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**Hong Leong Industries Berhad** (5486-P)  
A Member of the Hong Leong Group Malaysia

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## COMPANY PROFILE

**Hong Leong Industries Berhad (“HLI”)** is a public listed company and its shares are traded on the Main Board of Bursa Malaysia Securities Berhad. HLI is principally an investment holding company.

The activities of the subsidiaries are designing, manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes, manufacture and assembly of motorcycles, scooters and related parts and products, distribution of motorcycles and motorcycle components and manufacture and sale of ceramic tiles.

Associated companies are involved in the manufacture and assembly of motorcycles, motorcycle engines and spare parts and manufacture and sale of newsprint and related paper products.



## CORPORATE INFORMATION

### DIRECTORS

YBhg Tan Sri Quek Leng Chan  
(Executive Chairman)

Mr Kwek Leng San  
(President & Chief Executive Officer)

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

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

Mr Chuah Chuan Thye

Mr David Edward Comley

Mr Quah Thain Khan

### SECRETARY

Ms Joanne Leong Wei Yin

### AUDITORS

Ling Kam Hoong & Co  
No. 6-1, Jalan 3/64A  
Udarama Complex  
Off Jalan Ipoh  
50350 Kuala Lumpur  
Tel : 03-40423288  
Fax : 03-40420149

### REGISTRAR

Hong Leong Share Registration Services Sdn Bhd  
Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-21641818  
Fax : 03-21643703

### REGISTERED OFFICE

Level 9, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur  
Tel : 03-21642631  
Fax : 03-21642514

### 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-third Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 10 October 2006 at 3.00 p.m. in order:

1. to lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2006;
2. to approve the payment of Directors' fees of RM340,000/- for the year ended 30 June 2006, 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) YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar **(Resolution 2)**
  - b) YBhg Dato' Ahmad Johari bin Tun Abdul Razak; **(Resolution 3)**
4. to re-appoint Messrs Ling Kam Hoong & Co as Auditors of the Company and authorise the Directors to fix their remuneration; **(Resolution 4)**
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

### **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 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 in any one financial year 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."; and **(Resolution 5)**

6. to consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin  
Secretary

Kuala Lumpur  
18 September 2006

### **NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy 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.
2. 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.
3. **Ordinary Resolution On Authority To Directors To Issue Shares**

The Ordinary Resolution, if passed, will give authority to the Directors of the Company to issue ordinary shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.



## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

### 1. Directors who are standing for re-election at the Forty-third Annual General Meeting of the Company

Pursuant to Article 115 of the Company's Articles of Association

- (a) YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar
- (b) YBhg Dato' Ahmad Johari bin Tun Abdul Razak.

### 2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2006. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 6 to 8 of the Annual Report.

### 3. Place, date and time of Forty-third Annual General Meeting

The Forty-third Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 10 October 2006 at 3.00 p.m.

### 4. Further details of individuals who are standing for election as Directors

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

## DIRECTORS' PROFILE

### **YBhg Tan Sri Quek Leng Chan**

*Executive Chairman/Non-Independent*

Tan Sri Quek Leng Chan, aged 63, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is currently the Executive Chairman of Hong Leong Industries Berhad ("HLI") and was appointed to the Board of HLI on 12 May 1969. He does not sit on any committee of HLI.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCo(M)"), Executive Chairman of Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad), GuocoLand (Malaysia) Berhad, Hume Industries (Malaysia) Berhad ("HIMB"), Narra Industries Berhad ("Narra"), O.Y.L. Industries Bhd ("OYL") and Camerlin Group Berhad and Chairman of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, HLG Capital Berhad and Hong Leong Assurance Berhad.

Tan Sri Quek has attended all the Board meetings of HLI held during the financial year ended 30 June 2006.

He has no conflict of interest with HLI and has no conviction for offences within the past ten years.

### **Mr Kwek Leng San**

*President & Chief Executive Officer/Non-Independent*

Mr Kwek Leng San, aged 51, 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.

Presently, he is the Executive Chairman of Malaysian Pacific Industries Berhad ("MPI"), President & Chief Executive Officer of HLI and HIMB, Managing Director of Narra, Chairman of Southern Steel Berhad and a Director of OYL and HLCo(M).

Mr Kwek was appointed to the Board of HLI on 1 September 1990 before assuming his present position as the President & Chief Executive Officer on 16 August 1993. He is presently a member of the Board Audit & Risk Management Committee of HLI.

He has attended all the Board meetings of HLI held during the financial year ended 30 June 2006.

Mr Kwek, Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLI, are brothers. Mr Kwek has no conflict of interest with HLI and has no conviction for offences within the past ten years.



**YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar***Non-Executive Director/Independent*

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar, aged 61, 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.

She has attended all the Board meetings of HLI held during the financial year ended 30 June 2006.

YAM Tunku Dara has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

**YBhg Dato' Ahmad Johari bin Tun Abdul Razak***Non-Executive Director/Independent*

Dato' Ahmad Johari bin Tun Abdul Razak, aged 52, 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.

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 currently the Executive Chairman of Ancom Berhad and Chairman of Courts Mammoth Berhad and Daiman Development Berhad, Deputy Chairman of Nylex (Malaysia) Berhad and a Director of Deutsche Bank (Malaysia) Berhad.

He has attended three (3) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2006.

Dato' Ahmad Johari has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

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

Mr Chuah Chuan Thye, aged 50, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 20 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.

He has attended all the Board meetings of HLI held during the financial year ended 30 June 2006.

Mr Chuah has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.



## DIRECTORS' PROFILE (Cont'd)

### Mr David Edward Comley

*Non-Executive Director/Non-Independent*

Mr David Edward Comley, aged 57, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree.

He started his career with Plessey Semiconductors ("Plessey") in 1970. During his 17 years of service in Plessey, he held a number of key roles with the last position as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan.

In 1987, he joined ITEQ Europe as Operations Director before joining AMKOR ANAM Europe Ltd in 1990 as the Director of Operations and later as the Managing Director.

Mr David Comley joined MPI Group as the Managing Director of Carsem (M) Sdn Bhd on 11 November 1991 and was subsequently promoted as the Group Managing Director of MPI on 16 August 1993.

He was appointed to the Board of HLI on 1 May 1994. He does not sit on any committee of HLI.

Mr David Comley has attended all the Board meetings of HLI held during the financial year ended 30 June 2006.

Mr David Comley has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

### Mr Quah Thain Khan

*Non-Executive Director /Non-Independent*

Mr Quah Thain Khan, aged 48, a Malaysian, graduated from Monash University, Australia with a Bachelor of Mechanical Engineering (Honours) degree. He also holds a Master of Business Administration degree from Cranfield School of Management, United Kingdom. He started his career as an engineer in 1982 with the UMW Group, where his last position was Factory Manager before joining PA Consultancy Group in 1988 as a management consultant. In 1993, he joined Lafarge Malayan Cement Berhad ("LMC"), where he held senior management positions in the manufacturing and marketing subsidiaries before becoming the Chief Executive Officer on 1 April 2000 and President & Chief Executive Officer of LMC on 1 March 2002, a position he held until 30 June 2004.

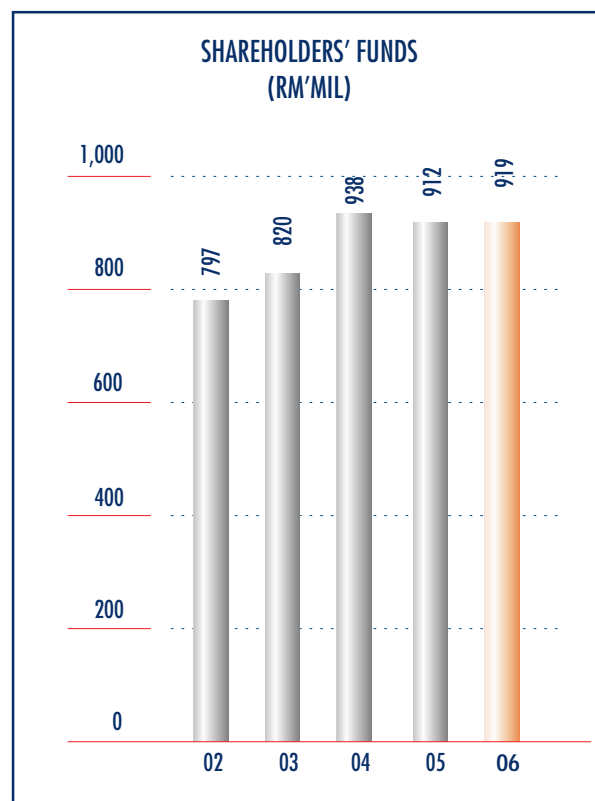
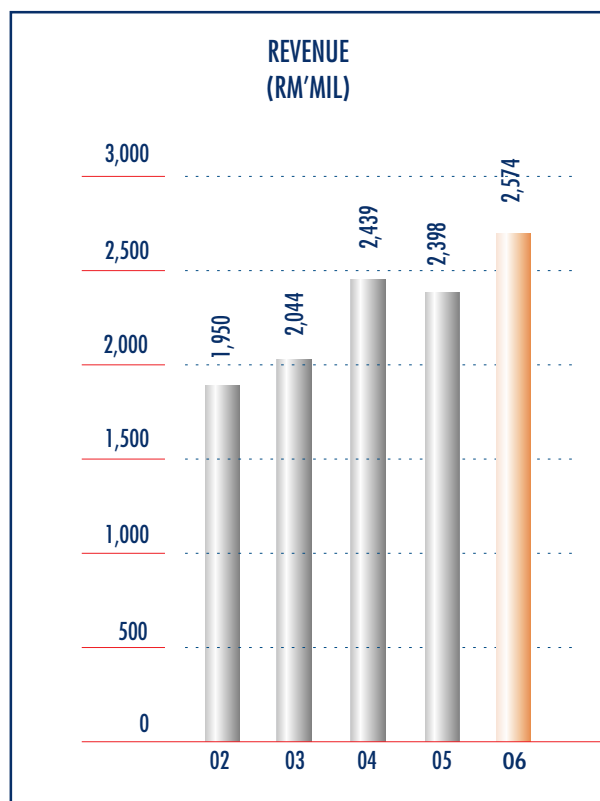
Mr Quah joined the MZ Motorrad Division of HLI as Managing Director on 18 October 2004.

He was appointed to the Board of HLI on 22 October 2004. He does not sit on any committee of HLI.

He has attended three (3) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2006.

Mr Quah has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

## GROUP FINANCIAL HIGHLIGHTS



(RM'mil)	2002	2003	2004	2005	2006
Revenue	1,950	2,044	2,439	2,398	2,574
Profit/(Loss) Before Taxation	(59)	51	199	105	176
Net Profit/(Loss)	(79)	9	108	72	44
Net Earnings/(Loss) Per Share (sen)	(36)	0	46	29	16
Net Dividend Per Share (sen)	16	2	5	7	10
Shareholders' Funds	797	820	938	912	919
Total Assets	4,034	3,813	3,888	3,337	3,409

## CHAIRMAN'S STATEMENT

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**O**n behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2006.

