gain from projected higher demand for its products.

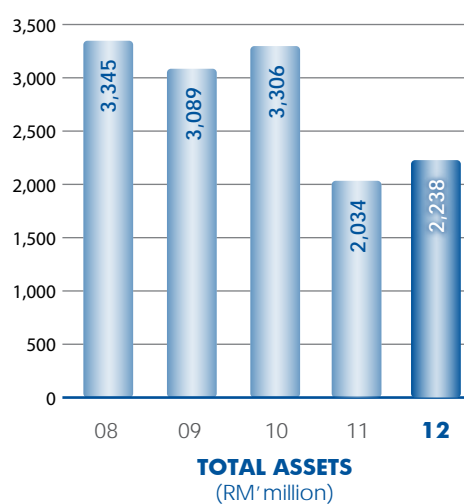
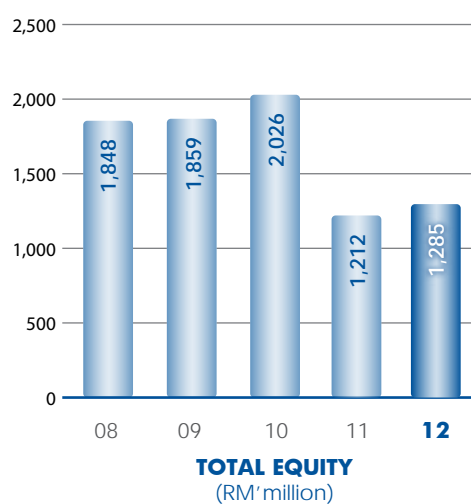
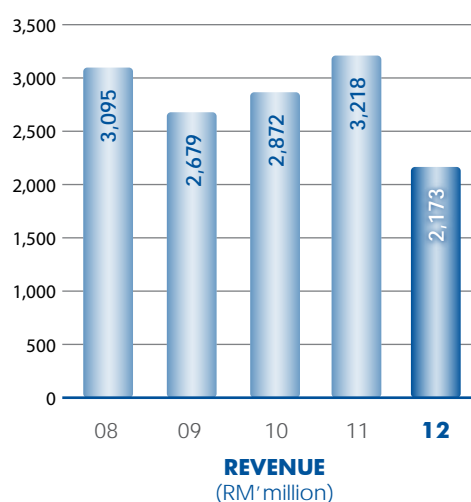
Whilst we continue to search for new business opportunities that are synergistic to our existing portfolio of businesses, increasingly more focus will be put into improving productivity and cost efficiencies to enhance the profitability of the Group.

With all our growth strategies in place, we remain cautiously positive of further growth moving forward.

DATO' YAU KOK SENG
Group Managing Director

Group Financial Highlights

RM'million	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenue	3,095	2,679	2,872	3,218	2,173
Profit before taxation	333	89	287	340	213
Profit attributable to Owners of the Company	178	75	194	219	132
Net earnings per share (sen)	68	29	74	71	43
Net dividend per share (sen)	11	10	17	20	22
Total equity	1,848	1,859	2,026	1,212	1,285
Total assets	3,345	3,089	3,306	2,034	2,238
Capital expenditure	300	179	296	298	34



Corporate Social Responsibility

Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was already well on its journey. Corporate Social Responsibility (CSR) for the Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, our customers, our employees and our stakeholders.

ECONOMIC SUSTAINABILITY

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports, contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services in a global market that is increasingly becoming even more aggressive and competitive.



Corporate Social Responsibility

cont'd

SOCIAL SUSTAINABILITY

Employee Development and Welfare

The Group has initiated structured development programmes to help develop leadership skills, technical and soft skills amongst different groups of employees.

The Group's Graduate Development Programme aims to identify and develop young graduates from various disciplines like engineering, research & development, sales & marketing, finance, human resource and information technology into talents to support the growth of the Group. Such programme entails classroom training, on-the-job familiarisation, projects or learning assignments as well as mentoring.

For the executives and non-executives of the Group, various in-house and external programmes are conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce.

The Group has also embarked on a Quality and Productivity Programme ("QPP") since 1991, with the aim of inculcating a continuous improvement culture amongst the workforce in the Group. Employees at various levels are trained in the QPP Curriculum for their development and application at their workplace.

Diversity and Inclusion

The Group develops talent regardless of race, gender or religious belief. Employee advancement is based on merit and we believe that it is this variety of persuasions and cultures that fuel creativity, entrepreneurship and openness.

The Group also actively promotes work-life balance through various sports, family and social events initiatives. In this regard, various initiatives such as sports activities, social events and family day outings were carried out with the full support and commitment of the employees throughout the financial year.

Environmental Preservation

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational Safety and Health management practices. Environmental management programmes such as recycling campaigns, air pollution controls and waste management programmes are continuously deployed to achieve the Group's objectives.

Our newsprint arm had successfully commissioned its biomass plant in January 2009. The standards of the plant are governed by the requirements of the Kyoto Protocol adopted by the relevant parties to the United Nations Framework Convention on Climate Change ("UNFCCC"). The biomass plant uses biomass fuel, mainly empty fruit bunches and fibre as fuel in substitution for medium fuel oil. With the replacement of medium fuel oil with biomass fuel, we are able to reduce the generation of certain greenhouse gases. UNFCCC had approved Malaysian Newsprint Industries Sdn Bhd ("MNI")'s biomass project under the Kyoto Protocol in December 2011.

Hong Leong Yamaha Motor Sdn Bhd ("HLYM") has worked closely with Yamaha Motor Co., Ltd, Japan, in producing motorcycles which are more environmentally friendly. The new model line-up incorporates new technologies for fuel efficiency and cleaner exhaust emission. HLYM had also successfully implemented the programme for non-use of Environmental Hazardous Substances ("EHS") in December 2010. Since then, new elements were added to the list of EHS items and HLYM continues to comply with the requirements.



Corporate Social Responsibility

cont'd

SOCIAL SUSTAINABILITY cont'd

Environmental Preservation cont'd

We fully understand our role in protecting and preserving the environment by continually enhancing environmental programmes on waste reduction and pollution control. We have adopted highly efficient and energy saving equipment in our manufacturing processes which helped to conserve natural resources and reduce greenhouse gas emissions. New improved pollution control equipment has been installed to ensure not only a cleaner environment but also a safer and healthier workplace. In addition, HLYM is also expanding its recycling programme to our dealers and community by giving out recycling bins and bags.

In March 2012, Guocera Tile Industries (Meru) Sdn Bhd ("Guocera Meru") continued with its participation in the "Majlis Pelancaran Zon Bersih Kawasan Pekan Meru" which was organised by the Majlis Perbandaran Klang.

We further subscribed to practices stipulated in the ISO 14001 Environmental Management System. Having been awarded with ISO 14001 certification since 2009, Hume Cemboard Industries Sdn Bhd ("Hume Cemboard") has implemented effective systems and controls for "green" manufacturing that are aligned with the 3R (Reduce, Reuse & Recycle) concept. Although it has not reached the stage of 'Zero to landfill', the company has committed to minimise waste, to reuse whatever is fit to use and to recycle as much as possible.

In 2010, Hume Cemboard's Ipoh site achieved OHSAS 18001 certification. This is another milestone that showed the company's commitment towards supporting the rules and regulations involving health, safety and environment. Apart from caring for the health and safety of its factory employees, more importantly, it enables the company and communities around the plants to coexist harmoniously and grow alongside each other in a sustained manner.

HLYM continued to play its role in creating a high level of road safety awareness and education through its highly successful annual Balik Kampung Road Safety Campaign, the Yamaha Safety Riding Science project targeting students and factory workers, and the new Safety Awareness Week programme for motorcycle users.

Earth Hour, a global event where households and businesses are encouraged to turn off non-essential lights and other electrical appliances for one hour to raise awareness towards the need to take action on climate change, was observed by the Group. Organised by the World Wildlife Fund, Earth Hour was conceived in Sydney in 2007. Since then, many other cities around the world have adopted the event which is held on the last Saturday of March annually. By doing its part, the Group supported this global effort to help make a difference.



COMMUNITY INVESTMENT

The Group conducts most of its philanthropic activities through Hong Leong Foundation ("Foundation"), the charitable arm of the Hong Leong Group. Since its incorporation in 1992, the Foundation's programmes have been funded by contributions from Group companies and the focus is on education and community welfare as its key thrusts.

Scholarship

The Foundation's Scholarship Programme benefits academically outstanding Malaysian students from low-income families and students with disabilities. The Foundation believes that providing scholarships is about providing opportunities – giving students the chance to have the higher education necessary to break the cycle of poverty.



Over RM2 million is allocated each year for diploma and undergraduate studies at local universities and selected institutions of higher learning within Malaysia. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience. The main objective of providing the industrial training is to develop skilled talent that is equipped with employable knowledge and industrial know-how.

Corporate Social Responsibility

cont'd

COMMUNITY INVESTMENT cont'd

Scholarship cont'd

In this regard, the Group companies provide on-the-job industrial training for students of various technical institutes, colleges and universities to expose them to real life industrial scenarios and impart to them with relevant skills and knowledge. Selected students are given a two to six-month attachment programme with our factory operation, undergoing various training according to the technical syllabus developed in collaboration with the technical institutes, colleges and universities.

A separate fund is also set aside for scholarship grants for deserving children of Group employees.

Both grants for the public and Group employees' children are unconditional – they do not carry any repayment requirement nor are the recipients bonded to work for the Group upon graduation.

After School Care Programme

In a competitive and fast-paced society, latchkey children from under-served areas can get left behind academically. The After School Care Programme with the cooperation of several participating schools, caters to this group of children. The programme provides homework, tutoring, revision guidance and a hot meal.

The Foundation currently has projects in Selangor, Negeri Sembilan, Johor and Sabah.

School Building Fund

To enhance existing facilities for a better learning environment, the Foundation has made donations to various academic and vocational training institutions nationwide.

Community Welfare

Under the Foundation's Community Welfare Programme, contributions in cash and in-kind are distributed to charities nationwide.

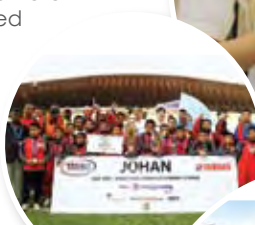
For this financial year, contributions amounting to about RM2 million were made to, amongst others, Cheshire Home Selangor, Rumah Desa Amal Jireh, Rumah Grace, Rumah Graceville, Rumah Miriam, Rumah Orang-Orang Tua Seri Setia, Rumah Stepping Stones Life Center, Rumah Victory, Rumah Kebajikan Warga Tua WP, Salvation Army Joyhaven, Sunshine Cottage Welfare Home, Pertubuhan Orang-Orang Bermasalah Pembelajaran Dayspring, Sarawak Society for the Blind, Montfort Boys Town, Silent Teddies Bakery, Yayasan Sunbeams Home, Pusat Kanak-Kanak Cacat Pulau Pinang, Pusat Kebajikan Care Haven, Ray of Hope, Little Sisters of the Poor, Persatuan Kebajikan Kanak-Kanak Kajang, MEMSA and Pusat Perubatan Universiti Malaya (PPUM).

Guocera Tile Industries Sdn Bhd held a Majlis Berbuka Puasa Bersama Anak-Anak Yatim at the Rumah Anak-Anak Yatim Kluang. Activities included Tazkirah Ramadan, prayers, buka puasa and distribution of duit raya to the orphans.

In recent development, HLYM, in taking pride to promote sports for the betterment of the community, sponsored the 1MCC Hong Leong Yamaha 2012 Football League for ages under 12, 14 and 16 to develop youth football at the grass-root level.

This year, HLYM also hosted the 4th edition of the regional "Yamaha Asean Cup U-13 Football Tournament" which involved Vietnam, Thailand, Indonesia and India. HLYM has the privilege to sponsor the preparations of the two teams that represented Malaysia in this tournament.

MNI has been working with schools, communities, offices and charitable organisations to foster awareness on recycling of old newspapers and magazines since the company started operations in 1999. This has developed into a nationwide programme.



Corporate Social Responsibility *cont'd*

COMMUNITY INVESTMENT *cont'd*

Community Partner Programme

Our Community Partner Programme is based on the dual ideals of capacity building and empowerment. We work with a partner for a period of three years with an exit strategy. The aim of this programme is to provide holistic support from a wide range of issues from Human Resource to media to funding sustainability. At present, the Foundation works with its community partner, Science of Life 24/7 (SOL).

Small Enterprise Programme

The people behind the Group are entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community.

This year, our Small Enterprise Programme supported Silent Teddies Bakery, a bakery project initiated by the Community Service Center for the Deaf. We have, in the past, supported United Voice's Art Gallery, a charity that works with people with learning disabilities, Good Shepherd Bakery, a charity that offers a half way home for gender based violence, micro finance for the single mothers of Chow Kit through Yayasan Nur Salam and people living with HIV with the Malaysian Aids Council.



AWARDS AND RECOGNITION

In recent years, environmentally friendly products have gained wide consumer attention and acceptance in the market. MNI's products (both newsprint and printing & writing paper) are approved and listed in Green Directory since 28 January 2011 and officially certified as SIRIM Eco-label product on 26 June 2011 in line with the Government's policy to promote environmentally friendly products. Being certified as Eco-label means that the product has passed through a chain of recycling processes which would ultimately help to reduce energy consumption, reduction in solid waste disposal, sustainability of our forest and environment, reduction in waste and air borne pollution and most importantly, reduction in carbon dioxide emission.

HYLM believes in systematic continual improvement and was the first motorcycles manufacturer in Malaysia to attain certification for the Environmental Management System, ISO 14001 since 2006. We have continued to renew this certification till today.



Guocera Meru has undergone the first and second stage of ISO 14001 audits in the month of March and May 2012 respectively and successfully obtained the ISO 14001 certification in May 2012.

PRIMABOARD, the fibre cement products manufactured by Hume Cemboard, has attained various Green Label or Eco-Label certifications globally since year 2009, namely Singapore Green Label, Environmental Choice Australia Eco-label, Korea Eco-label, SIRIM Eco-label, Taiwan Green Building Material, Standards Mark for PRIMABoard and Code Mark for PRIMAfex.

These recognitions have indirectly improved the product branding as well as consumer awareness.

This Statement on Corporate Social Responsibility is made in accordance with the resolution of the Board of Directors.

Corporate Governance and Internal Control

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.”

~ Finance Committee on Corporate Governance

The Board of Directors has reviewed the manner in which the Malaysian Code on Corporate Governance (“the Code”) is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A. DIRECTORS

I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure.

The Board observes the Company Directors’ Code of Ethics established by the Companies Commission of Malaysia.

II Board Balance

The Board of Directors comprises seven (7) directors, six (6) of whom are non-executive. Of the non-executive directors, four (4) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Chairman ensures the smooth and effective functioning of the Board.