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### OPERATING ENVIRONMENT

The Malaysian economy had performed reasonably well during the financial year under review.

Despite a challenging external environment underpinned by rising interest rates, high oil prices and volatile exchange rates, the Malaysian economy achieved a growth rate of 5.2% during the first half of the financial year. The economy growth was driven primarily by robust domestic demand and strong growth recorded in the manufacturing and services sectors.

The significant growth in the electronics and electrical sub-sector had driven the manufacturing sector's growth to 8% in the second half of the financial year. This, coupled with strong performance from the services and agriculture sectors, and a strong domestic demand, have created a sustainable growth momentum for the economy.

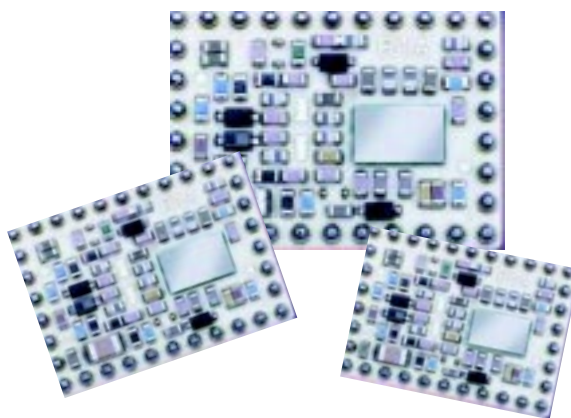


### FINANCIAL REVIEW

The Group recorded a profit before tax ("PBT") of RM176.2 million for the financial year ended 30 June 2006 ("FY 2006") as compared with RM105.4 million achieved in the previous financial year.

The significant improvement in the Group's PBT was mainly attributable to the improved performance of the core businesses of the Group, namely semiconductor, motorcycles and building materials sectors. The Group's results included a one-off restructuring cost of RM64.2 million incurred by the Group's MZ operations in Germany.

At Company level, PBT recorded was RM18.7 million as compared with a loss before taxation of RM19.7 million recorded in the previous financial year. The Company's loss in the previous year was largely due to the losses arising from the disposal of the Company's entire interests in Camerlin Group Berhad and MPI Polyester Industries Sdn Bhd.





### FUTURE AND PROSPECTS

Barring any unforeseen circumstances, the Board expects the businesses of the Group to perform satisfactory in the new financial year ending 30 June 2007.

### DIVIDEND

The Company has declared and paid a first interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax and a second interim dividend of 6.25 sen per share tax exempt and 1.25 sen per share less tax during the financial year under review. The Board does not recommend any final dividend for the FY 2006.



### APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our valued customers, business associates, vendors, financiers, shareholders and the authorities for their continuous support and confidence in the Group.

I would also like to take this opportunity to express my sincere appreciation to the management team and all our employees for their contribution, dedication and commitment to the Group.

**QUEK LENG CHAN**  
Chairman

## PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW

**I** am pleased to report that despite a challenging environment, the Group's financial performance had improved as compared with

the previous financial year ended 30 June 2005 ("FY2005").

The improvement was mainly attributable to higher contributions from our core businesses, namely semiconductor, motorcycles and building materials.



our core businesses

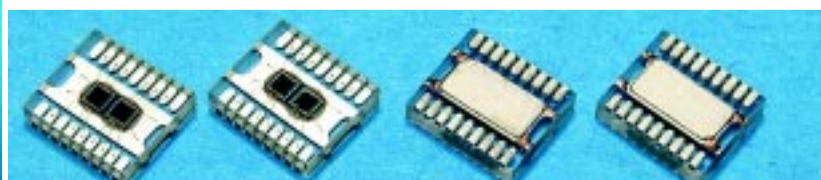
### SEMICONDUCTOR

Our semiconductor division's revenue grew a commendable 22% from FY2005 as compared with the semiconductor industry which grew by 6.9% in year 2005 and is expected to grow at between 7% and 10% in year 2006. Carsem (M) Sdn Bhd ("Carsem (M)") and Dynacraft Industries Sdn Bhd ("Dynacraft") achieved a year-on-year growth of 20% and 25% respectively. The division's start-up in Suzhou, Carsem Semiconductor (Suzhou) Co., Ltd ("Carsem Suzhou"), completed its second year of operation with sales significantly up from that of its first year and was profitable for the last two quarters of the financial year ended 30 June 2006 ("FY2006").

The markets of USA and China were particularly strong and a fast growing consumer electronics market now joins that of the computer and cellphone sectors as drivers of the semiconductor industry. Assembly and test capacity has remained at high levels of utilisation as the industry takes a conservative approach to expanding capacity, resulting in firmer selling prices.

The Micro Leadframe Package ("MLP") has contributed to Carsem (M) and Carsem Suzhou ("Carsem")'s growth by over 50% from FY2005. FY2006 also saw a significant growth in the assembly and test of modules. The MLP and module business will continue to contribute positively to Carsem's growth going forward. Dynacraft supplies the majority of leadframes for MLP assemblies.

Costs remain a challenge particularly with commodity prices at an all-time high. Silver, palladium and, particularly, copper are major costs for Dynacraft although the company has been able to pass the copper price increase onto customers. Silver, copper and gold are some of the commodities used by Carsem with the gold price increase also passed onto customers, whilst the others have been absorbed. Rising interest rates, an uncertain USD/RM exchange rate and the prices of commodities will continue to be offset by improvements in product cost. The emphasis from Dynacraft is on high density etched leadframes, faster and more accurate spot plating machines, the replacement of spot silver plating with nickel/palladium full plated leadframes and higher yields. Carsem's major focus is on the development of copper as a replacement for gold and the increasing use of high density, preplated leadframes.





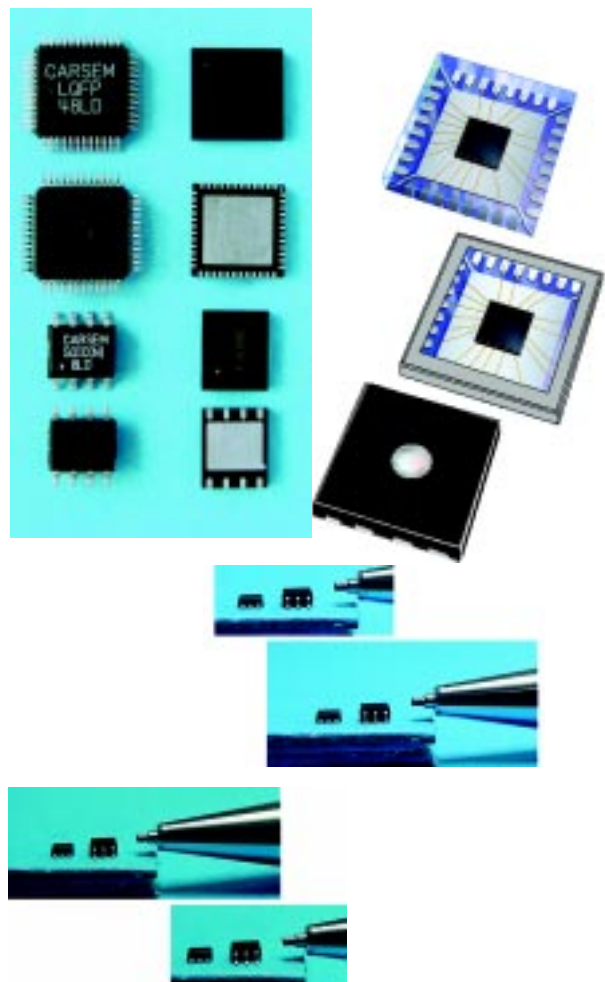
## PRESIDENT &amp; CHIEF EXECUTIVE OFFICER'S REVIEW (Cont'd)



Technology remains the high priority of the division. High precision etching allowing higher density frames and a thinner layer of palladium for a more cost effective preplated leadframe have been joined by plating using photo-resist technology as Dynacraft's important development programmes. Carsem's development is dominated by the many different versions of MLP that are either thinner, smaller, uses clear plastic, assembled with a cavity or multi-rowed. Other important developments are copper bonding, strip test, module assembly using substrates and leadframes, stacked die and wafer scale packaging.

Carsem and Dynacraft have made significant investments in ensuring that all of their products have a "green" option and each of the Group's factories has received official accreditation for conformity.

The semiconductor industry has entered an exciting era as new and innovative applications come to market and although the industry will remain cyclical, the lessons learnt from the 2001 downturn suggest that inventory is being monitored and managed more carefully and that future cycles will be shorter and less severe. The division is well positioned with strong technology and a sound balance sheet to make the most of the many opportunities that have and will continue to come the way of the division.



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW

### MOTORCYCLES

The domestic demand for motorcycles in FY2006 rose to an all-time high of 441,762 units as compared with 422,548 units in FY2005, aided by positive economic growth and continued availability of easy financing. The expansion rate of 4.5% in FY2006 was, however, lower than the 15% expansion rate achieved in FY2005. In achieving the all-time high sales volume for FY2006, Yamaha out-performed the industry growth by recording an increase of 44%.

Yamaha continues to make inroads into the 4-Stroke moped category through the introduction of two new models, an upgraded Lagenda 110Z and the 135LC, to strengthen its model line up. Both models are extremely popular in the younger market segment and have gained widespread acceptance. In the Automatic category, the Ego model continues to be the bestseller and, together with Nouvo S, are able to carve out a market niche. These four models are the mainstay of the Yamaha model line up and will contribute positively to Yamaha's market share and profitability. The better demand for the Yamaha models saw its market share improved by 7% year-on-year from 19% in FY2005 to 26% in FY2006.

In fulfilling our commitment for continuous improvement, several investment projects were undertaken in our manufacturing plant to upgrade our production facilities. Significant cost down was also being achieved through active deployment of Total Productive Maintenance activities in the factories.

Yamaha continues to make strides in enhancing its brand image and values. In the financial year under review, the "It's Exciting" brand enhancement campaign was introduced, featuring motor racing icon, Valentino Rossi. Yamaha continuously explore ways to differentiate itself through marketing strategies to create a premium brand.

Yamaha is also well recognised in the automotive fraternity for being a good corporate citizen. Some of the important programmes include the "Balik Kampung" Road Safety with free inspection checks for all brands of motorcycles and "Yamaha Safety Riding Science" activities for riders and potential motorcyclists. Yamaha is amongst the first in the motorcycle industry to achieve the ISO EMS 14001 Certification in March 2006.



## PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW (Cont'd)

We expect the demand for motorcycles to continue to expand in tandem with Malaysia's economic growth and Yamaha to continue contributing positively to the overall motorcycles division.