The Group Managing Director (“GMD”) is responsible for implementing the policies and decisions of the Board, overseeing the day-to-day operations, setting the plan and direction, benchmark and targets for operating companies, tracking compliance and business progress, initiating innovative business ideas to create competitive edge and development of business and corporate strategies with the aim of enhancing shareholder wealth.

The Board has identified the Company Secretary of the Company to whom concerns may be conveyed, who would bring the same to the attention of the Board.

III Board Meetings

The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors’ Circular Resolutions.

Corporate Governance and Internal Control

cont'd

A. DIRECTORS cont'd

III Board Meetings cont'd

The Board met four (4) times during the financial year ended 30 June 2012. Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
YBhg Dato' Yau Kok Seng	3/3
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	4/4
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	4/4
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4/4
Mr Chuah Chuan Thye	4/4
Dr Zaha Rina binti Zahari	2/2

Note: YBhg Dato' Yau Kok Seng and Dr Zaha Rina binti Zahari attended all the Board meetings held during their office as directors of the Company for the financial year ended 30 June 2012.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

IV Supply of Information

All Board members are supplied with information on a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management's proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretary and internal auditors. All directors also have access to independent professional advice at the Company's expense, in consultation with the Chairman of the Company.

V Appointments to the Board

Given the current size of the Board, the Board is of the view that it is not necessary for the Company to establish a Nominating Committee for the time being and the Board as a whole will serve as the Nominating Committee. All new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board. A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committee and the contribution and performance of each individual director and Board committee member, including the GMD.

Having reviewed the assessments in respect of the financial year ended 30 June 2012, the Board is satisfied that the Board and Board committee have continued to operate effectively in discharging their duties and responsibilities. The directors and Board committee members have also fulfilled their responsibilities as members of the Board and Board committee and are suitably qualified to hold their positions.

Corporate Governance and Internal Control

cont'd

A. DIRECTORS *cont'd*

VI Re-appointment and Re-election

All directors are required to submit themselves for re-election every three (3) years.

Pursuant to Section 129(6) of the Companies Act, 1965, directors of or over the age of seventy (70) years shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment as directors of the Company to hold office until the conclusion of the next AGM.

VII Training and Education

All directors of the Company have completed the Mandatory Accreditation Programme.

As part of the training programme for its directors, the Company has prepared for the use of its directors, the Director Manual, and regularly organised in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

The Director Manual which is given to every director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. New directors will also be given a briefing on the businesses of the Group.

During the financial year ended 30 June 2012, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

The directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During the financial year ended 30 June 2012, the directors of the Company, including members of the Board Audit & Risk Management Committee, collectively or on their own, attended the following training programmes, seminars, briefings and/or workshops:

- Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR")
- Transactions Perils under the Companies Act, 1965
- How to read a Contract
- Dispute Resolution
- Corporate Governance
- Corporate Disclosure Guide
- Financial Institutions Directors' Education Programme
- Introduction to Intellectual Property
- Formation of Contracts: Nuts & Bolts
- Optimising IFRS/MFRS Convergence
- Board's Role In Governance And Audit Committee Oversight Responsibilities – Passion Beyond Numbers
- Accounting For Financial Instruments Simplified (FRS 139)
- Director's Continuing Education Programme 2011
- Implementation of Internal Capital Adequacy Assessment
- FIDE Core Programme for Directors
- Risk Management in Takaful
- Nomination & Remuneration Committee
- National Sales Congress Zurich Insurance Malaysia.

Corporate Governance and Internal Control

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B. DIRECTORS' REMUNERATION

I Level and make-up of Remuneration

The Company does not have a Remuneration Committee. The Board is of the view that it is not necessary for the Company to establish a Remuneration Committee for the time being given the current size of the Board. The Board as a whole functions as the Remuneration Committee.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmark to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

II Procedure

The remuneration packages of executive directors are reviewed by the entire Board, with the presence of a majority of non-executive directors. The executive director concerned shall not participate in the deliberations and shall vacate the meeting room during deliberations of his remuneration package.

The Board, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of directors, including non-executive directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM.

III Disclosure

The aggregate remuneration of directors (including remuneration of directors appointed/resigned during the financial year) for the financial year ended 30 June 2012 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	136,694	1,049,603	1,186,297
Non-Executive Directors	350,328	100,000	450,328

The number of directors (including directors appointed/resigned during the financial year) whose remuneration falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	2
50,001 – 100,000	2	3
100,001 – 150,000	-	1
150,001 – 1,050,000	-	-
1,050,001 – 1,100,000	1	-

Corporate Governance and Internal Control

cont'd

C. SHAREHOLDERS

I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders, quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

The Company has a website at <http://www.hli.com.my> which the shareholders can access for information which includes corporate information, announcements, financial information, products information and investor relations.

In addition, the Group Financial Controller could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the following person:

Name : Mr Chong Choon Yeng
Tel No : 03 - 2164 2631
Fax No : 03 - 2713 7103
Email Address : lRelations@hli.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

D. ACCOUNTABILITY AND AUDIT

The Board Audit & Risk Management Committee ("the Committee") was established on 21 March 1994. The financial reporting and internal control system of the Group is overseen by the Committee which comprises all independent non-executive directors. The primary responsibilities of the Committee are set out in the Board Audit & Risk Management Committee Report.

The Committee met four (4) times during the financial year ended 30 June 2012. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 29 of the Annual Report. The head of finance, head of internal audit, risk manager, GMD and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

The Committee is supported by the Internal Audit Department which principal responsibility is to conduct periodic audits to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the Committee and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the Committee meetings where appropriate actions will be taken.

Corporate Governance and Internal Control

cont'd

D. ACCOUNTABILITY AND AUDIT *cont'd*

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the Committee which assesses the financial statements with the assistance of the external auditors.

II Internal Control

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group.

III Relationship with Auditors

The appointment of external auditors is recommended by the Committee which determines the remuneration of the external auditors. The external auditors meet with the Committee to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

At least twice a year, the Committee will have a separate session with the external auditors without the presence of executive directors and management.

E. STATEMENT ON INTERNAL CONTROL

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has put in place a risk management framework for the Group to assist it in:

- identifying the significant risks faced by the Group in the operating environment as well as evaluating the impact of such risks identified;
- developing the necessary measures to manage these risks; and
- monitoring and reviewing the effectiveness of such measures.

The Board has entrusted the Committee with the responsibility to oversee the implementation of the risk management framework of the Group.

The Board, in concurrence with the Committee, has appointed a risk manager to administer the risk management framework. The risk manager is responsible to:

- periodically evaluate all identified risks for their continuing relevance in the operating environment and inclusion in the Risk Management Framework;
- assess adequacy of action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- periodically report to the Committee on the state of internal controls and the management of risks throughout the Group.

The Committee, assisted by the Internal Audit Department, provides oversight on the implementation of the risk management framework of the Group.

Corporate Governance and Internal Control

cont'd

E. STATEMENT ON INTERNAL CONTROL *cont'd*

These on-going processes have been in place for the year under review, and reviewed periodically by the Committee.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2012, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

This Statement on Corporate Governance and Internal Control is made in accordance with the resolution of the Board of Directors.

Board Audit & Risk Management Committee Report

CONSTITUTION

The Board Audit & Risk Management Committee ("the Committee") of Hong Leong Industries Berhad ("HLI" or "the Company") has been established since 21 March 1994.

COMPOSITION

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

Chairman, Independent Non-Executive Director

YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar

Independent Non-Executive Director

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Independent Non-Executive Director

SECRETARY

The Secretary to the Committee is Ms Joanne Leong Wei Yin, who is the Company Secretary of HLI.

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.
- To review the report and findings of the Internal Audit Department including any findings of internal investigations and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as may be agreed to by the Committee and the Board.

AUTHORITY

The Committee is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Board Audit & Risk Management Committee Report

cont'd

MEETINGS

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, risk manager, Group Managing Director and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

At least twice a year, the Committee will have a separate session with the external auditors without the presence of executive directors and management.

Two (2) independent and non-executive members of the Committee shall constitute a quorum.

After each Committee meeting, the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The Committee carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2012, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	4/4
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	4/4
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4/4

The Committee had two (2) separate sessions with the external auditors without the presence of executive directors and management.

The Committee reviewed the quarterly reports and annual financial statements of the Group. The Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The Committee reviewed the internal auditor's audit findings and recommendations.

In addition, the Committee reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The Committee reviewed various related party transactions carried out by the Group.

Board Audit & Risk Management Committee Report

cont'd

INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HMMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. The total cost incurred by the IA Department of HMMC for the financial year ended 30 June 2012 amounted to RM648,404.

The IA Department reports to the Committee of HLI. The IA function is performed with impartiality, proficiency and due professional care. The IA Department supports the Committee of HLI in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group.

Audit plans developed by the IA Department are submitted to the Committee for review and agreement. Internal audits are carried out as agreed. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis.

The IA Department also facilitates the implementation and maintenance of the risk management framework of the Group on an on-going basis.

This Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board.

Hong Leong Industries Berhad (5486-P)

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Directors' Report

for the financial year ended 30 June 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	132,004	45,689
Non-controlling interests	35,220	-
	167,224	45,689

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- (i) a first interim dividend of 4 sen per share less tax and 7 sen per share tax exempt amounting to RM9,584,184 and RM22,363,097 respectively in respect of the financial year ended 30 June 2012 on 22 December 2011; and
- (ii) a second interim dividend of 12 sen per share tax exempt amounting to RM38,336,737 in respect of the financial year ended 30 June 2012 on 8 June 2012.

The Directors do not recommend a final dividend for the financial year ended 30 June 2012.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

YBhg Datuk Kwek Leng San (Chairman) *(Relinquished office as President & Chief Executive Officer and appointed as Chairman on 09.02.2012)*

YBhg Dato' Yau Kok Seng (Group Managing Director)

YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Mr Chuah Chuan Thye

Dr Zaha Rina binti Zahari *(Appointed on 09.02.2012)*

YBhg Tan Sri Quek Leng Chan *(Resigned on 09.02.2012)*

In accordance with Article 115 of the Company's Articles of Association, YBhg Datuk Kwek Leng San and YBhg Dato' Ahmad Johari bin Tun Abdul Razak retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Dr Zaha Rina binti Zahari retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

YM Raja Dato' Seri Abdul Aziz bin Raja Salim retires in accordance with Section 129(2) of the Companies Act, 1965 ("Act"). The Board recommends that he be re-appointed under the provision of Section 129(6) of the Act to hold office until the conclusion of the next Annual General Meeting.

Directors' Report

for the financial year ended 30 June 2012
cont'd

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2012 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

		Number of ordinary shares			
	Nominal value per share RM	At 1.7.2011/ Date of Appointment	Acquired	Sold	At 30.6.2012
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	-	-	2,520,000
Malaysian Pacific Industries Berhad	0.50	1,260,000	-	-	1,260,000
Hong Leong Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	77,000^	-	462,000
Guoco Group Limited	US\$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
Interests of YBhg Dato’ Ahmad Johari bin Tun Abdul Razak in:					
Hong Leong Industries Berhad	0.50	17,600	-	-	17,600
Malaysian Pacific Industries Berhad	0.50	6,600	-	-	6,600
Interests of YBhg Dato’ Yau Kok Seng in:					
Hong Leong Industries Berhad	0.50	-	100,000	-	100,000
Shareholdings in which Director has indirect interests					
Interests of Mr Chuah Chuan Thye in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	9,347,949	-	-	9,347,949
Hong Leong Industries Berhad	0.50	2,298,036	-	-	2,298,036
Narra Industries Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	140,000	28,000^	-	168,000
GuocoLand (Malaysia) Berhad	0.50	2,285,485	-	-	2,285,485
GuocoLeisure Limited	US\$0.20	2,036,775	-	-	2,036,775
Malaysian Pacific Industries Berhad	0.50	861,764	-	-	861,764
Southern Steel Berhad (“SSB”)	1.00	8,293,288*	-	-	8,293,288

Legend:

[^] Shares acquired from rights issue.

* Shareholding as at 3 January 2012 as SSB became a related corporation.

Directors' Report

for the financial year ended 30 June 2012
cont'd

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for: (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or for construction development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances and the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests; (b) Mr Chuah Chuan Thye who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between related corporations and corporations in which Mr Chuah Chuan Thye is deemed to have interests; and (c) YBhg Dato' Ahmad Johari bin Tun Abdul Razak who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between the Company or its related corporations and a firm in which YBhg Dato' Ahmad Johari bin Tun Abdul Razak has interests.

There were no arrangements during and at the end of the financial year which has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 14 October 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years ("Existing ESOS").

On 13 January 2006, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") has approved-in-principle the listing of and quotation of new ordinary shares of the Company to be issued pursuant to the exercise of options under the Existing ESOS at any time during the existence of the Existing ESOS.

The Existing ESOS would provide an opportunity for eligible executives who have contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the Existing ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time executive directors have been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the Existing ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation").
3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.
5. The option granted to an option holder under the Existing ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the Existing ESOS.
6. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the Existing ESOS; or a combination of both new shares and existing shares.

Directors' Report

for the financial year ended 30 June 2012
cont'd

EXECUTIVE SHARE OPTION SCHEME ("ESOS") *cont'd*

Since the commencement of the Existing ESOS:

- (i) a total of 2,000,000 options had been granted and vested under the Existing ESOS, out of which 36,000 options had been exercised. The remaining 1,964,000 options had lapsed. The aggregate options granted and vested to directors and chief executives of the Group under the Existing ESOS was 700,000 options, all of which were unexercised and lapsed;
- (ii) the maximum allocation applicable to directors and senior management of the Group is 50% of the Aggregate Maximum Allocation; and
- (iii) the actual percentage of options granted under the Existing ESOS to directors and senior management of the Group was 0.22% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) as at 30 June 2012.

During the financial year, there were no share options granted under the Existing ESOS. As at 30 June 2012, there were no outstanding options under the Existing ESOS.

On 10 August 2012, the Company announced that it proposes to undertake the following:

- (i) terminate the Existing ESOS ("Proposed Termination"); and
- (ii) establish a new ESOS of up to 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) ("Proposed New ESOS").

The Proposed Termination and the Proposed New ESOS are inter-conditional and subject to the approval of the shareholders of the Company.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company during the financial year and the Company has not issued any debentures during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the statements of financial position, income statements and statements of comprehensive income of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

Directors' Report

for the financial year ended 30 June 2012
cont'd

OTHER STATUTORY INFORMATION *cont'd*

At the date of this report there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board,

Dato' Yau Kok Seng

Dato' Ahmad Johari bin Tun Abdul Razak

Kuala Lumpur,
27 August 2012

Statements of Financial Position

as at 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Property, plant and equipment	4	405,514	451,009	1,041	752
Investment properties	5	2,231	17,231	-	-
Investments in subsidiary companies	6	-	-	684,753	428,772
Investments in associated companies	7	389,962	374,985	265,073	265,073
Available-for-sale financial assets	8	471,109	172,993	182,301	171,983
Intangible assets	9	14,347	12,179	-	-
Deferred tax assets	10	8,609	8,960	-	-
Total non-current assets		1,291,772	1,037,357	1,133,168	866,580
Inventories	11	220,747	196,082	-	-
Trade and other receivables, including derivatives	12	447,034	403,336	151	33,653
Current tax assets		14,417	21,433	12,757	8,560
Assets held for sale	13	48,030	-	-	-
Cash and cash equivalents	14	215,617	376,155	11,764	100,917
Total current assets		945,845	997,006	24,672	143,130
TOTAL ASSETS		2,237,617	2,034,363	1,157,840	1,009,710

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Financial Position

as at 30 June 2012

cont'd

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
EQUITY					
Share capital	15	163,953	163,953	163,953	163,953
Reserves	16	1,081,135	997,110	376,760	403,079
Treasury shares - at cost	17	(63,318)	(63,318)	(63,318)	(63,318)
Total equity attributable to owners of the Company		1,181,770	1,097,745	477,395	503,714
Non-controlling interests		102,767	114,157	-	-
TOTAL EQUITY		1,284,537	1,211,902	477,395	503,714
LIABILITIES					
Loans and borrowings	18	418,663	120,000	400,000	120,000
Deferred tax liabilities	10	10,414	13,253	-	-
Employee benefits	19(a)	17,809	15,779	336	333
Total non-current liabilities		446,886	149,032	400,336	120,333
Trade and other payables, including derivative	20	348,326	314,025	220,109	149,663
Loans and borrowings	18	144,731	344,846	60,000	236,000
Tax payable		13,137	14,558	-	-
Total current liabilities		506,194	673,429	280,109	385,663
TOTAL LIABILITIES		953,080	822,461	680,445	505,996
TOTAL EQUITY AND LIABILITIES		2,237,617	2,034,363	1,157,840	1,009,710

The notes on pages 49 to 107 are an integral part of these financial statements.

Income Statements

for the financial year ended 30 June 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue					
Sales of goods and services		2,153,055	1,800,885	-	
Dividend income		19,569	2,348	83,085	72,230
		2,172,624	1,803,233	83,085	72,230
Cost of sales		(1,771,485)	(1,475,742)	-	-
Gross profit		401,139	327,491	83,085	72,230
Distribution costs		(142,099)	(88,149)	-	-
Administration expenses		(69,367)	(59,500)	(6,548)	(7,863)
Other operating expenses		(30,991)	(16,882)	(2,683)	(3,282)
Other operating income		55,803	75,355	3,492	28,497
Results from operations		214,485	238,315	77,346	89,582
Interest income		3,049	2,992	175	404
Finance costs		(37,077)	(21,310)	(32,890)	(16,626)
Share of profit in associated companies		32,448	36,549	-	-
Profit before taxation	21	212,905	256,546	44,631	73,360
Taxation	22	(45,681)	(29,690)	1,058	(1,100)
Profit from continuing operations		167,224	226,856	45,689	72,260
Discontinued operations					
Profit from discontinued operations, net of tax		-	74,998	-	-
Profit for the year		167,224	301,854	45,689	72,260
Profit attributable to:					
Owners of the Company		132,004	219,379	45,689	72,260
Non-controlling interests		35,220	82,475	-	-
		167,224	301,854	45,689	72,260
Basic earnings per ordinary share (sen)					
- Continuing operations		42.81	59.01		
- Discontinued operations		-	11.61		
	24	42.81	70.62		
Dividend per ordinary share					
- Net (sen)	25	22.00	20.13		

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 30 June 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit for the year	167,224	301,854	45,689	72,260
Other comprehensive income/(expense), net of tax				
- Foreign currency translation differences for foreign operations	18,207	(47,258)	-	-
- Gain/(loss) on fair value of available-for-sale financial assets	1,642	(1,925)	(3,681)	(1,924)
Total other comprehensive income/(expense) for the year	19,849	(49,183)	(3,681)	(1,924)
Total comprehensive income for the year	187,073	252,671	42,008	70,336
Total comprehensive income attributable to:				
Owners of the Company	151,921	172,282	42,008	70,336
Non-controlling interests	35,152	80,389	-	-
	187,073	252,671	42,008	70,336

The notes on pages 49 to 107 are an integral part of these financial statements.

for the year ended 30 June 2012

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2012
cont'd

Group	Attributable to owners of the Company											
	Non-distributable						Distributable					
	Share Capital RM'000	Share Premium RM'000	Exchange Reserve RM'000	Fair Value Reserve RM'000	Other Reserves RM'000	Reserve For Own Shares RM'000	Share Option Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
Contributions by and distributions to owners of the Company												
Dividends	-	-	-	-	-	-	-	-	(72,989)	(72,989)	(94,116)	(167,105)
Share-based payments	-	-	-	-	(4,182)	-	(442)	-	442	(4,182)	(3,014)	(7,196)
Issue of shares	23,380	211,820	-	-	-	-	-	-	-	235,200	-	235,200
Renounceable rights issue	79,868	151,749	-	-	-	-	-	-	-	231,617	-	231,617
Capital reduction	(79,868)	(562,151)	-	-	-	-	-	-	-	(642,019)	-	(642,019)
Share issue expenses	-	(1,248)	-	-	-	-	-	-	-	(1,248)	-	(1,248)
Demerger of a subsidiary	-	-	(2,881)	-	24,690	-	-	-	(243,502)	(221,693)	(506,968)	(728,661)
Trust shares												
- Purchased	-	-	-	-	-	(7,995)	-	-	-	(7,995)	-	(7,995)
- Cancelled	-	-	-	-	-	20,730	-	-	-	20,730	-	20,730
- Exercise of options	-	-	-	-	-	180	-	-	-	180	-	180
Total transactions with owners of the Company	23,380	(199,830)	(2,881)	-	20,508	12,915	(442)	-	(316,049)	(462,399)	(604,098)	(1,066,497)
Change in equity in a subsidiary	-	-	-	-	-	-	-	-	-	-	(628)	(628)
Transfer of capital reserves	-	-	-	-	883	-	-	-	(883)	-	-	-
Transfer to capital redemption reserve	-	-	-	-	494	-	-	-	(494)	-	-	-
Other reserve movements	-	-	-	-	(95)	-	-	-	-	(95)	-	(95)
Shares issued by a subsidiary	-	-	-	-	-	-	-	-	-	-	535	535
At 30 June 2011 / 1 July 2011	163,953	387,096	(104,343)	(1,921)	20,332	(41,459)	-	(63,318)	737,405	1,097,745	114,157	1,211,902

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2012
cont'd

Group	Attributable to owners of the Company											
	Non-distributable						Distributable					
	Share Capital RM'000	Share Premium RM'000	Exchange Equalisation Reserve RM'000	Fair Value Reserve RM'000	Other Reserves RM'000	Reserve For Own Shares RM'000	Share Option Reserve RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 30 June 2011 / 1 July 2011	163,953	387,096	(104,343)	(1,921)	20,332	(41,459)	-	(63,318)	737,405	1,097,745	114,157	1,211,902
Profit for the year	-	-	-	-	-	-	-	-	132,004	132,004	35,220	167,224
Other comprehensive income/(expense)	-	-	18,275	-	-	-	-	-	-	18,275	(68)	18,207
- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-
- Gain on fair value of available-for-sale financial assets	-	-	-	1,642	-	-	-	-	-	1,642	-	1,642
Total comprehensive income for the year	-	-	18,275	1,642	-	-	-	-	132,004	151,921	35,152	187,073
Dividends	-	-	-	-	-	-	-	-	(67,838)	(67,838)	(39,342)	(107,180)
Share issue expenses	-	(58)	-	-	-	-	-	-	-	(58)	-	(58)
Liquidation of a subsidiary	-	-	-	-	-	-	-	-	-	-	(7,200)	(7,200)
Total transactions with owners of the Company	-	(58)	-	-	-	-	-	-	(67,838)	(67,896)	(46,542)	(114,438)
Transfer to capital redemption reserve	-	-	-	-	130	-	-	-	(130)	-	-	-
At 30 June 2012	163,953	387,038	(86,068)	(279)	20,462	(41,459)	-	(63,318)	801,441	1,181,770	102,767	1,284,537

(Note 15)

(Note 17)

(Note 15)

(Note 17)

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2012
cont'd

	Attributable to owners of the Company							
	Non-distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Other Reserves RM'000	Reserve For Own Shares RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total Equity RM'000
Company								
At 1 July 2010	140,573	586,926	-	3,943	(44,337)	(63,318)	49,186	672,973
Profit for the year	-	-	-	-	-	-	72,260	72,260
Other comprehensive loss								
- Loss on fair value of available-for-sale financial assets	-	-	(1,924)	-	-	-	-	(1,924)
Total comprehensive (expense)/income for the year	-	-	(1,924)	-	-	-	72,260	70,336
Contributions by and distributions to owners of the Company								
Dividends (Note 25)	-	-	-	-	-	-	(73,487)	(73,487)
Issue of shares	23,380	211,820	-	-	-	-	-	235,200
Renounceable rights issue	79,868	151,749	-	-	-	-	-	231,617
Capital reduction	(79,868)	(562,151)	-	-	-	-	-	(642,019)
Share issue expenses	-	(1,248)	-	-	-	-	-	(1,248)
Trust shares								
- Purchased	-	-	-	-	(6,655)	-	-	(6,655)
- Cancelled	-	-	-	-	16,997	-	-	16,997
Total transactions with owners of the Company	23,380	(199,830)	-	-	10,342	-	(73,487)	(239,595)
At 30 June 2011/ 1 July 2011	163,953	387,096	(1,924)	3,943	(33,995)	(63,318)	47,959	503,714

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 30 June 2012
cont'd

	Attributable to owners of the Company							
	Non-distributable				Distributable			
	Share Capital RM'000	Share Premium RM'000	Fair Value Reserve RM'000	Other Reserves RM'000	Reserve For Own Shares RM'000	Treasury Shares RM'000	Retained Earnings RM'000	Total Equity RM'000
Company								
At 1 July 2011	163,953	387,096	(1,924)	3,943	(33,995)	(63,318)	47,959	503,714
Profit for the year	-	-	-	-	-	-	45,689	45,689
Other comprehensive expense								
- Loss on fair value of available-for- sale financial assets	-	-	(3,681)	-	-	-	-	(3,681)
Total comprehensive (expense)/income for the year	-	-	(3,681)	-	-	-	45,689	42,008
Contributions by and distributions to owners of the Company								
Dividends (Note 25)	-	-	-	-	-	-	(68,269)	(68,269)
Share issue expenses	-	(58)	-	-	-	-	-	(58)
Total transactions with owners of the Company	-	(58)	-	-	-	-	(68,269)	(68,327)
At 30 June 2012	163,953	387,038	(5,605)	3,943	(33,995)	(63,318)	25,379	477,395
	(Note 15)				(Note 17)			

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 30 June 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation				
- From continuing operations	212,905	256,546	44,631	73,360
- From discontinued operations (Note 23)	-	83,658	-	-
	212,905	340,204	44,631	73,360
Adjustments for:				
Share of profit of associated companies	(32,448)	(36,549)	-	-
Amortisation of intangible assets				
- Computer software	575	342	-	-
- Development expenditure	1,487	1,414	-	-
Fair value gain on investment property	(23,513)	-	-	-
Depreciation of property, plant and equipment	50,784	232,707	240	68
Dividend income	(22,195)	(6,137)	(83,085)	(72,230)
Fair value loss/(gain) on derivative instruments	2,074	(1,547)	2,318	(92)
Gain on disposal of property, plant and equipment	(9,313)	(27,812)	-	-
Gain on disposal of assets held for sale	-	(11,350)	-	-
Property, plant and equipment written off	35	177	-	-
Impairment of property, plant and equipment	12,797	2,712	-	-
Retirement benefits provision	2,370	1,108	3	-
Unrealised gain on foreign exchange	(1,617)	(2,540)	(1)	(1)
Interest income	(3,049)	(4,726)	(175)	(404)
Finance costs	37,077	27,748	32,890	16,626
Negative goodwill realised on liquidation of a subsidiary	(1,120)	-	-	-
Impairment/(reversal of impairment) of value in				
- Investment in subsidiary companies	-	9,780	(3,490)	(27,000)
Share-based payments	-	(228)	-	-
Loss on disposal of other investments	-	1,994	-	1,605
Loss on capital reduction of subsidiary	-	-	-	1,621
Loss/(gain) on disposal of subsidiary	-	59	-	(800)
Negative goodwill on acquisition of a subsidiary	-	(20,658)	-	-
Other non-cash items	-	(95)	-	-
Operating profit/(loss) before working capital changes	226,849	506,603	(6,669)	(7,247)

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 30 June 2012
cont'd

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before changes in working capital <i>cont'd</i>				
Inventories	(24,665)	(34,771)	-	-
Trade and other receivables	(31,745)	4,652	33,410	(18,551)
Trade and other payables	48,863	(12,015)	68,220	138,347
Cash generated from operations	219,302	464,469	94,961	112,549
Taxation (paid)/refund	(42,577)	(39,536)	4,991	5,791
Interest income received	3,049	4,726	175	404
Finance costs paid	(37,077)	(27,748)	(32,890)	(16,626)
Dividends received from				
- Subsidiary companies	-	-	60,024	44,213
- Associated companies	13,547	21,423	13,547	21,423
- Other investments	14,035	6,137	1,385	2,255
Retirement benefits paid	(340)	(390)	-	-
Net cash generated from operating activities	169,939	429,081	142,193	170,009
Cash flows from investing activities				
Addition in available-for-sale financial assets	(295,151)	(162,003)	(14,000)	(161,000)
Addition of development expenditure	(2,477)	(1,348)	-	-
Addition of computer software	(633)	(250)	-	-
Purchase of property, plant and equipment	(31,077)	(297,895)	(529)	(820)
Proceeds from disposal of property, plant and equipment	12,864	42,906	-	-
Cash distribution to non-controlling shareholder of a subsidiary	(7,200)	-	-	-
Proceeds from disposal of a subsidiary company	-	2,122	-	2,380
Issue of RPS by a subsidiary company to non-controlling shareholder	-	3	-	-
Issue of shares by a subsidiary company to non-controlling shareholders	-	535	-	-
Cash distribution from capital reduction of subsidiary company	-	-	-	2,400
Acquisition of a subsidiary, net of cash and cash equivalent acquired	-	42,761	-	-
Demerger of discontinued operations				
- Net cash and cash equivalent disposed	-	(69,543)	-	-
Proceeds from disposal of assets held for sale	-	20,692	-	-
Proceeds from redemption of redeemable preference shares in a subsidiary company	-	-	10,510	73,000
Additional investment in subsidiary companies	-	-	(263,000)	(54,091)
Net cash used in investing activities	(323,674)	(422,020)	(267,019)	(138,131)

The notes on pages 49 to 107 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 30 June 2012
cont'd

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Renounceable rights issue	-	223,538	-	224,962
Dividends paid to				
- Owners of the Company	(67,838)	(72,989)	(68,269)	(73,487)
- Non-controlling shareholder of subsidiaries	(39,342)	(94,116)	-	-
Exercise of Trust Shares	-	198	-	-
Repayment of borrowings	(525,362)	(654,946)	(252,000)	(184,000)
Drawdown of borrowings	623,854	547,086	356,000	86,000
Purchase of Trust Shares	-	(6,650)	-	-
Share issue expenses	(58)	(1,248)	(58)	(1,248)
Net cash (used in)/generated from financing activities	(8,746)	(59,127)	35,673	52,227
Net change in cash and cash equivalents	(162,481)	(52,066)	(89,153)	84,105
Effect of exchange rate fluctuations on cash held	1,943	(939)	-	-
Cash and cash equivalents at 1 July	376,155	429,160	100,917	16,812
Cash and cash equivalents at 30 June	215,617	376,155	11,764	100,917

Cash and cash equivalents

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

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed financial institutions	148,242	286,841	157	99,393
Cash and bank balances	67,375	89,314	11,607	1,524
	215,617	376,155	11,764	100,917

The notes on pages 49 to 107 are an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

Hong Leong Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Level 9, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements as at and for the financial year ended 30 June 2012 comprise the Company, its subsidiaries and special purpose entities (Note 2.2(a) (iv)) (together referred to as the Group). The financial statements of the Company as at and for the financial year ended 30 June 2012 do not include other entities.