Towards the end of 2005, the Vietnamese Government announced the lifting of its two-year old ruling on the restriction of motorcycles registration. This new announcement was a positive boost to the demand for motorcycles. Total industry sales recorded by the foreign direct investment companies improved by 18% year-on-year to 1,169,000 units in FY2006 as compared with 993,000 units in FY2005. In addition, Yamaha was able to improve its market share in retail sales in Vietnam by 4% from 21% in FY2005 to 25% in FY2006.

Our 24% investment in Yamaha Motor Vietnam Co. Ltd continued to report steady improvement in its operations with total sales units and sales value registered at 39.7% and 22.5% improvement respectively as compared with the previous financial year. Total profit also shown improvement, despite lower gross profit margin largely due to more sales contribution from lower pricing models.

Barring any adverse changes in the motorcycle regulations, we anticipate the total industry demand to further expand in years to come. We expect our Vietnam investment to contribute positively to the overall motorcycles division.

During the financial year under review, our MZ operations continued to make progress in its efforts to lay the foundation for its future global business. Due to the continued soft market conditions in Europe, a restructuring plan was implemented in December 2005 to improve its cost structure and efficiency level.

Our research and development arm in Germany, MZ Engineering GmbH, has also focused on developing models for the bigger markets, such as the 125cc segment in Europe and the commuter segment in Asia.

In Malaysia, MZ Motorrad Sdn Bhd ("MZM") continued to make steady progress, with the Moskito RX125 scooter model continuing to do well, having a market share of 17%. Product development work to expand the MZ product range with new models is on going. MZM anticipates these new models to be ready for release starting by early year 2007.





## PRESIDENT & CHIEF EXECUTIVE OFFICER'S REVIEW

### BUILDING MATERIALS

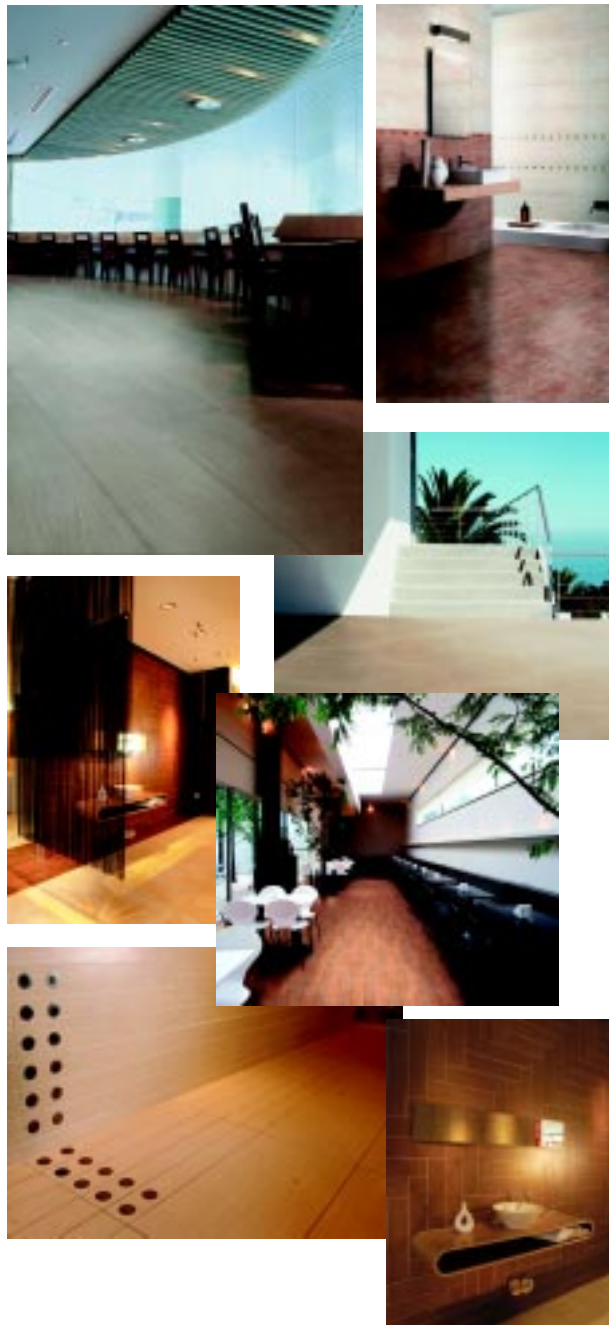
The construction industry registered a negative growth for the financial year under review due to the absence of mega projects and a consolidating housing market in the face of rising interest rates and inflation.

Under this scenario, developers have been very cautious and have only been launching smaller-sized high-end residential developmental projects in selected 'hot' areas in the Klang Valley. The higher inflation rate of 3.2% for the first quarter of year 2006 coupled with the higher costs of borrowing and fuel cost have somehow slowed down the residential sector. Against this backdrop, the ceramic tiles industry has grown in capacity through expansion programmes by major players in the industry. The over supply in the domestic market was worsen by the flow of imports mainly from China. We expect the over supply to ease slightly when manufacturers increase their exports and through the 9th Malaysia Plan projects which is expected to start in the fourth quarter of year 2006.

The FY2006 saw the Guocera Group of Companies ("Guocera")'s revenue increase against a backdrop of a contracting domestic construction industry and the impact of a stronger Ringgit on Guocera's exports. The higher revenue came from improvement in the export and domestic sales volume as well as improved sales mix of the mid to high range products in the domestic market. Guocera was able to contain most of the escalating fuel and raw material prices through product rationalisation, improved productivity and outsourcing activities. Consequently, profit before tax for Guocera improved as compared with the previous financial year.

For the financial year under review, Guocera launched a collection of tiles which comprises 5 series of natural looking ceramic tiles that personify natural living. The new collection, XL Gres Collection, simulate the look and feel of both wood and stone, manufactured in extra slim and long sizes for multiple laying technique. We are confident that Guocera's strong product innovation and customer focus will augur well for its dominance in the domestic and key export markets.

I am pleased that Guocera has won 3 awards from the Entrepreneur Development Association in the 5th Asia Pacific International Entrepreneur Excellence Award 2006 on Excellence in Leadership, Excellence in Brand and Excellence in Service Quality. We are the only manufacturer who has won in all 3 categories.



### OUTLOOK

Notwithstanding the continuous challenging operating environment ahead, the Group is well positioned to deliver value to our shareholders.

I look forward to a good year.

**KWEK LENG SAN**

President & Chief Executive Officer

## THE HONG LEONG FAMILY

**"A Company is not an Organisation.  
It takes people to transform a company into an organization."**

*~ Tan Sri Quek Leng Chan*

We value the commitment and contribution of each employee and strives to ensure that our employees' career are complemented with a well-rounded social environment within the Group.



### COMMITMENT TO STAFF WELFARE

The Group constantly reviews and improves its staff compensation and benefits practices to ensure that the Group's compensation and benefits practices remain competitive and consistent.

The Group has in place structured feedback mechanisms to receive employee feedbacks and grievances. The Group acts on these feedbacks promptly and resolve staff grievances to the best interests of both the Group and our employees.

The Group continuously upkeep the work place to provide our employees with a safe and healthy working environment.

### COMMITMENT TO STAFF DEVELOPMENT

The Group's commitment to staff development is evident in the various learning and development programmes conducted throughout this financial year.

These programmes, covering both soft skill and technical development programmes, included classroom training programmes, work-based learning programmes, as well as outdoor training programmes.

Conducted by both in-house and external trainers, these programmes continuously improve the skill set and knowledge of our employees.



## THE HONG LEONG FAMILY (Cont'd)



### COMMITMENT TO HEALTHY LIFESTYLE

Various activities were also carried out throughout the year to encourage a healthy lifestyle among our employees. Activities such as sport activities and social events were carried out regularly involving all levels of employees.

Employees' family members were not left out either in Group activities.

In this regard, the Group carried out family days with the active participation of the Group's employees and families.



### COMMITMENT TO EDUCATION

The Group provides scholarships to deserving children of the Group's employees to pursue pre-university, diploma and degree studies, both locally and abroad.

The provision of scholarships to our employees' children has been practised since 1978.

### COMMITMENT TO COMMUNITY

While encouraging activities among its employees, the Group is always mindful of the needs of the community. The Group encourages its employees to do their part in contributing to the community, complementing the Group's own contribution through the Hong Leong Foundation.

In this regard, various charity events were carried out with the involvement of the employees. These include visits to orphanages and old folk homes, contributions to school children, donations to the needy, and blood donation drives.



These initiatives provide our family of employees the opportunities to continually improve themselves within the wider social context.



## CORPORATE SOCIAL RESPONSIBILITY

As a responsible and caring corporate citizen, the Group strives for the betterment of society by giving back to the community and environment it operates in, through education, community development and social welfare.

The Group conducts most of its philanthropic activities through Hong Leong Foundation ("the Foundation"), the charitable arm of Hong Leong Group Malaysia, which was incorporated in 1992 with the main intention of:

- providing scholarships;
- giving aid and relief to the poor and needy, victims of fire, floods, famine, war or calamity, and those in need of moral or social rehabilitation or welfare;
- granting donations to local or national charitable institutions; and
- promoting sustainable and good environment practices.

The Group further supports and responds positively to various appeals for natural disasters such as earthquakes, floods, tsunamis, etc.

Since adopting the tagline '*Tomorrow's Generation*' in 2004, the Foundation champions causes in aid of Children and Youth, to provide for their needs in the areas of education, welfare, health and sports.

Supporting education has been, and will continue to be, an important tradition for the Group. To assist the academically gifted but financially disadvantaged students to gain access to higher education, the Foundation awards unconditional scholarships for Diploma and Undergraduate studies at local universities and selected institutions of higher learning.



The Foundation also offers scholars the opportunity to undergo industrial training to gain related work experience at operating companies.

## CORPORATE SOCIAL RESPONSIBILITY (Cont'd)

Launched in 1998, the Student Assistance Programme was initiated with the aim to address the immediate needs of primary and secondary school children from low-income families. To date, through this programme, the Foundation has donated school bags, books, uniforms, bicycles as well as school and examination fee subsidies to thousands of school children nation-wide.

Annually, the Foundation donates to various welfare organisations committed to helping the underprivileged and unfortunate throughout the country. During the financial year ended 30 June 2006, in support of



'Tomorrow's Generation', the Foundation has contributed to 47 orphanages and welfare homes such as Majlis Kebajikan Kanak-kanak Alor Star, Pusat Harian Kanak-kanak Spastik, Selangor and Federal Territory Association for Retarded Children, Beautiful Gate Foundation For the Disabled, Tasputra Perkim, Yayasan Harapan Kanak-kanak Malaysia, The Salvation Army, Melaka, Sarawak Association For the Welfare of Intellectually Disabled Children, Sabah Cheshire Home Sandakan, etc.

As part of our commitment to our employees and society, 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.



In addition, we conduct regular occupational safety and awareness programmes for our employees and participate in road safety campaigns during festive seasons to promote civic consciousness and safe driving habits in our community.