The Company is an investment holding company whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 27 August 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as those disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs"), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 9 – Intangible assets
- Note 12 – Allowance for impairment losses

These financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of the Company and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

2.2 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated:

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(a) Basis of consolidation *cont'd*

(i) Subsidiaries *cont'd*

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Accounting for business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 July 2010

For acquisitions on or after 1 July 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions between 1 July 2006 and 1 July 2010

For acquisitions between 1 July 2006 and 1 July 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Acquisitions prior to 1 July 2006

For acquisitions prior to 1 July 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(a) Basis of consolidation *cont'd*

(iii) Accounting for acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Special purpose entities

Special purpose entities ("SPE") are entities defined in IC Interpretation 112, Consolidation - Special Purpose Entities, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESOS Trust set up as mentioned in Note 2.2(m)(iii) is consolidated in the consolidated financial statements of the Group.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's statement of financial position at cost less impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(a) Basis of consolidation *cont'd*

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to functional currency at the exchange rate at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than Ringgit Malaysia (RM), including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2006 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

2.2 Summary of Significant Accounting Policies cont'd

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and Company categorise financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Loans and receivables*

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables, and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) *Available-for-sale financial assets*

Available-for-sale are category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2.2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(c) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

Financial liabilities cont'd

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost/valuation less depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(d) Property, plant and equipment *cont'd*

(i) Recognition and measurement *cont'd*

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	Over period of lease
Buildings	10 - 50 years
Building improvements	10 years
Plant and equipment and motor vehicles	2 - 20 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position.

Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both is classified as investment property.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(e) Leased assets *cont'd*

(ii) Operating leases *cont'd*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arising on business combinations are measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

(iv) Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

- Development expenditure 3 years
- Computer software 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(g) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal of, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the items are derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

(iii) Determination of fair value

The Directors estimate the fair values of the Company's investment properties based on their judgment and, where available, made with reference to current price in an active market for similar properties from independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is mainly measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets and inventories) are reviewed at the end of each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit or the group of cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(j) Impairment *cont'd*

(ii) Other assets *cont'd*

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(k) Assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Repurchase, disposal and reissue of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable reserves, or both.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(m) Employee benefits

(i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of Significant Accounting Policies *cont'd*

(m) Employee benefits *cont'd*

(i) Short term employee benefits *cont'd*

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(ii) Defined benefit plan

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by FRS 119, Employee Benefits has not been used in deriving at the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(iii) Share-based payments

The Group operates equity-settled, share based compensation plans for the employees of the Group under the Hong Leong Industries Berhad ("HLI")'s Executive Share Option Scheme ("ESOS").

In connection with the ESOS, trusts have been set up and are administered by an appointed trustee ("ESOS Trust"). The trustee will be entitled from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree to purchase the ordinary shares of the Company from the open market for the ESOS Trusts ("Trust Shares").

The fair value of the share options granted to employees is recognised as an employment cost with a corresponding increase in the share option reserve over the vesting period. When the share options are exercised, the amount from the share option reserve is transferred to share premium. When the share options not exercised are expired, the amount from the share option reserve is transferred to retained earnings.

The fair value of the share options is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESOS Trusts for HLI are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserves for own shares. Dividends received by the ESOS Trusts are eliminated against the Company's dividend payment.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary Of Significant Accounting Policies *cont'd*

(n) Provisions *cont'd*

(ii) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discount. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in the statements of comprehensive income when services are performed.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(v) Rental income

Rental income is recognised in profit or loss on accrual basis.

(p) Borrowings costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary Of Significant Accounting Policies *cont'd*

(a) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

(r) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

(s) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to segment and assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

cont'd

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

2.3 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards (FRSs), generally accepted accounting principles and the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by the Group and the Company:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Transfers of Financial Assets*
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 10, *Consolidated Financial Statements*
- FRS 11, *Joint Arrangements*
- FRS 12, *Disclosure of Interests in Other Entities*
- FRS 13, *Fair Value Measurement*
- FRS 119, *Employee Benefits* (2011)
- FRS 127, *Separate Financial Statements* (2011)
- FRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Government Loans*
- Improvements to FRSs (2012)
- Amendments to FRS 10, FRS 11 and FRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- FRS 141, *Agriculture*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- Amendments to FRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of FRS 9 and Transition Disclosures*

The Group's and the Company's financial statements for the annual period beginning on 1 July 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the Malaysian Accounting Standards Board (MASB) and International Financial Reporting Standards (IFRSs). As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

Notes to the Financial Statements

cont'd

3. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Hong Leong Industries Berhad are shown below:-

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2012	2011	
		%	%	
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
• Guocera Tile Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of ceramic tiles.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of ceramic tiles.
• Century Touch Sdn Bhd (formerly known as Guocera Tile Industries (Labuan) Sdn Bhd)*	Malaysia	70.0	70.0	In members' voluntary liquidation.
• Guocera Tile Industries (Vietnam) Co., Ltd	Vietnam	97.0	97.0	Manufacture and sale of porcelain tiles. Ceased operations subsequent to 30 June 2012.
• Guocera Marketing Sdn Bhd	Malaysia	100.0	100.0	General trading in ceramic tiles and investment holding.
• Guocera Marketing Singapore Pte Ltd	Singapore	100.0	100.0	General trading in ceramic tiles.
• Ceramic Research Company Sdn Bhd	Malaysia	100.0	100.0	Research and development of ceramic tiles and related products.
• Guocera Marketing (International) Sdn Bhd	Malaysia	100.0	100.0	Procurement and sale of raw materials, parts and components, and finished products of ceramic tiles for the local and export markets.
Hong Leong Marketing Co Berhad	Malaysia	100.0	100.0	Distribution of building materials.
Hume Marketing Sdn Bhd	Malaysia	100.0	100.0	Distribution of building materials.
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	69.4	69.4	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.
Hume Industries (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	Manufacture of concrete products and investment holding.
• Hume Concrete (EM) Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of concrete and related products.
• Hume Concrete Marketing Sdn Bhd	Malaysia	100.0	100.0	Marketing of concrete and related products.
• Hume Concrete Products Research Centre Sdn Bhd	Malaysia	100.0	100.0	Research and development of concrete products.
• Hume Cemboard Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of fibre cement products.
• Malex Industrial Products Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of fibre cement products and investment holding.
• Hume Cemboard Marketing Sdn Bhd	Malaysia	100.0	100.0	Sale and distribution of fibre cement products.
• Hume Roofing Products Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of concrete roofing tiles.
• Hume Fibreboard Sdn Bhd	Malaysia	100.0	100.0	Investment trading.
MZ Motorrad- und Zweiradwerk GmbH♦	Germany	100.0	100.0	Ceased operation.
MZ Holdings Limited*	Hong Kong	100.0	100.0	Investment holding.
MZ Motorrad Group Limited♦	Bermuda	100.0	100.0	Investment holding.
• MZ Engineering GmbH♦	Germany	100.0	100.0	In member's voluntary liquidation.

Notes to the Financial Statements

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3. COMPANIES IN THE GROUP cont'd

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Hong Leong Industries Berhad are shown below:- cont'd

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2012	2011	
		%	%	
Subsidiary Companies				
Stableview Sdn Bhd*	Malaysia	100.0	100.0	Investment holding.
Maxider Sdn Bhd*	Malaysia	100.0	100.0	Investment holding.
Megah Court Condominium Development Sdn Bhd*	Malaysia	100.0	100.0	Property management.
Taman Terang Sdn Bhd*	Malaysia	100.0	100.0	Investment holding.
HLI Trading Limited*	Hong Kong	100.0	100.0	Investment holding.
• Avenues Zone Inc*	Malaysia	100.0	100.0	Investment holding.
HLI Overseas Limited♦	Jersey, Channel Islands	100.0	100.0	Dormant.
RZA Logistics Sdn Bhd*	Malaysia	59.1	59.1	Investment holding.
Guotrade (Malaysia) Sdn Bhd #	Malaysia	100.0	100.0	In member's voluntary liquidation.
Varinet Sdn Bhd #	Malaysia	60.0	60.0	In members' voluntary liquidation.
Hong Leong Maruken Sdn Bhd #	Malaysia	70.0	70.0	In members' voluntary liquidation.
Prester Sdn Bhd #	Malaysia	100.0	100.0	In member's voluntary liquidation.
Associated Companies				
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd*	Malaysia	30.0	30.0	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	34.0	34.0	Provision of research and development services.
Yamaha Motor Vietnam Co., Ltd	Vietnam	24.0	24.0	Procure and assemble motorcycles, motorcycle spare parts and components and provision of maintenance and repair service for motorcycles.
Malaysian Newsprint Industries Sdn Bhd	Malaysia	33.7	33.7	Manufacture and sale of newsprint and related paper products.
Laras Perkasa Sdn Bhd	Malaysia	30.0	30.0	Dormant.

The financial year end of the associated companies are co-terminous with the Company except for the following:-

Name of Company	Financial Year End
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd*	31 March
Yamaha Motor Vietnam Co., Ltd*	31 December

Notes:-

- Sub-subsidiary companies.
- * The financial statements of these subsidiary and associated companies are not audited by the auditors (or its affiliates) of the Company.
- ♦ These sub-subsidiary companies are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.
- * Group's share of profit is based on the latest audited financial statements and latest management financial statements available.
- # These subsidiaries are in member's voluntary liquidation and have been consolidated based on unaudited financial statements.

Notes to the Financial Statements

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4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Group							
Cost							
At 1 July 2010	38,241	209,433	45,491	312,084	3,328,987	39,610	3,973,846
Additions	-	2,777	-	6,213	235,487	53,418	297,895
Acquisition of a subsidiary	8,869	10,797	33,987	17,732	39,545	1,596	112,526
Reclassification	-	349	-	479	72,211	(73,039)	-
Disposals	-	(12)	(5,913)	(11,588)	(80,493)	(39)	(98,045)
Disposal of a subsidiary	-	-	-	-	(3,902)	-	(3,902)
Write off	-	-	-	-	(2,392)	-	(2,392)
Demerger of a subsidiary	-	(33,766)	(28,518)	(303,317)	(2,931,244)	(21,455)	(3,318,300)
Effect of movements in exchange rates	306	-	(74)	(721)	(7,919)	129	(8,279)
At 30 June 2011/ 1 July 2011	47,416	189,578	44,973	20,882	650,280	220	953,349
Additions	-	1,031	-	270	19,405	10,371	31,077
Reclassification	-	54	-	-	2,757	(2,811)	-
Reclassified to assets held for sale	-	-	(10,885)	-	-	-	(10,885)
Disposals	(378)	(5,860)	-	-	(3,019)	-	(9,257)
Write off	-	-	-	-	(729)	-	(729)
Effect of movements in exchange rates	(70)	-	-	117	592	-	639
At 30 June 2012	46,968	184,803	34,088	21,269	669,286	7,780	964,194

Notes to the Financial Statements

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4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Group							
<i>Accumulated depreciation and impairment losses</i>							
At 1 July 2010							
Accumulated depreciation	-	51,238	10,200	135,021	2,405,632	-	2,602,091
Accumulated impairment losses	-	-	-	-	52,763	-	52,763
	-	51,238	10,200	135,021	2,458,395	-	2,654,854
Charge for the year	-	4,868	730	15,633	211,476	-	232,707
Impairment losses	-	-	-	28	2,684	-	2,712
Disposals	-	-	(133)	(2,645)	(80,173)	-	(82,951)
Disposal of a subsidiary	-	-	-	-	(1,509)	-	(1,509)
Write off	-	-	-	-	(2,215)	-	(2,215)
Demerger of a subsidiary	-	(12,106)	(9,181)	(147,331)	(2,129,335)	-	(2,297,953)
Effect of movements in exchange rates	-	-	(11)	(222)	(3,072)	-	(3,305)
At 30 June 2011/ 1 July 2011	-	44,000	1,605	484	456,251	-	502,340

Notes to the Financial Statements

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4. PROPERTY, PLANT AND EQUIPMENT cont'd

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Group							
<i>Accumulated depreciation and impairment losses</i>							
At 30 June 2011/ 1 July 2011	-	44,000	1,605	484	456,251	-	502,340
Charge for the year	-	5,015	863	1,233	43,673	-	50,784
Impairment loss	-	-	-	2,675	10,122	-	12,797
Reclassified to assets held for sale	-	-	(1,368)	-	-	-	(1,368)
Disposals	-	(2,976)	-	-	(2,730)	-	(5,706)
Write off	-	-	-	-	(694)	-	(694)
Effect of movements in exchange rates	-	-	-	102	425	-	527
At 30 June 2012							
Accumulated depreciation	-	46,039	1,100	1,819	496,925	-	545,883
Accumulated impairment losses	-	-	-	2,675	10,122	-	12,797
	-	46,039	1,100	4,494	507,047	-	558,680
Carrying amounts							
At 1 July 2010	38,241	158,195	35,291	177,063	870,592	39,610	1,318,992
At 30 June 2011/ 1 July 2011	47,416	145,578	43,368	20,398	194,029	220	451,009
At 30 June 2012	46,968	138,764	32,988	16,775	162,239	7,780	405,514

Notes to the Financial Statements

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4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Company							
Cost							
At 1 July 2010	-	-	-	-	-	-	-
Addition	-	-	-	-	820	-	820
At 30 June 2011/ 1 July 2011	-	-	-	-	820	-	820
Additions	-	-	-	-	529	-	529
At 30 June 2012	-	-	-	-	1,349	-	1,349
Accumulated depreciation							
At 1 July 2010	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	68	-	68
At 30 June 2011/ 1 July 2011	-	-	-	-	68	-	68
Charge for the year	-	-	-	-	240	-	240
At 30 June 2012	-	-	-	-	308	-	308
Carrying amounts							
At 1 July 2010	-	-	-	-	-	-	-
At 30 June 2011/ 1 July 2011	-	-	-	-	752	-	752
At 30 June 2012	-	-	-	-	1,041	-	1,041

Land

Leasehold land are analysed by:

	Group	
	2012 RM'000	2011 RM'000
Unexpired lease period more than 50 years	24,942	34,950
Unexpired lease period less than 50 years	8,046	8,418
	32,988	43,368

Notes to the Financial Statements

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5. INVESTMENT PROPERTIES

	Group	
	2012	2011
	RM'000	RM'000
At 1 July	17,231	-
Acquisition of a subsidiary	-	17,231
Fair value gain recognised in profit or loss	23,513	-
	40,744	17,231
Reclassified to assets held for sale	(38,513)	-
At 30 June	2,231	17,231

Included in the above are:

	Group	
	2012	2011
	RM'000	RM'000
At fair value: -		
Leasehold land with unexpired lease period of more than 50 years	2,231	14,231
Buildings	-	3,000
	2,231	17,231

Investment properties comprise commercial properties that are leased to a third party. No contingent rents are charged. The fair value of investment properties are determined by the Directors.

The following are recognised in the income statements in respect of investment properties:

	Group	
	2012	2011
	RM'000	RM'000
Rental income	570	180
Direct operating expenses	(128)	(69)

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2012	2011
	RM'000	RM'000
At cost:		
Unquoted shares	1,028,918	776,427
Less: Impairment loss	(344,165)	(347,655)
	684,753	428,772

Notes to the Financial Statements

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6. INVESTMENTS IN SUBSIDIARY COMPANIES *cont'd*

Impairment losses are recognised based on the excess of carrying amount over its recoverable amounts, which is determined based on either the fair value of the net assets of the subsidiary companies or the recoverable amount of the cash generating unit based on value in use and the fair value less costs to sell whichever is higher.

The subsidiary companies and their principal activities are disclosed in Note 3 to the financial statements.

7. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At cost/written down value:				
- Unquoted shares	267,300	267,300	266,892	266,892
- Unquoted redeemable preference shares	36,429	36,429	70,140	70,140
	303,729	303,729	337,032	337,032
Share of capital reserves	(51,431)	(47,507)	-	-
Share of post-acquisition reserves	137,664	118,763	-	-
Less: Impairment loss	-	-	(71,959)	(71,959)
	389,962	374,985	265,073	265,073

Investments in associated companies are represented by:

	Group	
	2012	2011
	RM'000	RM'000
Share of net assets other than goodwill of the associated companies	389,681	374,704
Premium on acquisition	281	281
Carrying value	389,962	374,985

Impairment losses are recognised based on the excess of carrying amount over its recoverable amount, which is determined based on the net assets value of the associated companies.

The associated companies and their principal activities are disclosed in Note 3 to the financial statements.

Notes to the Financial Statements

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7. INVESTMENTS IN ASSOCIATED COMPANIES cont'd

Summary financial information for associates, not adjusted for the percentage ownership held by the Group:

	Revenue (100%) RM'000	Profit/(Loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2012				
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	211,211	6,932	76,504	26,012
HL Yamaha Motor Research Centre Sdn Bhd	3,199	100	2,192	1,211
Yamaha Motor Vietnam Co., Ltd	3,381,390	107,003	921,165	413,348
Malaysian Newsprint Industries Sdn Bhd	539,415	14,357	1,169,535	537,799
Laras Perkasa Sdn Bhd	-	(12)	11,409	318
2011				
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	211,696	9,817	69,462	22,527
HL Yamaha Motor Research Centre Sdn Bhd	2,662	52	1,574	693
Yamaha Motor Vietnam Co., Ltd	2,683,484	122,172	850,400	395,191
Malaysian Newsprint Industries Sdn Bhd	540,863	12,755	1,240,276	622,897
Laras Perkasa Sdn Bhd	-	(11)	23,420	318

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

		Group		Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Unquoted shares	8.1	175,010	161,010	175,010	161,010
Investment in unit trust		265,838	-	-	-
Shares quoted in Malaysia		7,298	10,980	7,291	10,973
Shares quoted outside Malaysia		22,963	1,003	-	-
		471,109	172,993	182,301	171,983
Market value					
Investment in unit trust		265,838	-	-	-
Shares quoted in Malaysia		7,298	10,980	7,291	10,973
Shares quoted outside Malaysia		22,963	1,003	-	-

Notes to the Financial Statements

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8. AVAILABLE-FOR-SALE FINANCIAL ASSETS *cont'd*

Note 8.1

Includes the subscription for the 175 million Irredeemable Convertible Preference Shares at par value of RM1.00 each ("ICPS") in Hume Cement Sdn Bhd ("HCement"), a related company, with the following salient terms and conditions:

- a) The ICPS may be issued in tranches but all ICPS shall mature on the date falling on the 6th anniversary date of the issuance of the 1st tranche of the ICPS on 30 March 2011 ("Maturity Date").
- b) The ICPS holder shall only be entitled to convert the ICPS after the expiry of the Maturity Date at the conversion price of RM1.00 per new ordinary share of RM1.00 each in HCement. The new ordinary shares to be issued upon conversion of the ICPS shall, upon allotment and issue, rank *pari passu* with the existing ordinary shares of HCement.
- c) The conversion price shall, where applicable, be adjusted by HCement upon consultation with its advisers (auditors or merchant banks) in the event of any change in the share capital structure of HCement which would have the effect of diluting the interest of the holders of the ICPS upon conversion.
- d) The ICPS holder is entitled to receive annual non-cumulative preferential dividends of two per cent (2%) per annum calculated based on the par value of the ICPS of RM1.00 each.
- e) The ICPS shall rank in priority to all ordinary and other preference shares of HCement.
- f) In the event of a liquidation of HCement, the holders of ICPS shall rank in priority to all holders of other preference shares and ordinary shares of HCement on return on capital.
- g) Any surplus assets after the distribution of the return on capital attributable to the holders of the ICPS, other preference shares and ordinary shares of HCement shall be applied on a *pari passu* basis and shall be paid to the holders *pro rata* to the amount of capital credited as paid-up in respect of ICPS, other preference shares and ordinary shares of HCement held by each holder.

9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development expenditure RM'000	Computer Software RM'000	Total RM'000
Cost				
At 1 July 2010	492,890	4,497	1,335	498,722
Additions	-	1,348	250	1,598
Acquisition of a subsidiary	-	-	704	704
Demerger of a subsidiary	(425,915)	-	-	(425,915)
At 30 June 2011/1 July 2011	66,975	5,845	2,289	75,109
Additions	-	2,477	633	3,110
At 30 June 2012	66,975	8,322	2,922	78,219

Notes to the Financial Statements

cont'd

9. INTANGIBLE ASSETS cont'd

Group	Goodwill RM'000	Development expenditure RM'000	Computer Software RM'000	Total RM'000
<i>Amortisation and impairment loss</i>				
At 1 July 2010				
Accumulated amortisation	-	1,455	353	1,808
Accumulated impairment loss	49,586	-	-	49,586
	49,586	1,455	353	51,394
Amortisation for the year	-	1,414	342	1,756
Impairment loss	9,780	-	-	9,780
At 30 June 2011/1 July 2011				
Accumulated amortisation	-	2,869	695	3,564
Accumulated impairment loss	59,366	-	-	59,366
	59,366	2,869	695	62,930
Amortisation for the year	-	1,487	575	2,062
Negative goodwill realised on liquidation of a subsidiary	(1,120)	-	-	(1,120)
At 30 June 2012				
Accumulated amortisation	-	4,356	1,270	5,626
Accumulated impairment loss	58,246	-	-	58,246
	58,246	4,356	1,270	63,872
Carrying amounts				
At 1 July 2010	443,304	3,042	982	447,328
At 30 June 2011/1 July 2011	7,609	2,976	1,594	12,179
At 30 June 2012	8,729	3,966	1,652	14,347

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash generating units was based on its value in use. The recoverable amount of the unit was determined to be higher than its carrying amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the recent financial projections approved by the management. The discount rate used is based on the Group's weighted average cost of capital of 6.10%. The gross margins used in the projections were based on past experience and expectations of market developments.

Notes to the Financial Statements

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10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	-	-	(24,338)	(30,206)	(24,338)	(30,206)
Provisions	13,099	16,696	-	-	13,099	16,696
Tax losses	9,434	9,217	-	-	9,434	9,217
Deferred tax assets/(liabilities)	22,533	25,913	(24,338)	(30,206)	(1,805)	(4,293)
Set off	(13,924)	(16,953)	13,924	16,953	-	-
	8,609	8,960	(10,414)	(13,253)	(1,805)	(4,293)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2012	2011
	RM'000	RM'000
Accelerated capital allowances	(1,319)	(1,137)
Allowances	15,471	13,542
Unabsorbed capital allowances	58,523	58,716
Unutilised tax losses	43,852	48,944
	116,527	120,065

The accelerated capital allowances, allowances, unabsorbed capital allowances and unutilised tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company or subsidiary companies can utilise the benefits.

Notes to the Financial Statements

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10. DEFERRED TAX ASSETS/(LIABILITIES) cont'd

Unrecognised deferred tax assets cont'd

Movements in deductible/(taxable) temporary differences during the financial year are as follows:-

	At 1.7.2010	Continuing Operations	Discontinued Operations	Acquisition of Subsidiary	Demerger of Subsidiary	Disposal of Subsidiary	At 30.06.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011							
Group							
Accelerated capital allowances	(40,400)	(2,951)	(5,261)	(9,895)	28,212	89	(30,206)
Allowances	17,357	711	(739)	6,460	(7,067)	(26)	16,696
Unabsorbed tax losses	-	(514)	-	9,731	-	-	9,217
	(23,043)	(2,754)	(6,000)	6,296	21,145	63	(4,293)

	At 1-7-2011	Recognised in profit or loss	At 30-6-2012
	RM'000	RM'000	RM'000
2012			
Group			
Accelerated capital allowances	(30,206)	5,868	(24,338)
Allowances	16,696	(3,597)	13,099
Unabsorbed tax losses	9,217	217	9,434
	(4,293)	2,488	(1,805)

11. INVENTORIES

	Group	
	2012	2011
	RM'000	RM'000
Raw materials and consumables	75,878	39,593
Work-in-progress	14,174	9,147
Finished goods	130,695	147,342
	220,747	196,082

Notes to the Financial Statements

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12. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade					
Trade receivables					
- Third parties		418,526	378,104	-	-
- Related companies	12.1	6,697	4,430	-	-
- Associated companies		44	20	-	-
		425,267	382,554	-	-
Less: Allowance for impairment losses		(17,110)	(24,605)	-	-
		408,157	357,949	-	-
Non-trade					
Amounts due from:					
- Subsidiary companies	12.1	-	-	25	18,010
- Related companies	12.1	264	12	-	-
Other receivables and deposits		21,240	31,120	74	15,499
Prepayments		16,934	14,027	52	52
Derivative financial assets					
- Interest rate swap contract		-	92	-	92
- Foreign currency forward contract		439	136	-	-
		447,034	403,336	151	33,653

Trade and other receivables are categorised as loans and receivables financial instruments except for prepayments and derivatives.

Note 12.1

Amounts due from subsidiaries and related companies are unsecured, interest free and are repayable on demand.

Notes to the Financial Statements

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13. ASSETS HELD FOR SALE

		Group	
	Note	2012 RM'000	2011 RM'000
Leasehold land	13.1		
Cost		10,885	-
Accumulated depreciation		(1,368)	-
		9,517	-
Leasehold land and building – at fair value	13.2	38,513	-
		48,030	-

Note 13.1

Disposal of the leasehold land has been completed subsequent to the balance sheet date.

Note 13.2

Disposal of the leasehold land and building are expected to be completed within twelve months from the balance sheet date.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed financial institutions	148,242	286,686	11,607	99,393
Cash and bank balances	67,375	89,469	157	1,524
	215,617	376,155	11,764	100,917

Included in the cash and cash equivalents are the following balances with related companies arising from normal business transactions:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits with licensed financial institutions	75,578	26,648	-	-
Cash and bank balances	62,828	11,420	129	1,192

Cash and bank balances of the Group amounting to RM36,212,000 (2011: RM43,428,000) and RM12,990,000 (2011: RM3,839,000) are denominated in US Dollar and Euro respectively.

Notes to the Financial Statements

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15. SHARE CAPITAL

	Group and Company			
	2012		2011	
	No. of Shares	Amount	No. of Shares	Amount
Ordinary shares of RM0.50 each	'000	RM'000	'000	RM'000
Authorised:-				
At 1 July/30 June	600,000	300,000	600,000	300,000
Issued and fully paid:-				
At 1 July	327,905	163,953	281,145	140,573
Consideration shares for the acquisition of the entire interest in Hume Industries (Malaysia) Sdn Bhd	-	-	46,760	23,380
Renounceable rights issue	-	-	159,736	79,868
Capital reduction	-	-	(159,736)	(79,868)
At 30 June	327,905	163,953	327,905	163,953

During the previous financial year, the Company had undertaken the following share issuance and capital distribution:-

- issuance of 46,759,443 new ordinary shares of RM0.50 each as consideration for the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB") at an issue price of RM5.03 per share;
- renounceable rights issue of 159,736,405 new ordinary shares of RM0.50 each ("Rights Share") 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; and
- capital distribution of 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI") to the shareholders of the Company on the basis of 75 MPI shares for every 300 ordinary shares held in 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").

All the new ordinary shares issued ranked pari passu with the existing ordinary shares of the Company.

As at 30 June 2012, the issued and paid-up share capital of the Company, before adjusting for the treasury shares of 8,432,500 held, was RM163,952,655 comprising 327,905,310 ordinary shares of RM0.50 each. The treasury shares were held in accordance with the requirement of Section 67A of the Companies Act, 1965.

Notes to the Financial Statements

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16. RESERVES

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Reserves consist of:-					
Share premium		387,038	387,096	387,038	387,096
Exchange equalisation reserve		(86,068)	(104,343)	-	-
Fair value reserve		(279)	(1,921)	(5,605)	(1,924)
Other reserves	16.1	20,462	20,332	3,943	3,943
Reserve for own shares	16.2	(41,459)	(41,459)	(33,995)	(33,995)
Retained earnings		801,441	737,405	25,379	47,959
		1,081,135	997,110	376,760	403,079

Note 16.1

Other reserves of the Group represent the Group's interest in the subsidiary and associated companies' capital redemption reserve and gains on disposal of investments in the previous financial years.

Other reserves of the Company represent gains on disposal of investments in the previous financial years.