## CORPORATE GOVERNANCE AND INTERNAL CONTROL

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*"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*

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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, five (5) of whom are non-executive. Of the non-executive directors, two (2) 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 Executive Chairman leads the Board and, together with the President & Chief Executive Officer ("CEO"), are responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas ("KPA's") and strategic developments.

The CEO's main responsibility is to work with the operating managers to develop strategic business plans and to set out the KPAs for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

The Board met four (4) times during the financial year ended 30 June 2006.

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.

## CORPORATE GOVERNANCE AND INTERNAL CONTROL (Cont'd)

### A. DIRECTORS (Cont'd)

#### III 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 as well as to independent professional advice, including the internal auditors.

#### IV Appointments to the Board

The Board has decided that 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.

#### V Re-election

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

#### VI Training and Education

The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, the Company has developed a Director Manual which is given to every director for their reference. The Director Manual 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.

All directors of the Company have completed the Mandatory Accreditation Programme. The directors continuously receive 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.

During the financial year ended 30 June 2006, the Company organised training programmes covering, inter alia, corporate governance, finance, risk management, branding and business planning and strategies, for the directors and senior management of the Company facilitated by industry experts. In addition to these training programmes, the directors are also encouraged to attend seminars and briefings in order to keep themselves abreast of the latest developments in the business environment and to enhance their skills and knowledge.



## CORPORATE GOVERNANCE AND INTERNAL CONTROL (Cont'd)

**B. DIRECTORS' REMUNERATION****I Level and Make-Up of Remuneration**

The Company does not have a 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.

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

**II Procedure**

The remuneration packages of all executives of the Group, including executive directors, are laid out in the Group's Human Resources Manual, which is 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 Annual General Meeting.

**III Disclosure**

The aggregate remuneration of directors (including remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2006 is as follows:

	<b>Fees (RM)</b>	<b>Salaries &amp; Other Emoluments (RM)</b>	<b>Total (RM)</b>
Executive Directors	308,370	1,619,700	1,928,070
Non-Executive Directors	295,000	2,634,950	2,929,950

The number of directors whose remuneration fall into the following bands is as follows:

<b>Range Of Remuneration (RM)</b>	<b>Executive</b>	<b>Non-Executive</b>
50,000 and below	-	1
50,001 – 100,000	-	2
100,001 – 150,000	1	-
150,001 – 650,000	-	-
650,001 – 700,000	-	1
700,001 – 1,800,000	-	-
1,800,001 – 1,850,000	1	-
1,850,001 – 2,050,000	-	-
2,050,001 – 2,100,000	-	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/press releases, financial information, products information and investor relations.

In addition, the Chief Financial Officer 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 Freddy Foo Seang Choong
Tel No.	: 03 - 2164 2631
Fax No.	: 03 - 2715 4808
e-mail address	: IRelations@hli.com.my

#### II Annual General Meeting ("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.

### 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 a majority of 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 2006. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 28 of the Annual Report.

The Committee is supported by the Internal Audit Department whose 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.

#### 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.



## CORPORATE GOVERNANCE AND INTERNAL CONTROL (Cont'd)

**D. ACCOUNTABILITY AND AUDIT (Cont'd)****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.

**E. STATEMENT ON INTERNAL CONTROL**

The Board of Directors, recognising its responsibilities in ensuring sound internal controls, has developed 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.

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.

## CORPORATE GOVERNANCE AND INTERNAL CONTROL (Cont'd)

### E. STATEMENT ON INTERNAL CONTROL (Cont'd)

In associated companies, the Board nominates representatives to sit as directors and take a proactive stance in assessing the performance of the entity with the goal of safeguarding the investment of the Group. Where practical, the Group may request functional, financial and operating information as well as assurance that such information have been prepared in accordance with reporting standards and have been derived from control environments acceptable to the Group.

### F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flow 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 2006, 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.

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 Tuanku Ja'afar  
*Independent Non-Executive Director*

Mr Kwek Leng San  
*Non-Independent 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 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.

## BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT (Cont'd)

### AUTHORITY

The Committee is authorised by the Board to review any activity of HLI and its subsidiaries ("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.

### 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 and external auditors are invited to attend Committee meetings. At least once a year, the Committee will have a separate session with the external auditors without the presence of executive directors.

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 2006, four (4) Committee meetings were held and all the meetings were attended by all the Committee members.

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 also reviewed and approved various related party transactions carried out by the Group.

### INTERNAL AUDIT

During the financial year ended 30 June 2006, the Internal Audit Department carried out its duties covering business audit, system and financial audit.

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





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## DIRECTORS' REPORT

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 2006.

### 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
Net profit for the financial year	43,526	21,539

### DIVIDENDS

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

- (i) a first interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax amounting to RM6,630,332 in respect of the financial year ended 30 June 2006 on 27 December 2005; and
- (ii) a second interim dividend of 6.25 sen per share tax exempt and 1.25 sen per share less tax amounting to RM15,555,875 in respect of the financial year ended 30 June 2006 on 23 June 2006.

The Directors do not recommend any final dividend for the financial year ended 30 June 2006.

### 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.

### DIRECTORS OF THE COMPANY

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

YBhg Tan Sri Quek Leng Chan (Executive Chairman)  
Mr Kwek Leng San (President & Chief Executive Officer)  
YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar  
YBhg Dato' Ahmad Johari bin Tun Abdul Razak  
Mr Chuah Chuan Thye  
Mr David Edward Comley  
Mr Quah Thain Khan

In accordance with Article 115 of the Company's Articles of Association, YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak retire by rotation from the Board and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations during the financial year ended 30 June 2006 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/new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks*					
	Nominal value per share RM	At 1-7-2005	Acquired	Sold	At 30-6-2006
Shareholdings in which Directors have direct interests					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	<b>390,000</b>
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	11,046,600	-	6,057,000	<b>4,989,600</b>
Hong Leong Industries Berhad	0.50	2,512,000	-	2,512,000	-
	-	40,000*	-	40,000*	-
Guoco Group Limited	US\$0.50	1,656,325	-	-	<b>1,656,325</b>
GuocoLand Limited	∞	14,047,224	1,000,000	-	<b>15,047,224</b>
Malaysian Pacific Industries Berhad	0.50	53,500	-	53,500	-
Hong Leong Bank Berhad	1.00	40,000	-	40,000	-
Hume Industries (Malaysia) Berhad	1.00	4,034,000	-	2,034,000	<b>2,000,000</b>
Narra Industries Berhad	1.00	8,170,200	-	-	<b>8,170,200</b>
GuocoLand (Malaysia) Berhad	0.50	3,266,280@	-	-	<b>3,266,280</b>
BIL International Limited	US\$0.20	150,000~	-	-	<b>150,000</b>
<b>Interest of YBhg Dato' Ahmad Johari bin Tun Abdul Razak in:-</b>					
Hong Leong Industries Berhad	0.50	17,600	-	-	<b>17,600</b>
<b>Interests of Mr Kwek Leng San in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	20,000β	-	<b>117,500</b>
Hong Leong Industries Berhad	0.50	1,550,000	250,000	-	<b>1,800,000</b>
	-	250,000*	170,000*	-	<b>420,000*</b>
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	<b>315,000</b>
HLG Capital Berhad	1.00	119,000	-	-	<b>119,000</b>
Hong Leong Bank Berhad	1.00	385,000	-	-	<b>385,000</b>
Guoco Group Limited	US\$0.50	209,120	-	-	<b>209,120</b>
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	600,000	-	-	<b>600,000</b>



## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' INTERESTS (Cont'd)

Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks*					
	Nominal value per share RM	At 1-7-2005	Acquired	Sold	At 30-6-2006
Shareholdings in which Directors have direct interests					
<b>Interest of</b>					
<b>Mr David Edward Comley in:-</b>					
Malaysian Pacific Industries Berhad	0.50	-	60,000	-	60,000
Shareholdings in which Directors have indirect interests					
<b>Interests of</b>					
<b>YBhg Tan Sri Quek Leng Chan in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
MEHY Sdn Bhd (In members' voluntary liquidation)	1.00	650,000	-	-	650,000
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	813,767,298	6,057,000	-	819,824,298
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	953,685,600	40,000	200,000	953,525,600
Hong Leong Tokio Marine Takafu Berhad	1.00	-	65	-	65
Hong Leong Industries Berhad	0.50	131,299,900	3,624,700	-	134,924,600
	-	38,546,335*	22,444,698*	14,379,200*	46,611,833*
Maxider Sdn Bhd (formerly known as Hong Leong Yamaha Distributors Sdn Bhd)	1.00	10,360,000	3,640,000	-	14,000,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	7,815,980	-	-	7,815,980
Global Roaming Communications Sdn Bhd	1.00	-	2,610,000	-	2,610,000

## DIRECTORS' INTERESTS (Cont'd)

Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks*					
	Nominal value per share RM	At 1-7-2005	Acquired	Sold	At 30-6-2006
Shareholdings in which Directors have indirect interests					
<b>Interests of</b>					
<b>YBhg Tan Sri Quek Leng Chan in:-</b>					
Malaysian Pacific Industries Berhad	0.50	113,896,809	1,256,400	-	<b>115,153,209</b>
Carter Realty Sdn Bhd	1.00	7	-	-	<b>7</b>
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	<b>84,000,000</b>
	100.00	22,400	-	-	<b>22,400</b>
		(Redeemable Preference Shares)			<b>(Redeemable Preference Shares)</b>
Guolene Packaging Industries Berhad (In members' voluntary liquidation)	1.00	69,924,134	-	-	<b>69,924,134</b>
Hume Industries (Malaysia) Berhad	1.00	118,536,428	2,034,000	425,600	<b>120,144,828</b>
Narra Industries Berhad	1.00	38,304,000	-	-	<b>38,304,000</b>
Camerlin Group Berhad	1.00	239,738,779	31,876,538	-	<b>271,615,317</b>
	-	3,888,925*	3,292,639*	-	<b>7,181,564*</b>
Guoco Group Limited	US\$0.50	218,861,309	745,000	-	<b>219,606,309</b>
Citywide International Limited	US\$1.00	9	-	9##	<b>-</b>
GuocoLand Limited	∞	459,407,229	10,000,000	-	<b>469,407,229</b>
First Changi Development Pte Ltd	∞	40,002,075	-	-	<b>40,002,075</b>
First Garden Development Pte Ltd	∞	72,000,000	-	-	<b>72,000,000</b>
Melville Park Development Pte Ltd	∞	57,840,000	-	-	<b>57,840,000</b>
Sanctuary Land Pte Ltd	∞	54,000,000	-	-	<b>54,000,000</b>
Beijing Minghua Property Development Co., Ltd	^	150,000,000	-	-	<b>150,000,000</b>
Beijing Xinhaoyi Property Development Co., Ltd (In members' voluntary liquidation)	^	138,000,000	-	138,000,000◇	<b>-</b>
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	<b>19,600,000</b>
Shanghai Xinhaolong Property Development Co., Ltd	#	-	126,000,000	-	<b>126,000,000</b>

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' INTERESTS (Cont'd)

		Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*			
	Nominal value per share RM	At 1-7-2005	Acquired	Sold	At 30-6-2006
Shareholdings in which Directors have indirect interests					
<b>Interests of</b>					
<b>YBhg Tan Sri Quek Leng Chan in:-</b>					
Beijing Jiang Sheng Property Development Co., Ltd	^	247,600,000	-	-	247,600,000
Nanjing Xinhaoning Property Development Co., Ltd	#	-	11,800,800	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd	#	-	11,800,800	-	11,800,800
Nanjing Mahui Property Development Co., Ltd	^	-	95,404,650	-	95,404,650
Lam Soon (Hong Kong) Limited	HK\$1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HK\$100.00	9,800	-	-	9,800
LS Golden Oils & Fats Limited	HK\$1.00	185,000,000	-	-	185,000,000
M.C. Packaging Offshore Limited	HK\$0.01	471,793	-	-	471,793
Lam Soon Ball Yamamura Inc	NT\$10.00	15,221,823ø	-	-	15,221,823
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
Shekou Lam Soon Silo Company Limited	#	8,464,500	-	-	8,464,500
GuocoLand (Malaysia) Berhad	0.50	352,465,353@	104,355,363**	-	456,820,716
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000@	-	-	277,000,000
HLL-Guoco Vietnam Co. Limited	#	5,000,592@	-	-	5,000,592
JB Parade Sdn Bhd	1.00	18,000,000@	-	-	18,000,000
	0.01	68,594,000@	-	-	68,594,000
		(Redeemable Preference Shares)			(Redeemable Preference Shares)
BIL International Limited	US\$0.20	403,808,449~	293,083,594<<	-	696,892,043

## DIRECTORS' INTERESTS (Cont'd)

		Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks*			
	Nominal value per share RM	At 1-7-2005	Acquired	Sold	At 30-6-2006
Shareholdings in which Directors have indirect interests					
<b>Interests of</b>					
<b>YBhg Tan Sri Quek Leng Chan in:-</b>					
Oil Basins Limited	US\$0.10	80,000~	-	-	80,000
		Class A Shares			Class A Shares
	US\$0.10	40,000~	-	-	40,000
		Class B Shares			Class B Shares
Bondway Properties Limited	US\$0.10	1,000~	-	-	1,000
		Class D Shares			Class D Shares
	GBP1.00	1,134,215~	-	-	1,134,215
		Ordinary - Voting Shares			Ordinary - Voting Shares
Denarau Corporation Limited	GBP1.00	10,332~	-	-	10,332
		Ordinary - Non Voting Shares			Ordinary - Non Voting Shares
	FJ\$1.00	1~	-	-	1
		Ordinary A Share			Ordinary A Share
	FJ\$1.00	30,000~	-	-	30,000
		Ordinary C Shares			Ordinary C Shares
	FJ\$1.00	5,000~	-	-	5,000
		Ordinary D Shares			Ordinary D Shares
	FJ\$1.00	14,632~	-	-	14,632
		Ordinary E Shares			Ordinary E Shares
	FJ\$1.00	5,000~	-	-	5,000
		Ordinary F Shares			Ordinary F Shares

## DIRECTORS' REPORT (Cont'd)

### DIRECTORS' INTERESTS (Cont'd)

Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks*					
	Nominal value per share RM	At 1-7-2005	Acquired	Sold	At 30-6-2006
Shareholdings in which Directors have indirect interests					
<b>Interests of</b>					
<b>Mr Chuah Chuan Thye in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	<b>154,650</b>
Hong Leong Financial Group Berhad (formerly known as Hong Leong Credit Berhad)	1.00	9,284,949	-	-	<b>9,284,949</b>
Hong Leong Industries Berhad	0.50	1,998,800	-	-	<b>1,998,800</b>
	-	341,778*	-	-	<b>341,778*</b>
Narra Industries Berhad	1.00	10,000	-	-	<b>10,000</b>
Hong Leong Bank Berhad	1.00	120,000	-	-	<b>120,000</b>
Camerlin Group Berhad	1.00	3,133,500	-	-	<b>3,133,500</b>
	-	666,500*	-	-	<b>666,500*</b>
GuocoLand (Malaysia) Berhad	0.50	2,785,485@	-	-	<b>2,785,485</b>

#### Legend:

## Struck off from Register.

∞ Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005.

^ Capital contribution in RMB.

# Capital contribution in US\$.

◇ Dissolved by members' voluntary liquidation.

σ After capital reduction.

Ω Capital contribution in HK\$.

@ Shareholding as at 28 April 2006 as the corporation became a related corporation.

\*\* Inclusive of acceptances received for 70,760,863 shares in respect of the unconditional mandatory offer made by GLL (Malaysia) Pte Ltd, a related corporation.

~ Shareholding as at 21 October 2005 as the corporation became a related corporation.

<< Inclusive of acceptances received for 55,978,102 shares in respect of the mandatory conditional cash offer by High Glory Investments Limited, a related corporation.

ℬ Transferred from the Estate of Kwek Hong Lye, Deceased.

## 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 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 the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, 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 interest and 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 interest.

There were no arrangements during and at the end of the financial year which had 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" OR "SCHEME")

The shareholders of the Company had, at its Extraordinary General Meeting held on 14 October 2005, approved:-

- (i) the termination of the existing executive share option scheme of the Company which was established in year 1999 and expiring in year 2009 ("Existing ESOS"); and
- (ii) the establishment of a new ESOS of up to fifteen per cent (15%) of the issued and paid-up ordinary share capital of the Company ("New ESOS").

The New ESOS was established on 23 January 2006 and shall be in force for a period of ten (10) years.

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

The New ESOS would enable the Company to have a fresh duration of ten (10) years to implement the Scheme and provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the New 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 full time executive directors had 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 New ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.

## DIRECTORS' REPORT (Cont'd)

### EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME") (Cont'd)

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 New 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 New 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 New ESOS; or a combination of both new shares and existing shares.

There were no options granted during the financial year.

### SHARE CAPITAL AND DEBENTURE

During the financial year, the issued and paid-up share capital of the Company was increased from 225,802,416 ordinary shares of RM0.50 each to 225,989,190 ordinary shares of RM0.50 each arising from the conversion of RM1,158,000 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") at the conversion price of RM6.20 per share by the ICULS holders.

During the financial year, the Company purchased 1,080,500 ordinary shares of its issued share capital from the open market. The average price for the shares bought back was RM3.19 per ordinary share. The share buy back transactions were financed by internally generated fund. As at 30 June 2006, the total number of shares bought back was 8,424,500 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.

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### WARRANTS

The Company had, on 30 June 1997, issued 35,083,500 detachable warrants.

The details of the warrants are as follows:-

- (a) The warrants were constituted by a Deed Poll dated 22 October 1996 supplemented by a Supplemental Deed Poll dated 5 May 1997 and a Second Supplemental Deed Poll dated 15 June 1999 (collectively referred to as the "Deed Poll").

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share. The subscription of the outstanding warrants was extended for a further period of 5 years from the existing expiry date of 13 November 2001 to 13 November 2006.

**WARRANTS (Cont'd)**

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.
- (c) There were no conversion of warrants into new ordinary shares of the Company during the financial year. As at the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2005: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

**LOAN STOCKS**

The Company issued RM208,152,780 nominal value of 4% five (5)-year irredeemable convertible unsecured loan stocks ("ICULS") 2002/2007 at 100% nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 each held as at 21 May 2002.

The ICULS were constituted by the Trust Deed dated 22 May 2002.

The ICULS, which are irredeemable, have a maturity date of 28 June 2007 and carry a coupon rate of 4% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM0.50 each in the Company at any time from the date of issuance and all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares after the maturity date. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion. Upon conversion, all new ordinary shares rank pari passu with the ordinary shares then in issue except that these shares shall not be entitled to any rights and/or distributions, the entitlement date of which precedes or falls on the relevant conversion date and any dividends declared in respect of the financial quarter(s) immediately preceding the relevant conversion date.

During the financial year, RM1,158,000 nominal value of ICULS were converted into 186,774 new ordinary shares of RM0.50 each of the Company. The outstanding nominal value of ICULS as at 30 June 2006 was RM202,816,500.

**OTHER STATUTORY INFORMATION**

Before the income statements and balance sheets 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) all current assets have been stated at the lower of cost and net realisable value.

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



## DIRECTORS' REPORT (Cont'd)

### OTHER STATUTORY INFORMATION (Cont'd)

- (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.

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 2006 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

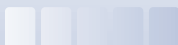
The auditors, Messrs Ling Kam Hoong & Co, have indicated their willingness to accept re-appointment.

On behalf of the Board

**Kwek Leng San**

**David Edward Comley**

Kuala Lumpur  
21 August 2006



# BALANCE SHEETS

AS AT 30 JUNE 2006

		Group		Company	
		2006	Restated 2005	2006	Restated 2005
	Note	RM'000	RM'000	RM'000	RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	4	<b>1,448,326</b>	1,386,896	-	-
<b>INVESTMENTS IN SUBSIDIARY COMPANIES</b>	5	<b>-</b>	-	<b>1,098,087</b>	1,120,370
<b>INVESTMENTS IN ASSOCIATED COMPANIES</b>	6	<b>405,075</b>	365,695	<b>319,780</b>	319,780
<b>OTHER INVESTMENTS</b>	7	<b>1,351</b>	1,351	<b>648</b>	648
<b>INTANGIBLE ASSETS</b>	8	<b>444,904</b>	437,365	-	-
<b>OTHER ASSETS</b>	9	<b>52,067</b>	10,590	<b>12,497</b>	6,465
<b>DEFERRED TAX ASSETS</b>	22	<b>5,886</b>	3,306	-	-
<b>CURRENT ASSETS</b>					
Property assets	10	<b>19,819</b>	21,063	-	-
Inventories	11	<b>244,654</b>	241,172	-	-
Trade and other receivables	12	<b>497,286</b>	429,541	<b>16,529</b>	4,694
Tax recoverable		<b>35,771</b>	38,052	<b>29,773</b>	28,758
Short term investments	13	<b>1,236</b>	1,105	<b>1,236</b>	1,105
Deposits, cash and bank balances	14	<b>253,047</b>	400,487	<b>43,279</b>	94,127
		<b>1,051,813</b>	1,131,420	<b>90,817</b>	128,684
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	<b>484,595</b>	403,951	<b>30,569</b>	18,718
Borrowings	16	<b>700,977</b>	504,010	<b>318,802</b>	211,626
Taxation		<b>11,454</b>	4,247	-	-
		<b>1,197,026</b>	912,208	<b>349,371</b>	230,344
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(145,213)</b>	219,212	<b>(258,554)</b>	(101,660)
		<b>2,212,396</b>	2,424,415	<b>1,172,458</b>	1,345,603