Note 16.2

Reserve for own shares represents Trust Shares purchased by the ESOS Trust as disclosed in Note 2.2 (m)(iii).

As at 30 June 2012, the total number of HLI Shares held by the ESOS Trust was 11,117,133 (2011: 11,117,133) HLI Shares.

Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 credit and tax exempt income to frank in full all its retained profits at 30 June 2012 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

17. TREASURY SHARES – AT COST

	Group and Company			
	2012		2011	
	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
Ordinary shares of RM0.50 each				
1 July/30 June	8,432	63,318	8,432	63,318

As at 30 June 2012, the total number of shares bought back were 8,432,500 ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

Notes to the Financial Statements

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18. LOANS AND BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Non-current (unsecured)				
Medium term notes	240,000	-	240,000	-
Bank term loans	178,663	120,000	160,000	120,000
	418,663	120,000	400,000	120,000
Current (unsecured)				
Bank term loans	108,483	257,000	60,000	186,000
Medium term notes	-	50,000	-	50,000
Bankers acceptances	36,248	37,846	-	-
	144,731	344,846	60,000	236,000
Total	563,394	464,846	460,000	356,000

The non-current borrowings are payable as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
One to two years	18,663	110,000	-	110,000
Two to five years	400,000	10,000	400,000	10,000
	418,663	120,000	400,000	120,000

(i) The interest rates for the following facilities are:

	Group		Company	
	2012	2011	2012	2011
	%	%	%	%
Bank term loans	3.7-12.0	3.3 to 4.4	3.7 to 4.3	3.5 to 4.3
Bankers acceptances	3.3-3.6	3.2 to 3.8	-	-

(ii) The Medium Term Notes are issued at par to face value and have a maturity period of not less than 12 months and not more than 84 months. The interest rates are determined on issuance and calculated based on rules on Fully Automated System for issuing/Tendering and carry interest rates ranging from 5.1% to 8.9% (2011: 4.9% to 5.1%) per annum.

Notes to the Financial Statements

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19. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
At 1 July	15,779	12,967	333	333
Provision	2,370	1,108	3	-
Payments	(340)	(390)	-	-
Acquisition of a subsidiary	-	2,618	-	-
Disposal of a subsidiary	-	(102)	-	-
Demerger of a subsidiary	-	(422)	-	-
At 30 June	17,809	15,779	336	333

(b) Share-based payments

Hong Leong Industries Berhad's ESOS ("HLI ESOS")

The HLI ESOS which was approved by the shareholders of the Company on 14 October 2005, was established on 23 January 2006 and shall be in force for a period of ten (10) years.

There were no share options granted during the financial year.

There were no option outstanding as at 30 June 2012.

20. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVE

		Group		Company	
	Note	2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables					
- Third parties		153,565	133,032	-	-
- Related companies	20.1	30,991	21,922	-	-
- Associated companies		16,914	21,896	-	-
		201,470	176,850	-	-
Non-trade					
Amounts due to					
- Subsidiary companies	20.1	-	-	216,188	146,915
- Related companies	20.1	582	928	-	914
- Associated company		181	-	-	-
Other payables		25,298	41,034	-	-
Accrued liabilities		118,510	95,213	1,695	1,834
Derivative financial liabilities					
- Interest rate swap contract		2,226	-	2,226	-
- Forward exchange contracts		59	-	-	-
		348,326	314,025	220,109	149,663

Note 20.1

The amounts due to associated companies, subsidiary companies and related companies are unsecured, interest free and are repayable on demand.

Notes to the Financial Statements

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21. PROFIT BEFORE TAXATION

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Profit before taxation is arrived at after (crediting)/charging:-				
Gross dividend income				
- Unquoted associated companies in Malaysia	-	-	(6,150)	(21,423)
- Unquoted associated companies outside Malaysia	-	-	(8,935)	-
- Quoted investment in Malaysia	(244)	-	(244)	(23,704)
- Unquoted subsidiary companies	-	-	(66,615)	(24,848)
- Investment in unit trust	(16,320)	-	-	-
- Short term investments	(5,631)	(5,766)	(1,141)	(2,255)
Interest income				
- Others	(3,049)	(2,992)	(175)	(404)
Rental income	(944)	(1,088)	-	-
Loss on disposal of other investments	-	1,994	-	1,605
Loss on capital reduction in subsidiary	-	-	-	1,621
Auditors' remuneration				
- Holding company's auditors and its affiliates				
- Statutory audits	501	310	69	67
- Other services	12	27	12	27
- Other auditors				
- Statutory audits	47	126	-	-
Depreciation of property, plant and equipment	50,784	38,793	240	68
Rental of plant and equipment	6,137	4,198	-	-
Rental of premises				
- Related companies	189	708	189	252
- Others	4,915	3,664	-	-
Employee benefits expense				
- Directors remuneration				
- Executive Directors of the Company				
- Fees ^{N1}	137	120	91	80
- Salaries and bonuses	909	2,095	909	2,095
- Contributions to Employees Provident Fund	109	251	109	251
	1,155	2,466	1,109	2,426
- Non-Executive Directors of the Company				
- Fees	350	280	339	280
- Other emoluments	100	100	100	100
	450	380	439	380
- Staff costs				
- Staff salaries and other expenses	155,818	134,702	426	2,888
- Contribution to Employees Provident Fund	13,684	12,228	48	388
- Retirement benefits	2,370	1,108	3	-

Notes to the Financial Statements

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21. PROFIT BEFORE TAXATION cont'd

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Profit before taxation is arrived at after (crediting)/ charging:- cont'd				
Reversal of impairment losses of trade receivables	(5,751)	(510)	-	-
Bad debts recovered	(12)	(428)	-	-
Property, plant and equipment written off	35	177	-	-
Impairment of property, plant and equipment	12,797	-	-	-
Gain on disposal of property, plant and equipment	(9,313)	(26,773)	-	-
Gain on disposal of assets held for sale	-	(11,350)	-	-
Inventories written down	73	3,486	-	-
Loss/(gain) on disposal of subsidiary company	-	59	-	(800)
(Gain)/loss on foreign exchange				
- Realised	(4,378)	(1,174)	319	55
- Unrealised	(1,617)	(1,152)	(1)	(1)
Provision/(reversal) of impairment of value in investment in subsidiaries	-	9,780	(3,490)	(27,000)
Amortisation of intangible assets				
- Computer software	575	342	-	-
- Development expenditure	1,487	1,414	-	-
Finance costs				
- Bank overdrafts	4	4	2	2
- Term loans	13,129	12,854	9,748	11,203
- Others	23,944	8,452	23,140	5,421
Research and development expenditure	3,544	1,550	-	-
Negative goodwill realised on liquidation of a subsidiary	(1,120)	-	-	-
Fair value gain of investment property	(23,513)	-	-	-
Negative goodwill on acquisition of a subsidiary	-	(20,658)	-	-
Fair value loss/(gain) on derivative instruments	2,074	(669)	2,318	(92)

Notes to the Financial Statements

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21. PROFIT BEFORE TAXATION *cont'd*

	Group	
	2012	2011
	RM'000	RM'000
Discontinued operations		
Profit is arrived at after (crediting)/charging:-		
Gross dividend income	-	(371)
Interest income		
- Others	-	(1,734)
Rental income	-	(20)
Auditors' remuneration		
- Other auditors		
- Statutory audits	-	150
- Other services	-	38
Depreciation of property, plant and equipment	-	193,914
Rental of premises		
- Others	-	3,560
Employee benefits expense		
- Directors' remuneration		
- Executive Directors of the Company		
- Fee ^{N1}	-	110
- Salaries and bonus	-	350
- Contributions to Employees Provident Fund	-	42
		502
- Non-Executive Directors of the Company		
- Salaries and bonus	-	2,508
- Share-based payment	-	-
	-	2,508
- Staff costs		
- Staff salaries and other expenses	-	290,421
- Contribution to Employees Provident Fund	-	25,772
- Share-based payments	-	(228)
Bad and doubtful debts	-	878
Gain on disposal of property, plant and equipment	-	(1,039)
Impairment of property, plant and equipment	-	2,712
Inventories written down	-	2,442
(Gain)/loss on foreign exchange		
- Realised	-	(3,960)
- Unrealised	-	(1,388)
Finance costs		
- Term loan	-	2,548
- Others	-	3,890
Research and development expenditure	-	20,819
Fair value gain on derivative instruments	-	(878)

^{N1} These fees have been assigned in favour of the companies where the Directors are employed.

Notes to the Financial Statements

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21. PROFIT BEFORE TAXATION *cont'd*

The estimated monetary value of benefits-in-kind of the directors of the Group and the Company are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Executive Directors	31	46	31	46
Discontinued operations				
Non-Executive Directors	-	192	-	-

22. TAXATION

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current taxation				
Malaysian				
- Current year	40,286	28,042	16	1,100
- Prior years	7,821	(1,106)	(1,074)	-
Overseas - current	62	-	-	-
	48,169	26,936	(1,058)	1,100
Deferred taxation				
Malaysian				
- Current year	1,397	2,974	-	-
- Prior years	(3,885)	(220)	-	-
	(2,488)	2,754	-	-
Income tax attributable to continuing operations	45,681	29,690	(1,058)	1,100
Discontinued operations				
Current taxation				
Malaysian				
- Current year	-	496	-	-
- Prior years	-	(32)	-	-
Overseas - current	-	2,196	-	-
	-	2,660	-	-

Notes to the Financial Statements

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22. TAXATION *cont'd*

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Discontinued operations <i>cont'd</i>				
Deferred taxation				
Malaysian				
- Current year	-	6,000	-	-
	-	6,000	-	-
Income tax attributable to discontinued operations (Note 23)	-	8,660	-	-
Total taxation	45,681	38,350	(1,058)	1,100

The reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before tax from continuing operations	212,905	256,546	44,631	73,360
Profit before tax from discontinuing operations	-	83,658	-	-
	212,905	340,204	44,631	73,360
Taxation at Malaysian statutory tax rates of 25%	53,226	85,051	11,158	18,340
Tax effect in respect of:				
Difference of tax rates in foreign jurisdictions	(11)	(2,867)	-	-
Non allowable expenses	17,735	15,680	1,483	3,578
Non taxable income	(19,322)	(43,331)	(12,625)	(20,818)
Difference attributable to associated companies	(8,112)	(9,003)	-	-
Effect of temporary differences reversing in pioneer period	-	(611)	-	-
Utilisation of temporary differences not recognised	(884)	(1,615)	-	-
Tax incentive	(887)	(3,596)	-	-
	41,745	39,708	16	1,100
Under/(over) provision in prior years	3,936	(1,358)	(1,074)	-
Taxation	45,681	38,350	(1,058)	1,100

Notes to the Financial Statements

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23. DISCONTINUED OPERATIONS

During the previous financial year, the Company demerged the semiconductor business pursuant to the MPI Demerger whereby Malaysian Pacific Industries Berhad ("MPI") ceased to be a subsidiary of the Group (see Note 15(c)).

Income Statement disclosures

The result of MPI Group for previous financial year ended 30 June 2011 was as follow:-

	2011 RM'000
Revenue	1,415,247
Cost of sales	(1,288,422)
Gross profit	126,825
Distribution expenses	(19,731)
Administrative expenses	(34,579)
Other operating expenses	(3,742)
Other operating income	19,589
Other operating profit	88,362
Finance income	1,734
Finance costs	(6,438)
Profit before taxation	83,658
Taxation	(8,660)
Profit from discontinued operations, net of tax	74,998

The effect of the demerger on the financial position as at 30 June 2011 was follows:-

	2011 RM'000
Property, plant and equipment	1,020,347
Other investments	45
Derivative financial assets	878
Goodwill	425,915
Inventories	102,270
Trade and other receivables	214,264
Tax recoverable	35
Cash and cash equivalents	69,543
Retirement benefits	(422)
Trade and other payables	(219,396)
Bank borrowings	(207,456)
Tax payable	(2,216)
Deferred tax liabilities	(21,145)
Non-controlling interests	(506,968)
Retained profits	(243,502)
Other reserves	24,690
Exchange equalisation reserves	(2,881)
Capital distribution of MPI shares	654,001

Notes to the Financial Statements

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23. DISCONTINUED OPERATIONS *cont'd*

Statement of Cash Flows disclosures

The cash flows attributable to MPI Group are as follows:-

	2011 RM'000
Operating	269,003
Investing	(239,858)
Financing	(87,334)
Net cash (outflows)/inflows	(58,189)

24. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM132,004,000 (2011: RM219,379,000) by the weighted average number of ordinary shares outstanding during the financial year of 308,356,000 (2011: 310,634,000) calculated as follows:

Weighted average number of ordinary shares (basic)

	2012 '000	2011 '000
Issued ordinary shares at beginning of the financial year	327,905	281,145
Less:		
Treasury shares held at beginning of the financial year	(8,432)	(8,432)
Trust Shares held at beginning of the financial year	(11,117)	(11,140)
	308,356	261,573
Effect on increase of ordinary shares		
- HIMB Acquisition	-	16,526
Effect on issuance of rights shares	-	40,262
Effect on ESOS Trusts' subscription of rights shares	-	(1,404)
Effect on capital reduction	-	(6,564)
Effect on exercise of ESOS and cancellation of Trust Shares	-	241
Weighted average number of ordinary shares (basic)	308,356	310,634

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share as there are no dilutive potential ordinary shares during the financial year.

The Group has no dilution in its earnings per ordinary share in the previous financial year as the potential ordinary shares from the exercise of HLI Options would increase the basic earnings per ordinary share.

Notes to the Financial Statements

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25. DIVIDENDS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
First interim				
4 sen per share less tax and 7 sen per share tax exempt (2011: 10 sen per share tax exempt)	30,835	26,157	31,031	26,357
Second interim				
12 sen per share tax exempt (2011: 1.5 sen per share less tax and 9 sen per share tax exempt)	37,003	46,832	37,238	47,130
	67,838	72,989	68,269	73,487

Dividends received by the ESOS Trusts amounting to RM2,446,000 and RM2,015,000 (2011: RM2,802,000 and RM2,304,000) for the Group and the Company are eliminated against the dividend expense of the Company upon consolidation of the ESOS Trusts as disclosed in Note 2.2(m)(iii).

26. ACQUISITION OF A SUBSIDIARY

During the previous financial year, the Group acquired 100% equity interest in the Hume Industries (Malaysia) Sdn Bhd which contributed a revenue of RM170,234,000 and a net profit of RM18,734,000 to the Group.

The effect of the acquisition of the said subsidiary on the financial position as at 30 June 2011 was as follows:-

	2011 RM'000
Net assets acquired	
Property, plant and equipment	112,526
Investment properties	17,231
Investment in associated company	629
Intangible assets	704
Deferred tax assets	10,284
Inventories	73,355
Trade and other receivables	75,538
Tax recoverable	146
Cash and cash equivalents	42,761
Retirement benefits	(2,618)
Trade and other payables	(62,623)
Bank borrowings	(5,700)
Tax payable	(2,387)
Deferred tax liabilities	(3,988)
Fair value of net identifiable assets	255,858
Negative goodwill on acquisition	(20,658)
Total consideration satisfied by issue of shares	235,200
Cash inflow on acquisition of a subsidiary	42,761

Notes to the Financial Statements

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27. DISPOSAL OF A SUBSIDIARY

During the previous financial year, the Group disposed of its entire equity interest in a wholly owned subsidiary, HLMG Management Co Sdn Bhd ("HMMC").

The effect of the disposal of the HMMC on the financial position as at 30 June 2011 was as follows:-

	2011 RM'000
Net assets disposed	
Property, plant and equipment	2,393
Trade and other receivables	3,560
Cash and cash equivalents	258
Retirement benefits	(102)
Trade and other payables	(3,391)
Tax payable	(216)
Deferred tax liabilities	(63)
Net assets and liabilities	2,439
Loss on disposal of subsidiary	(59)
Consideration received, satisfied in cash	2,380
Cash and cash equivalents disposed of	(258)
Net cash inflow on disposal of a subsidiary	2,122

28. OPERATING SEGMENTS

The Board of Directors reviews financial reports at least on a quarterly basis. Operating segments are components in which separate financial information that is available and is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing its performance.

The Group's reportable segments are as follows:

- (a) Consumer products - Manufacture and sale of consumer products comprising motorcycles and ceramic tiles.
- (b) Industrial products - Manufacture and sale of industrial products comprising fibre cement products and concrete products.
- (c) Semiconductor - Assembly and test of semiconductor products (Discontinued operations since 30 June 2011).

Segment profit

Performance is measured based on segment profit before interest income, finance costs, share of profit of associated companies and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset.

Notes to the Financial Statements

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28. OPERATING SEGMENTS *cont'd*

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence, no disclosure is made on the segment liability.

	Consumer Products		Industrial Products		Discontinued Operations Semiconductor		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment profit	132,879	178,079	46,944	28,920	-	83,658	179,823	290,657

Included in the measure of segment profit are:

Revenue from external customers	1,365,582	1,344,873	787,474	454,966	-	1,415,247	2,153,056	3,215,086
Depreciation and amortisation	38,100	34,739	14,452	5,152	-	193,914	52,552	233,805
Impairment of property, plant and equipment	12,797	-	-	-	-	2,712	12,797	2,712
Property, plant and equipment written off	20	2	15	175	-	-	35	177

Reconciliation of reportable segment profit

	2012	2011
	RM'000	RM'000
Profit		
Reportable segment	179,823	290,657
Non-reportable segment	34,662	31,316
Interest income	3,049	2,992
Finance costs	(37,077)	(21,310)
Share of profit of associated companies	32,448	36,549
Profit on discontinued operations – Note 23	-	(83,658)
Consolidated profit before taxation		
- Continuing operations	212,905	256,546

	2012		2011	
	External Revenue	Depreciation & Amortisation	External Revenue	Depreciation & Amortisation
	RM'000	RM'000	RM'000	RM'000
Reportable segments	2,153,056	52,552	3,215,086	233,805
Non-reportable segments	19,568	294	3,394	658
Discontinued operations	-	-	(1,415,247)	(193,914)
Total	2,172,624	52,846	1,803,233	40,549

Notes to the Financial Statements

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28. OPERATING SEGMENTS *cont'd*

Geographical segments

Revenue of the Group by geographical locations of the customers is as follows:-

	Revenue	
	2012	2011
	RM'000	RM'000
Malaysia	1,906,915	1,613,312
Asia	103,625	86,160
Europe	67,792	52,546
Others	94,292	51,215
	2,172,624	1,803,233

Non-current assets (except for investments in associates, financial instruments and deferred tax assets) of the Group by geographical locations of the assets are as follows:

	Non-Current Assets	
	2012	2011
	RM'000	RM'000
Malaysia	419,467	465,072
Vietnam	2,400	15,265
Singapore	225	82
	422,092	480,419

Major customer

During the financial year, there were no revenue from one single customer that contributed to more than 10% of the Group's revenue.

29. COMMITMENTS

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Capital commitments:				
Authorised and contracted for				
- Property, plant and equipment	25,995	7,705	63	-
Authorised but not contracted for				
- Property, plant and equipment	6,213	10,552	110	-

Notes to the Financial Statements

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30. RELATED PARTIES

The Company has controlling related party relationships with its holding company and subsidiaries.

The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:-

- (i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a past director and a major shareholder of the Company, and a director and a major shareholder of HLCM. YBhg Datuk Kwek Leng San is a director and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;
- (iii) Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Chuah Chuan Thye, a Director of the Company, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;
- (iv) Syarikat Motor Singa Sdn Bhd ("Syarikat Motor Singa") and Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor") are persons connected with Mr Ng Choong Hai, a Director of a subsidiary of the Company; and
- (v) Yamaha Motor Co., Ltd ("YMC") is a major shareholder of a subsidiary of the Company. Yamaha Motor Asia Pte Ltd ("YMA") and Yamaha Motor Distribution Singapore Pte Ltd ("YDS") are persons connected with YMC (YMC, YMA and YDS are collectively referred to as "YMC Group").

Significant transactions with related parties are as follows:

Transaction	Related Party	Group	
		2012 RM'000	2011 RM'000
(a) Sales of goods and services	Subsidiary and associated companies of HLCM	50	15,679
	Hong Bee Hardware and Hong Bee Motors	50,506	34,244
	Syarikat Motor Singa and Sing Heng Motor	11,400	13,477
	YMC Group	689	974
(b) Purchase of goods and services	Subsidiary and associated companies of HLCM	362,489	348,285
	Hong Bee Hardware	12,459	4,340
	YMC Group	222,046	201,063
	Tasek and a subsidiary of Tasek	38,735	35,601
(c) Rental of properties	Subsidiary and associated companies of HLCM	189	922
	YMC Group	148	148
(d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	-*	1,494
(e) Receipt of services	Subsidiary and associated companies of HLCM	924	786

Notes to the Financial Statements

cont'd

30. RELATED PARTIES *cont'd*

Significant transactions with related parties are as follows: *cont'd*

Transaction	Related Party	Group	
		2012 RM'000	2011 RM'000
(f) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	16,378	11,089
(g) Payment for usage of the Hong Leong logo and trade mark	A subsidiary company of HLCM	28	36
(h) Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support	YMC	10,810	11,082
(i) Receipt of research and development services	YMC	2,477	1,417

* HLMG Management Co Sdn Bhd ceased to be a subsidiary of the Group following its disposal in the previous financial year (Note 27)

Significant balances with related parties at the reporting date are disclosed in Note 12 and Note 20.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 21.

31. FINANCIAL INSTRUMENTS

31.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL): - Held for trading (HFT);
- (c) Available-for-sale financial assets (AFS); and
- (d) Other financial liabilities measured at amortised cost (OL).

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.1 Categories of financial instruments *cont'd*

	Carrying Amount RM'000	L&R/OL RM'000	FVTPL-HFT RM'000	AFS RM'000
2012				
Financial assets				
Group				
Available-for-sale financial assets	471,109	-	-	471,109
Trade and other receivables, including derivative (excluding prepayments)	430,100	429,661	439	-
Cash and cash equivalents	215,617	215,617	-	-
	1,116,826	645,278	439	471,109
Company				
Available-for-sale financial assets	182,301	-	-	182,301
Trade and other receivables (excluding prepayments)	99	99	-	-
Cash and cash equivalents	11,764	11,764	-	-
	194,164	11,863	-	182,301
Financial liabilities				
Group				
Loans and borrowings	563,394	563,394	-	-
Trade and other payables, including derivative	348,326	346,041	2,285	-
	911,720	909,435	2,285	-
Company				
Loans and borrowings	460,000	460,000	-	-
Trade and other payables, including derivative	220,109	217,883	2,226	-
	680,109	677,883	2,226	-
2011				
Financial assets				
Group				
Available-for-sale financial assets	172,993	-	-	172,993
Trade and other receivables, including derivative (excluding prepayments)	389,309	389,081	228	-
Cash and cash equivalents	376,155	376,155	-	-
	938,457	765,236	228	172,993

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.1 Categories of financial instruments *cont'd*

	Carrying Amount RM'000	L&R/OL RM'000	FVTPL-HFT RM'000	AFS RM'000
2011				
Company				
Available-for-sale financial assets	171,983	-	-	171,983
Trade and other receivables, including derivative (excluding prepayments)	33,601	33,509	92	-
Cash and cash equivalents	100,917	100,917	-	-
	306,501	134,426	92	171,983
Financial liabilities				
Group				
Loans and borrowings	464,846	464,846	-	-
Trade and other payables	314,025	314,025	-	-
	778,871	778,871	-	-
Company				
Loans and borrowings	356,000	356,000	-	-
Trade and other payables	149,663	149,663	-	-
	505,663	505,663	-	-

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net gains/(losses) arising from:				
Loans and receivables	12,715	26,345	(143)	404
Fair value through profit or loss	(2,074)	1,106	(2,318)	92
Available-for-sale financial assets				
- Recognised in other comprehensive income	1,642	(1,925)	(3,681)	(1,924)
Other liabilities	(34,985)	(41,693)	(32,890)	(16,244)
	(22,702)	(16,167)	(39,032)	(17,672)

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group exposure to credit risk arises principally from its receivables from customers.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and the Company is represented by the carrying amount of each financial asset.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region was:

	Group	
	2012	2011
	RM'000	RM'000
Malaysia	349,353	316,230
Europe	23,273	12,118
Asia	12,154	10,530
Others	23,377	19,071
	408,157	357,949

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Impairment losses

The ageing of receivables as at the end of the reporting period was:-

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
2012				
Not past due	318,560	(1,023)	-	317,537
Past due 1 - 30 days	59,957	(1,793)	(261)	57,903
Past due 31 - 120 days	38,853	(4,981)	(1,226)	32,646
Past due > 120 days	7,898	(6,137)	(1,690)	71
	425,268	(13,934)	(3,177)	408,157
2011				
Not past due	264,053	(1,950)	(4,755)	257,348
Past due 1 - 30 days	57,377	(762)	(940)	55,675
Past due 31 - 120 days	46,044	(3,656)	(1,060)	41,328
Past due > 120 days	15,080	(8,790)	(2,692)	3,598
	382,554	(15,158)	(9,447)	357,949

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2012 RM'000	2011 RM'000
At 1 July	24,605	17,462
Acquisition of a subsidiary	-	12,297
Disposal of a subsidiary	-	(2,972)
Written off	(1,744)	(1,672)
Reversal	(5,751)	(510)
At 30 June	17,110	24,605

The allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Intercompany balances cont'd

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries were not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from its various payables.

The Group and the Company actively manage its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As parts of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash to meet its working capital requirements.

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS cont'd

31.3 Financial risk management cont'd

(b) Liquidity risk cont'd

Maturity analysis

The table below summarises the maturity profile of the Group and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying Amount RM'000	Contractual interest rate/ coupon	Contractual Cash Flows RM'000	Within 1 Year RM'000	1 to 5 Years RM'000
2012					
Group					
Non-derivative financial liabilities					
Payables and accruals	346,041		346,041	346,041	-
Borrowings	563,394	3.3%-12.0%	616,338	147,673	468,665
	909,435		962,379	493,714	468,665
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	-		12,939	12,939	-
Inflow	59		(12,880)	(12,880)	-
Interest rate swap	2,226		2,226	-	2,226
	911,720		964,664	493,773	470,891
Company					
Non-derivative financial liabilities					
Payables and accruals	217,883		217,883	217,883	-
Borrowings	460,000	3.7%-8.9%	510,786	62,334	448,452
	677,883		728,669	280,217	448,452
Derivative financial liabilities					
Interest rate swap	2,226		2,226	-	2,226
	680,109		730,895	280,217	450,678
2011					
Group					
Non-derivative financial liabilities					
Payables and accruals	314,025		314,025	314,025	-
Borrowings	464,846	3.2% - 5.1%	487,299	356,891	130,408
	778,871		801,324	670,916	130,408

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS cont'd

31.3 Financial risk management cont'd

(b) Liquidity risk cont'd

Maturity analysis cont'd

The table below summarises the maturity profile of the Group and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments: cont'd

	Carrying Amount RM'000	Contractual interest rate/ coupon	Contractual Cash Flows RM'000	Within 1 Year RM'000	1 to 5 Years RM'000
2011					
Company					
Non-derivative financial liabilities					
Payables and accruals	149,663		149,663	149,663	-
Borrowings	356,000	3.5%-5.1%	376,258	245,850	130,408
	505,663		525,921	395,513	130,408

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group and the Company's financial position or cash flows.

(i) Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD.

Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Exposure to foreign currency risk

The Group and the Company's exposure to foreign currency (a currency other than the currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in USD	
	2012	2011
	RM'000	RM'000
Group		
Trade and other receivables	44,264	29,051
Cash and cash equivalents	36,212	43,428
Trade and other payables	(35,091)	(33,758)
Borrowings	(60,000)	(60,000)
Net exposure	(14,615)	(21,279)

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS cont'd

31.3 Financial risk management cont'd

(c) Market risk cont'd

(i) Currency risk cont'd

Exposure to foreign currency risk cont'd

	Denominated in USD	
	2012	2011
	RM'000	RM'000
Company		
Cash and cash equivalents	8	327
Borrowings	(60,000)	(60,000)
Net exposure	(59,992)	(59,673)

Currency risk sensitivity analysis

A 5% strengthening of the Ringgit Malaysia against the foreign currency at the end of the reporting period would have increased profit before tax of the Group and the Company by RM731,000 (2011: RM1,064,000) and RM3,000,000 (2011: RM2,984,000) respectively. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A weakening of 5% of the Ringgit Malaysia against the above currency would have equal but opposite effect on profits before tax of the Group and the Company.

(ii) Interest rate risk

The Group and the Company manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

Exposure to interest rate risk

The interest rate profile of the Group and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Effective Interest Rate	Total	Within 1 Year	1 - 5 Years
	%	RM'000	RM'000	RM'000
Group				
2012				
Fixed rate instruments				
Deposits with licensed financial institutions	2.11	148,242	148,242	-
Borrowings	8.10	(278,048)	(38,048)	(240,000)
Floating rate instruments				
Borrowings	4.19	(285,346)	(106,683)	(178,663)

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS cont'd

31.3 Financial risk management cont'd

(c) Market risk cont'd

(ii) Interest rate risk cont'd

Exposure to interest rate risk cont'd

	Effective Interest Rate %	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
Group				
2011				
Fixed rate instruments				
Deposits with licensed financial institutions	2.74	286,686	286,686	-
Borrowings	4.28	(90,846)	(90,846)	-
Floating rate instruments				
Borrowings	3.93	(374,000)	(254,000)	(120,000)
Company				
2012				
Fixed rate instruments				
Deposits with licensed financial institutions	2.61	11,607	11,607	-
Borrowings	8.85	(240,000)	-	(240,000)
Floating rate instruments				
Borrowings	4.10	(220,000)	(60,000)	(160,000)
2011				
Fixed rate instruments				
Deposits with licensed financial institutions	3.02	99,393	99,393	-
Borrowings	5.05	(50,000)	(50,000)	-
Floating rate instruments				
Borrowings	3.92	(306,000)	(186,000)	(120,000)

Interest rate risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 50 basis points (bp) in interest rates at the end of the reporting period would have (decreased)/increased the profit before tax of the Group and the Company by RM1,427,000 (2011: RM1,870,000) and RM1,100,000 (2011: RM1,530,000) respectively without impact on equity. This analysis assumes that all other variables remain constant.