**BALANCE SHEETS** (Cont'd)

AS AT 30 JUNE 2006

		<b>Group</b>		<b>Company</b>	
		<b>2006</b>	<b>Restated</b>	<b>2006</b>	<b>Restated</b>
	<b>Note</b>	<b>RM'000</b>	<b>2005</b>	<b>RM'000</b>	<b>2005</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>SHARE CAPITAL AND RESERVES</b>					
Share capital	18	<b>112,995</b>	112,901	<b>112,995</b>	112,901
Reserves		<b>666,436</b>	655,402	<b>419,171</b>	426,889
Treasury shares - at cost	19	<b>(63,283)</b>	(59,835)	<b>(63,283)</b>	(59,835)
Irredeemable convertible unsecured loan stocks ("ICULS")	20	<b>202,817</b>	203,975	<b>202,817</b>	203,975
		<b>918,965</b>	912,443	<b>671,700</b>	683,930
<b>MINORITY SHAREHOLDERS' INTERESTS</b>					
		<b>600,671</b>	573,753	-	-
<b>LONG TERM AND DEFERRED LIABILITIES</b>					
Borrowings	16	<b>279,091</b>	538,590	<b>133,021</b>	293,904
Redeemable Bonds	17	<b>250,000</b>	250,000	<b>250,000</b>	250,000
EuroConvertible Bonds	21	<b>117,386</b>	117,386	<b>117,386</b>	117,386
Deferred tax liabilities	22	<b>33,848</b>	20,670	-	-
Retirement benefits	23	<b>12,435</b>	11,573	<b>351</b>	383
		<b>692,760</b>	938,219	<b>500,758</b>	661,673
		<b>2,212,396</b>	2,424,415	<b>1,172,458</b>	1,345,603

The financial statements were approved and authorised for issue by the Board of Directors on 21 August 2006.

The accompanying notes form an integral part of the financial statements.

# INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

		Group		Company	
		2006	Restated 2005	2006	2005
	Note	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
Sales of goods and services		2,574,201	2,397,349	-	-
Dividend income		42	453	109,306	125,664
		<b>2,574,243</b>	<b>2,397,802</b>	<b>109,306</b>	<b>125,664</b>
Cost of sales		(2,124,140)	(2,098,451)	-	-
Gross profit		450,103	299,351	109,306	125,664
Distribution costs		(88,536)	(92,756)	-	-
Administration expenses		(87,315)	(108,252)	(2,951)	(3,547)
Other operating expenses		(124,860)	(52,034)	(52,498)	(50,015)
Other operating income		28,416	25,035	7,594	3,868
<b>Operating profit</b>		<b>177,808</b>	<b>71,344</b>	<b>61,451</b>	<b>75,970</b>
Loss on disposal of associated companies		-	(25,483)	-	(60,309)
Gain on disposal of discontinued operations	24	-	79,795	-	14,706
Interest income		7,131	13,500	343	3,817
Finance costs		(67,614)	(85,212)	(43,098)	(53,905)
Share of profit of associated companies		58,890	51,470	-	-
Profit/(loss) before taxation	25	176,215	105,414	18,696	(19,721)
Taxation	26	(20,207)	36,223	2,843	10,000
Share of taxation of associated companies		(3,318)	277	-	-
<b>Profit/(loss) after taxation</b>		<b>152,690</b>	<b>141,914</b>	<b>21,539</b>	<b>(9,721)</b>
Less: Minority interests		(109,164)	(69,531)	-	-
<b>Net profit/(loss) for the financial year</b>		<b>43,526</b>	<b>72,383</b>	<b>21,539</b>	<b>(9,721)</b>
Basic earnings per ordinary share (sen)	27	16.26	29.41		
Diluted earnings per ordinary share (sen)	27	N/A	27.88		
Dividends per ordinary share - net (sen)	28	10.20	7.35		

The accompanying notes form an integral part of the financial statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Group	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	ICULS RM'000	Total RM'000
<b>At 1 July 2004</b>									
- As previously reported	112,661	290,495	948	37,093	32,326	317,469	(59,835)	206,957	938,114
- Prior year adjustments	-	-	-	-	8	(15,195)	-	-	(15,187)
As restated	112,661	290,495	948	37,093	32,334	302,274	(59,835)	206,957	922,927
Net profit for the financial year (Restated)	-	-	-	-	-	72,383	-	-	72,383
Dividends (Note 28)	-	-	-	-	-	(16,044)	-	-	(16,044)
Interest on ICULS	-	-	-	-	-	(8,214)	-	-	(8,214)
Realisation of foreign currency reserve	-	-	-	(58,342)	-	-	-	-	(58,342)
Foreign currency translation differences	-	-	-	(267)	-	-	-	-	(267)
Conversion of ICULS into ordinary shares	240	2,742	-	-	-	-	-	(2,982)	-
Transfer of capital reserve	-	-	-	-	(29,303)	29,303	-	-	-
<b>At 30 June 2005 (Restated)</b>	112,901	293,237	948	(21,516)	3,031	379,702	(59,835)	203,975	912,443
<b>At 1 July 2005</b>									
- As previously reported	112,901	293,237	948	(21,516)	3,023	386,603	(59,835)	203,975	919,336
- Prior year adjustments	-	-	-	-	8	(6,901)	-	-	(6,893)
As restated	112,901	293,237	948	(21,516)	3,031	379,702	(59,835)	203,975	912,443
Net profit for the financial year	-	-	-	-	-	43,526	-	-	43,526
Dividends (Note 28)	-	-	-	-	-	(22,186)	-	-	(22,186)
Interest on ICULS	-	-	-	-	-	(8,135)	-	-	(8,135)
Foreign currency translation differences	-	-	-	(3,235)	-	-	-	-	(3,235)
Conversion of ICULS into ordinary shares	94	1,064	-	-	-	-	-	(1,158)	-
Purchase of treasury shares	-	-	-	-	-	-	(3,448)	-	(3,448)
<b>At 30 June 2006</b>	112,995	294,301	948	(24,751)	3,031	392,907	(63,283)	202,817	918,965

(Note 18)

(Note 19) (Note 20)

The accompanying notes form an integral part of the financial statements.

**STATEMENTS OF CHANGES IN EQUITY (Cont'd)**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Company	Share Capital RM'000	Share Premium* RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	ICULS RM'000	Total RM'000
<b>At 1 July 2004</b>	112,661	290,495	3,943	163,688	(59,835)	206,957	717,909
Net loss for the financial year	-	-	-	(9,721)	-	-	(9,721)
Dividends (Note 28)	-	-	-	(16,044)	-	-	(16,044)
Interest on ICULS	-	-	-	(8,214)	-	-	(8,214)
Conversion of ICULS into ordinary shares	240	2,742	-	-	-	(2,982)	-
<b>At 30 June 2005 / 1 July 2005</b>	112,901	293,237	3,943	129,709	(59,835)	203,975	683,930
Net profit for the financial year	-	-	-	21,539	-	-	21,539
Dividends (Note 28)	-	-	-	(22,186)	-	-	(22,186)
Interest on ICULS	-	-	-	(8,135)	-	-	(8,135)
Conversion of ICULS into ordinary shares	94	1,064	-	-	-	(1,158)	-
Purchase of treasury shares	-	-	-	-	(3,448)	-	(3,448)
<b>At 30 June 2006</b>	<b>112,995</b>	<b>294,301</b>	<b>3,943</b>	<b>120,927</b>	<b>(63,283)</b>	<b>202,817</b>	<b>671,700</b>
	(Note 18)				(Note 19)	(Note 20)	

\*Non Distributable

The accompanying notes form an integral part of the financial statements.



# CASH FLOW STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Group		Company	
	2006	Restated 2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	176,215	105,414	18,696	(19,721)
Adjustments for:-				
Share of profit of associated companies	(58,890)	(51,470)	-	-
Depreciation and amortisation of property, plant and equipment	263,269	269,387	-	-
Dividend income	(42)	(453)	(109,306)	(125,664)
(Gain)/loss on disposal of property, plant and equipment	(1,944)	1,979	-	-
Property, plant and equipment written off	64,212	802	-	-
Retirement benefits	1,073	1,832	(30)	(36)
Unrealised (gain)/loss on foreign exchange	(7,777)	682	(7,628)	(3,807)
Interest income	(7,131)	(13,500)	(343)	(3,817)
Finance costs	67,614	85,212	43,098	53,905
Goodwill written off	1,035	5,145	-	-
Amortisation of development expenditure	1,959	3,039	-	-
(Gain)/loss on disposal of				
- Associated companies	-	25,483	-	60,309
- Discontinued operations	-	(79,795)	-	(14,706)
- Other investments	(2,303)	(8,270)	-	-
(Reversal)/impairment of value of investments in				
- A subsidiary company	-	-	50,000	40,000
- Other investments	(131)	-	(131)	-
EuroConvertible Bond Put Premiums	-	6,583	-	6,583
Bad and doubtful debts	4,514	1,924	-	-
Development expenditure written off	4,308	-	-	-
Other non-cash items	83	(6,685)	-	85
Operating profit/(loss) before working capital changes	506,064	347,309	(5,644)	(6,869)
Changes in working capital:				
Inventories	(2,994)	(24,776)	-	-
Trade and other receivables	(118,749)	(67,186)	(17,867)	43,525
Trade and other payables	80,371	163,311	11,851	(58,404)
Cash generated from/(used in) operations	464,692	418,658	(11,660)	(21,748)
Taxation (paid)/refund	(132)	51,993	16,147	58,392
Interest income received	7,131	13,500	343	3,817
Finance costs paid	(67,614)	(85,212)	(43,098)	(53,905)
Dividends received	37	447	95,593	110,128
Dividends received from associated companies	12,954	14,395	-	-
Retirement benefits paid	(211)	(331)	(2)	-
Net cash generated from operating activities	416,857	413,450	57,323	96,684

**CASH FLOW STATEMENTS (Cont'd)**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	<b>Group</b>		<b>Company</b>	
	<b>2006</b>	<b>Restated</b>	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>2005</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of subsidiary companies (Note 33)	<b>31</b>	-	<b>(2,600)</b>	-
Cash distribution from liquidation of subsidiary companies	-	-	-	124,815
Cash distribution to minority shareholders on liquidation of a subsidiary company	-	(4,846)	-	-
Addition of development expenditure	<b>(6,607)</b>	(1,262)	-	-
Purchase of property, plant and equipment	<b>(385,848)</b>	(274,855)	-	-
Proceeds from disposal of property, plant and equipment	<b>4,494</b>	1,931	-	-
Proceeds from disposal of				
- Discontinued operations (Note 24)	-	141,026	-	27,089
- Associated companies	-	110,951	-	91,086
- Other investments	<b>2,303</b>	87,663	-	56,685
Proceeds from capital reduction of a subsidiary company	-	-	-	1,379
Additional equity investment in subsidiary companies	<b>(15,723)</b>	-	<b>(25,723)</b>	(127,665)
Acquisition of other investments	-	(21)	-	-
Net cash (used in)/generated from investing activities	<b>(401,350)</b>	60,587	<b>(28,323)</b>	173,389
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Purchase of treasury shares	<b>(3,549)</b>	-	<b>(3,448)</b>	-
Capital reduction in a subsidiary company paid to minority shareholders	-	(953)	-	-
Dividends paid to				
- Shareholders	<b>(22,186)</b>	(16,044)	<b>(22,186)</b>	(16,044)
- Minority shareholders	<b>(77,742)</b>	(71,342)	-	-
Payment of interest on ICULS	<b>(8,135)</b>	(8,214)	<b>(8,135)</b>	(8,214)
Repayment of bonds	-	(286,838)	-	(286,838)
Repayment of borrowings	<b>(1,687,811)</b>	(1,719,673)	<b>(907,823)</b>	(295,795)
Drawdown of borrowings	<b>1,636,687</b>	1,659,967	<b>861,744</b>	329,131
Net cash used in financing activities	<b>(162,736)</b>	(443,097)	<b>(79,848)</b>	(277,760)

**CASH FLOW STATEMENTS** (Cont'd)

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

	Group		Company	
	2006	Restated 2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(147,229)</b>	<b>30,940</b>	<b>(50,848)</b>	<b>(7,687)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>399,659</b>	<b>368,530</b>	<b>94,127</b>	<b>101,814</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS</b>	<b>(185)</b>	<b>189</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>252,245</b>	<b>399,659</b>	<b>43,279</b>	<b>94,127</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:-</b>				
Deposits	196,063	301,808	43,162	54,827
Cash and bank balances	56,984	98,679	117	39,300
Bank overdrafts	(802)	(828)	-	-
	252,245	399,659	43,279	94,127

**Note:**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM387,815,000 (2005: RM274,855,000) of which RM1,967,000 (2005: RM NIL) was acquired by means of finance lease arrangement.

The accompanying notes form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Group and of the Company are consistent with those adopted in the previous financial years.

### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment unless otherwise indicated in the accounting policies below and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies as listed under Note 3.

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed/distributed of during the year are included from the date of acquisition/distribution or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

All significant inter-company balances, transactions and resulting unrealised profit are eliminated on consolidation. Unrealised losses resulting from inter-company transactions are eliminated unless cost cannot be recovered in full.

Minority shareholders' interest consist of the minority shareholders' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

### (c) Associated companies

Associated companies are those companies in which the Group has significant influence, but not control through participation in the financial and operating policies of the associates.

Goodwill or reserve arising from acquisition represents the difference between the cost of investment and the Group's share of the net assets of the associated companies at the date of acquisition.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (c) Associated companies (Cont'd)

Unrealised profits arising on transactions between the Group and its associated companies which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associated companies. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

The Group's share of profits less losses of associated companies is included in the consolidated income statement and the Group's share of net assets and goodwill or reserve on acquisition is included in the consolidated balance sheet. Where the accounting policies of associated companies do not conform in all aspects to those of the Group, if material, adjustments are made to the consolidated financial statements.

#### (d) Property, plant and equipment and depreciation

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

Certain freehold and leasehold properties and plant and equipment of certain subsidiary companies were revalued by the Directors based upon an independent professional valuation determined on the open market value basis as disclosed in Note 4 to the financial statements.

It is the policy of the Group and of the Company to state its property, plant and equipment at cost. Notwithstanding that, certain freehold land, long term leasehold land, short term leasehold land and buildings of the Group were revalued in 1980 to 1990 by the Directors based on professional valuations using fair market value on the open market value basis. As allowed by FRS 116 Property, Plant and Equipment, the revaluation was not intended to effect a change in the accounting policy to one of revaluation of properties. Hence, the valuations of these properties have not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

Surplus arising from revaluation is dealt with on the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement. Upon the disposal of revalued properties, the attributable revaluation reserve is transferred to retained earnings.

Additions to land and buildings and plant and equipment subsequent to the latest valuation are stated at cost in the financial statements.

Freehold land and capital work-in-progress are not amortised. Other property, plant and equipment are amortised or depreciated on the straight line basis over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

Leasehold land	Over period of lease
Buildings	2% - 5%
Building improvements	10%
Plant and equipment and motor vehicles	5% - 33.3%

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### (e) Investments

Investments in associated companies are stated at cost in the Company less impairment loss where applicable.

Investments in subsidiary companies are stated at cost less impairment loss where applicable.

Short term investments are stated at the lower of cost and market value.

Long term investments other than in subsidiary companies and associated companies are stated at cost. Write down is made when the Directors are of the view that there is a permanent diminution or impairment in the value of an investment.

### (f) Intangible assets

#### (i) Goodwill

Goodwill arising on consolidation, representing the excess of the cost of investment over the fair value of the net assets of the subsidiary companies at acquisition dates is carried forward at cost less the previous amounts written off. Goodwill is written off when there has been a permanent impairment in its value.

#### (ii) Development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

Expenditure on development activities, for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over a period of ten years on a straight line basis.

### (g) Property assets

Property assets consist of freehold land and buildings and leasehold land which are stated at lower of cost or book carrying value and net realisable value and are held for sale.

### (h) Inventories

Raw materials, consumables, work-in-progress and finished goods are valued at the lower of cost mainly determined by the weighted average basis and net realisable value. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (i) Receivables

Receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

#### (j) Impairment of assets

The carrying amount of the Group's and of the Company's assets other than inventories (refer Note 2(h)), deferred tax assets (refer Note 2(l)) and financial assets (other than investments in subsidiary companies and associated companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is recognised when the Directors are of the view that there is a diminution in its value which is other than temporary and that the impairment loss is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent events have occurred that reverse the effect of that event.

In respect of other assets, all impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if an impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on the revalued assets, in which case the reversal is taken to equity.

#### (k) Liabilities

Borrowings and trade and other payables are stated at cost.

#### (l) Taxation

Taxation in the income statement comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case the taxation is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous financial years.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(l) Taxation (Cont'd)**

Deferred taxation is provided using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**(m) Repurchases of shares**

When shares are repurchased, the amount of the consideration paid including directly attributable cost is recognised as cost and set off against equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

**(n) Provisions**

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

**(o) Employee benefits*****(i) Short term benefits***

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the period in which the associated services are rendered by employees.

***(ii) Defined contribution plans***

The Company and its subsidiaries made contributions to their respective countries' statutory pension scheme as required by the law. Such contributions are recognised as an expense in the income statement as and when incurred.

***(iii) 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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (o) Employee benefits (Cont'd)

##### *(iv) Equity compensation benefits*

The Group's Executive Share Option Scheme ("ESOS") allows the eligible executives to acquire shares of the Company.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept advances from the Group upon such terms and conditions the Group and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. The advances given to the trustee to purchase the Company's shares for the purpose of the ESOS is recorded as "other assets" in the balance sheet.

Remuneration expenses which are computed using the average purchase price (net of dividends received from the shares held) less the options price or the market price (whichever is lower), are recognised as employment cost in the income statement on a straight line basis over the remaining period of the ESOS.

#### (p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks that are not pledged for any purposes after deducting bank overdrafts.

#### (q) Foreign currency

##### *Foreign currency transactions*

Transactions in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

##### *Financial statements of foreign operations/entities*

The Group's foreign operations are not considered an integral part of the Group's operation. The assets and liabilities of foreign operations/entities, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations/entities are translated to Ringgit Malaysia at average exchange rate applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(q) Foreign currency (Cont'd)**

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations/entities are as follows:-

	<b>2006 RM</b>	<b>2005 RM</b>
1 AUD	2.72	2.90
1 RMB	0.46	0.46
1 HKD	0.47	0.49
1 SGD	2.31	2.25
1 THB	0.09	0.09
1 USD	3.68	3.80
1 EURO	4.67	4.60
1 SWF	2.98	2.97
100 JPY	3.20	3.44

**(r) Financial instruments**

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, profit and loss relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company and the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group and the Company uses derivative financial instruments, including forward foreign exchange contracts and interest rate swaps, to hedge its exposure of foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions upon realisation.

**(i) Financial instruments recognised on the balance sheet**

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

***Compound financial instruments***

On issue of a financial instrument on or after 1 January 2003 that contains both a liability and an equity element, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instruments; this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option and is not changed in subsequent periods.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### (r) Financial instruments (Cont'd)

In respect of a financial instrument issued prior to 1 January 2003, the Company and the Group adopts the transitional provisions of FRS 132 Financial Instruments: Disclosure and Presentation whereby a financial instrument is classified according to its predominant component part and is reclassified between equity and liabilities as at the beginning of the reporting period for the financial year ended 30 June 2003 to which FRS 132 is first applied.

##### *(ii) Fair value estimation for disclosure purposes*

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

#### (s) Bond issue expenses

Expenditure attributable to the issue of Redeemable Bonds and EuroConvertible Bonds ("ECB") are amortised over the tenure of the Bonds.

#### (t) Capitalisation of interest

Interest on borrowed funds utilised to acquire assets that require a substantial period of time to construct and complete for their intended use is capitalised as part of the cost of the assets up to the date the assets are ready for use.

#### (u) Revenue

##### *(i) Goods sold and services rendered*

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is stated net of discount and returns in the income statement.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to service performed to date as a percentage of services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

##### *(ii) Dividend income*

Dividend income is recognised when the right to receive payment is established.



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(u) Revenue (Cont'd)****(iii) Interest and rental income**

Interest and rental income are recognised in the income statement on accrual basis.

**(v) Finance leases**

Leases in which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the Group's incremental borrowing rate is used.

**(w) Expenses****(i) Operating lease rentals**

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

**(ii) Financing costs**

All interest and other costs incurred in connection with borrowings are expensed to the income statement as incurred.

**(iii) Research and development expenditure**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

Expenditure on development activities whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the income statement as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over a period of ten years on a straight line basis.

**(x) Dividends**

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits in the period in which they are declared.