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS cont'd

31.3 Financial risk management cont'd

(c) Market risk cont'd

(ii) Interest rate risk cont'd

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the end of the reporting period would not affect profit or loss.

(iii) Other price risk

Equity price risk arises from the Group and Company's investment in equity securities.

Risk management objectives, policies and processes for managing securities

Management of the Group monitors the equity investments on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments (including unit trust investment) moved in correlation with Bursa Malaysia Securities Berhad ("BMSB"), Hong Kong Stock Exchange ("HKEX"), SIX Swiss Exchange Europe ("SSEE"), Australian Stock Exchange ("ASE") and New York Stock Exchange ("NYSE").

A 10% strengthening in BMSB, HKEX, SSEE, ASE and NYSE at the end of the reporting period would have increased equity (other comprehensive income) by RM29,609,900 (2011: RM1,198,300) without impact on profit or loss. A 10% weakening in BMSB, HKEX, SSEE, ASE and NYSE would have had equal but opposite effect on equity.

31.4 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

There were no material differences between the carrying amounts and the fair values of other financial assets and liabilities.

31.4.1 Fair value hierarchy

Comparative figures have not been presented for 30 June 2011 by virtue of the exemption provided in paragraph 44G of FRS 7.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Financial Statements

cont'd

31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Fair value of financial instruments *cont'd*

31.4.1 Fair value hierarchy *cont'd*

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2012				
Financial assets				
Investment in quoted shares	30,261	-	-	30,261
Investment in unit trust	-	265,838	-	265,838
Forward exchange contracts	-	439	-	439
	30,261	266,277	-	296,538
Financial liabilities				
Forward exchange contracts	-	59	-	59
Interest rate swap	-	2,226	-	2,226
	-	2,285	-	2,285

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios at 30 June 2012 and at 30 June 2011 were as follows:-

	Group	
	2012 RM'000	2011 RM'000
Total loans and borrowings	563,394	464,846
Less: Cash and cash equivalents	(215,617)	(376,155)
Net debt	347,777	88,691
Total equity	1,284,537	1,211,902
Debt-to-equity ratios	0.27	0.07

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

33. SIGNIFICANT EVENT

The Company has, during the previous financial year ended 30 June 2011 ("FY 2011"), entered into a Subscription Agreement with Hume Cement Sdn Bhd ("HCement") and Hong Leong Manufacturing Group Sdn Bhd for the Company to subscribe up to 175 million 6-year 2% non-cumulative Irredeemable Convertible Preference Shares at par value of RM1.00 each ("ICPS") in HCement for a total cash subscription of up to RM175 million, representing an issue price of RM1.00 per ICPS ("Subscription"). As at the end of FY 2011, the Company had subscribed for 161 million ICPS in HCement for a total consideration of RM161 million.

During the financial year under review, the Company had subscribed for another 14 million ICPS in HCement for a total consideration of RM14 million. Accordingly, the Subscription had been completed.

Notes to the Financial Statements

cont'd

34. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company, into realised and unrealised profit/(losses) are as follows:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries				
- realised	360,113	279,410	25,378	47,866
- unrealised	21,231	(9,129)	1	93
	381,344	270,281	25,379	47,959
Total share of retained earnings from associated companies				
- realised	137,367	116,251	-	-
- unrealised	297	2,512	-	-
	137,664	118,763	-	47,959
Add: Consolidation adjustments	282,433	348,361	-	-
Total retained earnings	801,441	737,405	25,379	47,959

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 37 to 106 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2012 and of their financial performance and cash flows for the year then ended.

In the opinion of the Directors, the information set out in Note 34 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

YBhg Dato' Yau Kok Seng

Dato' Ahmad Johari bin Tun Abdul Razak

Kuala Lumpur
27 August 2012

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, Chong Choon Yeng, the officer primarily responsible for the financial management of Hong Leong Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, Chong Choon Yeng at Kuala Lumpur in the Federal Territory on 27 August 2012.

Chong Choon Yeng

Before me

Tengku Fariddudin Bin Tengku Sulaiman
Commissioner for oaths
Kuala Lumpur

Independent Auditors' Report

to the members of Hong Leong Industries Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Industries Berhad, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 37 to 106 .

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

to the members of Hong Leong Industries Berhad
cont'd

OTHER REPORTING RESPONSIBILITIES

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 34 on page 107 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

OTHER MATTERS

The financial statements of the Group and of the Company as at and for the year ended 30 June 2011 were audited by another auditor who expressed an unmodified opinion on those statements on 5 September 2011.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

*Firm Number : AF 0758
Chartered Accountants*

Adrian Lee Lye Wang

*Approval Number : 2679/11/13(J)
Chartered Accountant*

Petaling Jaya, Selangor
27 August 2012

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2012

Location	Tenure	Existing use	Year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2012 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	16	51,089
5 1/4 miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	30	731
5 1/2 miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	21-31	23,953
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	27	6,559
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	22	5,218
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	19	17,536
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	3	38,768
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	17	14,081
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	16	9,786
PT 30238 Mukim Setul, Nilai Industrial Estate Negeri Sembilan Darul Khusus	Leasehold 60 years expiring 2043	Industrial land with office and factory buildings	1983	545,934	15	2,083
Lot PT11979 & 2353 Beranang Industrial Estate Selangor Darul Ehsan	Leasehold 99 years expiring 2085	Industrial land with office and factory buildings	1982	1,928,421	26	8,585
Lot 312490, 127221, 127222 Kawasan Perusahaan Kanthan, Chemor, Perak Darul Ridzuan	Freehold	Industrial land with office and factory buildings	1990	3,159,821	21	14,715

Other Information

cont'd

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2012 cont'd

Location	Tenure	Existing use	Year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2012 (RM'000)
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	37	3,592
Lot 244, Pasir Gudang Industrial Estate, Johor Bahru, Johor Darul Takzim	Leasehold 60 years expiring 2045	Industrial land with office and factory buildings	1985	609,840	27	4,325
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	37	766
Lot 16280925 and 17514395 Tuaran Road, Kota Kinabalu, Sabah	Leasehold 60 years expiring 2024/2028	Industrial land with office and factory buildings	1982	302,742	44/48	1,491
Lot 1616, Mukim Chembong, Daerah Rembau, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2084	Industrial land with office and factory buildings	2002	731,279	27	1,015
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	52	20,865
Lot 52, Kawasan Perusahaan Bakar Arang, Sungei Petani, Kedah Darul Aman	Leasehold 60 years expiring 2042	Industrial land with office, store and factory buildings	2000	510,000	30	4,362
Lot 565, Mukim Hulu Semenyih District Hulu Langat Selangor Darul Ehsan	Freehold	Industrial land with office, store and factory buildings	2002	290,511	16	3,296
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara Kulai, Johor	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	10	1,738
No 367 A & B Jalan Melaka Raya Taman Melaka Raya 75000 Melaka	4 Oct 2082	3 storey mid terrace shop office	1996	1,399	29	162

Other Information

cont'd

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2012 cont'd

Location	Tenure	Existing use	Year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2012 (RM'000)
Section 7 Phase 1A Pulau Indah Industrial Park West Port Selangor Darul Ehsan	24 Feb 2097	* Vacant industrial land	1996	684,720	-	9,517
Lot 5, Bukit Raja Industrial Estate, Klang, Selangor Darul Ehsan	Leasehold 99 years expiring 2088/2096	Industrial land with office and factory buildings	1982	621,506	31	38,513
P.T.531 to 534 & P.T.552 to 560 Taman Panchor Industrial Area, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2096	Vacant land	1998	1,117,627	-	2,231

* Disposal of the land has been completed subsequent to the balance sheet date.

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012

Class of Shares : Ordinary shares of RM0.50 each
Voting Rights
• On a show of hands : 1 vote
• On a poll : 1 vote for each share held

Distribution Schedule of Shareholders As At 3 September 2012

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	547	17.75	11,563	0.00
100 – 1,000	863	28.01	624,154	0.19
1,001 – 10,000	1,325	43.01	4,943,756	1.55
10,001 – 100,000	285	9.25	8,487,286	2.66
100,001 – less than 5% of issued shares	60	1.95	67,189,016	21.03
5% and above of issued shares	1	0.03	238,217,035	74.57
	3,081	100.00	319,472,810	100.00

Note

* Excluding 8,432,500 shares bought back and retained by the Company as treasury shares.

List Of Thirty Largest Shareholders As At 3 September 2012

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn. Bhd.	238,217,035	74.57
2. Lembaga Tabung Haji	11,560,800	3.62
3. Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (ESOS)	9,153,133	2.87

Other Information

cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 *cont'd*

List Of Thirty Largest Shareholders As At 3 September 2012 *cont'd*

	Name of Shareholders	No. of Shares	%
4.	Amanahraya Trustees Berhad - Public Smallcap Fund	7,036,133	2.20
5.	Low Poh Weng	6,156,000	1.93
6.	Mayban Nominees (Tempatan) Sdn Bhd - Public Itfikal Fund	5,468,067	1.71
7.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,512,000	0.79
8.	Hong Bee Hardware Company, Sdn. Berhad	2,019,333	0.63
9.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	1,964,000	0.61
10.	HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,800,000	0.56
11.	Hong Leong Assurance Berhad - As Beneficial Owner	1,612,902	0.51
12.	HLG Nominee (Tempatan) Sdn Bhd - Chut Nyak Isham Bin Nyak Ariff	1,276,600	0.40
13.	Citigroup Nominees (Asing) Sdn Bhd - Dimensional Emerging Markets Value Fund	1,225,800	0.38
14.	RHB Capital Nominees (Tempatan) Sdn Bhd - Poh Soon Sim	1,101,600	0.34
15.	Grandeur Holdings Sdn Bhd	1,022,000	0.32
16.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for UBS AG Singapore (Foreign)	800,000	0.25
17.	Valuecap Sdn Bhd	759,500	0.24
18.	Citigroup Nominees (Asing) Sdn Bhd - Lofty Dragon Management Limited	750,000	0.23
19.	Neoh Choo Ee & Company, Sdn. Berhad	750,000	0.23
20.	Datuk Kwek Leng San	720,000	0.23
21.	HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Bank Berhad	701,600	0.22
22.	JF Apex Nominees (Tempatan) Sdn Bhd - Cheong Chen Yue	691,267	0.22
23.	Citigroup Nominees (Asing) Sdn Bhd - DFA Emerging Markets Small Cap Series	605,900	0.19
24.	HDM Nominees (Asing) Sdn Bhd - Surya Abbas Syauta	450,000	0.14
25.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	382,667	0.12
26.	Multi-Purpose Insurans Bhd	373,700	0.12
27.	Cimsec Nominees (Tempatan) Sdn Bhd - Nobel Sound Sdn Bhd	360,000	0.11
28.	OSK Nominees (Asing) Sdn Berhad - Khattar Capital International Pte. Ltd.	348,500	0.11
29.	AIBB Nominees (Tempatan) Sdn Bhd - Cheong Chen Yue	334,633	0.10
30.	HDM Nominees (Asing) Sdn Bhd - Lim Oon Cheng	317,805	0.10
		300,470,975	94.05

Other Information

cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 3 September 2012 are as follows:

Names of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Manufacturing Group Sdn Bhd	238,217,035	74.57	-	-
2. Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	240,855,270 #	75.39 #
3. YBhg Tan Sri Quek Leng Chan	-	-	246,136,603 **	77.04 **
4. HL Holdings Sdn Bhd	-	-	240,855,270 *	75.39 *
5. Hong Realty (Private) Limited	-	-	242,874,603 ^	76.02 ^
6. Hong Leong Investment Holdings Pte. Ltd.	-	-	242,874,603 ^	76.02 ^
7. Kwek Holdings Pte Ltd	-	-	242,874,603 ^	76.02 ^
8. Mr Kwek Leng Beng	-	-	242,874,603 ^	76.02 ^
9. Mr Kwek Leng Kee	-	-	242,874,603 ^	76.02 ^
10. Davos Investment Holdings Private Limited	-	-	242,874,603 ^	76.02 ^
11. Mr Quek Leng Chye	-	-	242,874,603 ^	76.02 ^

Notes

Held through subsidiaries.

* Held through HLCM.

** Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.

^ Held through HLCM and a company in which the substantial shareholder has interest.

3. DIRECTORS' INTERESTS AS AT 3 SEPTEMBER 2012

Subsequent to the financial year end, there is no change, as at 3 September 2012, to the Directors' interests in the ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 33 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. SHARE BUY BACK

The Company did not buy back any of its shares during the financial year ended 30 June 2012.

5. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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Hong Leong Industries Berhad (5486-P)

A Member of the Hong Leong Group

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____

of _____

being a member of **HONG LEONG INDUSTRIES BERHAD** (the "Company"), hereby appoint _____

NRIC/Passport No. _____

of _____

or failing him/her, _____

NRIC/Passport No. _____

of _____

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-ninth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 16 October 2012 at 12.00 noon and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Datuk Kwek Leng San as a Director		
3.	To re-elect YBhg Dato' Ahmad Johari bin Tun Abdul Razak as a Director		
4.	To re-elect Dr Zaha Rina binti Zahari as a Director		
5.	To re-appoint YM Raja Dato' Seri Abdul Aziz bin Raja Salim as a Director pursuant to Section 129 of the Companies Act, 1965		
6.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
Special Business			
7.	To approve the ordinary resolution on authority to Directors to issue shares		
8.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
9.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Motors Sdn Bhd		
10.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Syarikat Motor Singa Sdn Bhd and Sing Heng Motor Trading Sdn Bhd		
11.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Yamaha Motor Co., Ltd and its subsidiaries		
12.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
13.	To approve the ordinary resolution on the proposed termination of the existing executive share option scheme		
14.	To approve the ordinary resolution on the proposed establishment of a new executive share option scheme of up to ten percent (10%) of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company		
15.	To approve the ordinary resolution on the proposed grant of options to YBhg Dato' Yau Kok Seng		

Dated this _____ day of _____ 2012

Number of shares held _____

Signature(s) of Member _____

Notes

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 9 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please see note 9 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time of the meeting or adjourned meeting.
- In the event two or more proxies are appointed, please fill in the ensuing section:

Name of proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Company Secretary
Hong Leong Industries Berhad
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

1st Fold Here