## 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
		2006 %	2005 %	
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 mosaic and ceramic tiles.
● Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of ceramic tiles.
● *Guocera Tile Industries (Labuan) Sdn Bhd	Malaysia	70.0	70.0	Manufacture and sale of ceramic tiles.
● Guocera Marketing Sdn Bhd	Malaysia	100.0	100.0	General trading and investment holding.
● *Guocera Marketing Singapore Pte Ltd	Singapore	100.0	100.0	General trading.
● Ceramic Research Company Sdn Bhd	Malaysia	100.0	100.0	Research and development of ceramic tiles and related products.
● Clearnaxis Sdn Bhd	Malaysia	100.0	100.0	Dormant.
● Guocera International Ltd	Malaysia	100.0	100.0	Dormant.
Hong Leong Marketing Co Berhad	Malaysia	100.0	100.0	Distribution of building materials.
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	69.4	69.4	Distribution and manufacture of motorcycles and other components, assembly of motorcycles and investment holding.
● Allied Auto Parts Sdn Bhd	Malaysia	69.4	69.4	In member's voluntary liquidation.
Maxider Sdn Bhd (formerly known as Hong Leong Yamaha Distributors Sdn Bhd)	Malaysia	100.0	74.0	Dormant.
*MZ Motorrad Sdn Bhd	Malaysia	100.0	100.0	Assembling, sale and distribution of motorcycles, scooters and related parts and products.
MZ Motorrad Group Sdn Bhd (formerly known as Confident Wheel Sdn Bhd)	Malaysia	100.0	-	Dormant.
*MZ Motorrad- und Zweiradwerk GmbH	Germany	100.0	100.0	Manufacture and distribution of motorcycles.
*MZ Motorrad Group Limited	Bermuda	100.0	100.0	Investment holding.
● *MuZ of North America Inc	USA	100.0	100.0	Dormant.
● *MZ Engineering GmbH	Germany	100.0	100.0	Provision of research and development services for motor-cycles and engine techonology.
● *MZ Motorrad (Thailand) Company Limited	Thailand	100.0	100.0	Dormant.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2006 %	2005 %	
Subsidiary Companies				
*MZ Holdings Limited	Hong Kong	100.0	100.0	Holding of trademarks and technology license related to the manufacturing and development of motorcycles and scooters.
*Malaysian Pacific Industries Berhad	Malaysia	56.7	56.1	Investment holding.
● *Carsem (M) Sdn Bhd	Malaysia	39.7	39.3	Manufacturing and testing of semiconductor devices and electronic components.
● *Carsem Semiconductor Sdn Bhd	Malaysia	39.7	39.3	Dormant.
● *Carsem Holdings Limited	Bermuda	56.7	56.1	Investment holding.
● *@Carsem Semiconductor (Suzhou) Co., Ltd	The People's Republic of China	56.7	56.1	Designing, manufacturing, assembling, testing and marketing of semiconductor devices and electronic components.
● *Carter Realty Sdn Bhd	Malaysia	39.7	39.3	Investment holding.
● *Carsem Inc	USA	39.7	39.3	Semiconductor devices' and electronic components' marketing agents.
● *Dynacraft Industries Sdn Bhd	Malaysia	56.7	56.1	Manufacturing and sale of leadframes.
● *Dyna-Craft Industries, Inc	USA	56.7	56.1	Dormant.
● *MPI (BVI) Limited	British Virgin Islands	56.7	56.1	Investment holding and trading in securities.
*Guolene Packaging Industries Berhad	Malaysia	96.4	96.4	In members' voluntary liquidation.
● *Plaspack Marketing Sdn Bhd	Malaysia	-	96.4	Wound up.
Guolene Plastic Products Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
Guolene Paper Products Sdn Bhd	Malaysia	100.0	100.0	Dormant.
Megah Court Condominium Development Sdn Bhd	Malaysia	100.0	100.0	Property management.
Taman Terang Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
● Kilatas Sdn Bhd	Malaysia	100.0	100.0	Dormant.
HLI-HUME Management Co Sdn Bhd	Malaysia	51.0	51.0	Provision of management services.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 3. COMPANIES IN THE GROUP (Cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2006 %	2005 %	
Subsidiary Companies				
*HLI Trading Limited	Hong Kong	100.0	100.0	Investment trading.
*HLI Overseas Limited	Jersey, Channel Islands	100.0	100.0	Investment holding.
Guotrade (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	Dormant.
MPI Property Sdn Bhd	Malaysia	-	100.0	Wound up.
RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Investment holding.
Kasih Sayang Realty 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.
Mai Kah Corporation Sdn Bhd	Malaysia	-	100.0	Wound up.
Global Roaming Communications Sdn Bhd	Malaysia	50.1	-	Trading of telecommunication equipment and provision of telecommunication services.
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	Manufacture and assemble motorcycles, spare parts and components and provision of maintenance and repair service for motorcycles.
~*Jiangxi Hongdu HongLeong Motor Co Ltd	The People's Republic of China	-	30.0	Manufacture and sale of motorcycles, engines and related parts.
*Southern Iron & Steel Centre Sdn Bhd	Malaysia	36.0	36.0	In members' voluntary liquidation.
*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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 3. COMPANIES IN THE GROUP (Cont'd)

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
+ Southern Iron & Steel Centre Sdn Bhd	31 December
+ 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 of the Company.
- @ The sub-subsidiary company is consolidated based on unaudited financial statements. The sub-subsidiary company's latest audited financial statements is for the year ended 31 December 2005. The financial year end of this sub-subsidiary company is 31 December as required under the local regulations in its country of incorporation.
- ~ Associated company disposed of during the financial year.
- + Group's share of profit is based on the latest audited financial statements and latest management financial statements available.

## 4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land, improvements & buildings RM'000	Long leasehold land, improvements & buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Net book value</b>					
At 1 July 2005	155,152	207,834	953,207	70,703	1,386,896
Translation differences	(1)	56	927	219	1,201
Additions	1,258	6,214	325,767	54,576	387,815
Reclassification	-	44,392	40,269	(84,661)	-
Disposals	-	-	(2,550)	-	(2,550)
Acquisition of a subsidiary company	-	-	2,445	-	2,445
Write off	-	-	(50,462)	(13,750)	(64,212)
Depreciation	(3,109)	(14,404)	(245,756)	-	(263,269)
<b>At 30 June 2006</b>	<b>153,300</b>	<b>244,092</b>	<b>1,023,847</b>	<b>27,087</b>	<b>1,448,326</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group	Freehold land, improvements & buildings RM'000	Long leasehold land, improvements & buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
<b>At 30 June 2006</b>					
Cost	187,751	321,184	3,004,573	27,087	3,540,595
Valuation	2,070	17,813	5,378	-	25,261
Accumulated depreciation	(36,521)	(94,905)	(1,986,104)	-	(2,117,530)
<b>Net book value</b>	<b>153,300</b>	<b>244,092</b>	<b>1,023,847</b>	<b>27,087</b>	<b>1,448,326</b>
<b>At 30 June 2005</b>					
Cost	187,312	270,473	2,713,209	70,703	3,241,697
Valuation	2,070	17,813	5,378	-	25,261
Accumulated depreciation	(34,230)	(80,452)	(1,765,380)	-	(1,880,062)
<b>Net book value</b>	<b>155,152</b>	<b>207,834</b>	<b>953,207</b>	<b>70,703</b>	<b>1,386,896</b>

The building of a sub-subsidiary company is situated on land held under operating leases (Note 31).

The carrying amounts of each class of property, plant and equipment that would have been included in the financial statements had the revalued assets been carried at cost less accumulated depreciation are not disclosed due to absence of historical records.

\*Details of independent professional valuations of property, plant and equipment of the Group at 30 June 2006 are as follows:-

Year of valuation	Description of property	Land, improvements & buildings RM'000	Plant & equipment RM'000
1990	Long leasehold land and buildings	6,195	-
	Plant and equipment	-	5,378
1985	Freehold land	655	-
1983	Long leasehold land and buildings	11,618	-
1982	Freehold land	1,415	-
		<b>19,883</b>	<b>5,378</b>

The valuation were made on the open market value basis.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 5. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
<b>At cost:</b>		
- Malaysian quoted shares	578,309	566,714
- Unquoted shares	614,778	598,656
	1,193,087	1,165,370
Less: Impairment in value		
- Unquoted shares	(95,000)	(45,000)
	1,098,087	1,120,370
<b>Market value:</b>		
- Malaysian quoted shares	1,127,624	1,316,993

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

## 6. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2006 RM'000	Restated 2005 RM'000	2006 RM'000	Restated 2005 RM'000
<b>At cost/written down value:</b>				
- Unquoted shares	267,300	267,300	266,891	266,891
- Unquoted redeemable preference shares	124,848	124,848	124,848	124,848
	392,148	392,148	391,739	391,739
Share of capital reserves	(5,258)	(2,020)	-	-
Share of profit/(losses)	18,185	(24,433)	-	-
Less: Allowance for impairment in value	-	-	(71,959)	(71,959)
	405,075	365,695	319,780	319,780

Investments in associated companies are represented by:-

	Group	
	2006 RM'000	Restated 2005 RM'000
Share of net assets other than goodwill of the associated companies	404,794	365,414
Premium on acquisition	281	281
Carrying value	405,075	365,695

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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 7. OTHER INVESTMENTS

	Group		Company	
	2006	Restated 2005	2006	Restated 2005
	RM'000	RM'000	RM'000	RM'000
<b>At cost:</b>				
Unquoted shares	556	556	250	250
Unquoted convertible preferred stocks and loan stocks	795	795	398	398
	1,351	1,351	648	648

## 8. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
<b>2006</b>			
At 1 July 2005	433,003	4,362	437,365
Acquisition of subsidiary companies	551	-	551
Change in equity in subsidiary companies	7,683	-	7,683
Additions	-	6,607	6,607
Write off	(1,035)	(4,308)	(5,343)
Amortisation	-	(1,959)	(1,959)
<b>At 30 June 2006</b>	<b>440,202</b>	<b>4,702</b>	<b>444,904</b>
<b>2005</b>			
At 1 July 2004	452,200	7,888	460,088
Disposal of subsidiary companies	(14,052)	(1,749)	(15,801)
Additions	-	1,262	1,262
Write off	(5,145)	-	(5,145)
Amortisation	-	(3,039)	(3,039)
<b>At 30 June 2005</b>	<b>433,003</b>	<b>4,362</b>	<b>437,365</b>

## 9. OTHER ASSETS

The other assets represent the advances given to the trustee to acquire the ordinary shares of the Company, and of a subsidiary company of the Company, Malaysian Pacific Industries Berhad, for the Group, in relation to the Executive Share Option Scheme, net of remuneration expenses as disclosed in Note 2(o)(iv) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 10. PROPERTY ASSETS

	Group	
	2006 RM'000	2005 RM'000
<b>At cost:</b>		
Freehold land and industrial buildings	9,147	10,391
Leasehold land	10,672	10,672
	<b>19,819</b>	<b>21,063</b>

## 11. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
<b>At cost:</b>		
Raw materials and consumables	109,987	112,146
Work-in-progress	27,788	23,661
Finished goods	87,891	79,924
	<b>225,666</b>	<b>215,731</b>
<b>At net realisable value:</b>		
Raw materials and consumables	7,642	7,314
Finished goods	11,346	18,127
	<b>18,988</b>	<b>25,441</b>
	<b>244,654</b>	<b>241,172</b>

## 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade receivables	477,376	403,722	-	-
Less: Allowance for doubtful debts	(21,116)	(20,556)	-	-
	<b>456,260</b>	<b>383,166</b>	<b>-</b>	<b>-</b>
Amounts due from:				
- Subsidiary companies	-	-	15,277	1,703
- Related companies	74	312	35	70
Other receivables, deposits and prepayments	40,952	46,063	1,217	2,921
	<b>497,286</b>	<b>429,541</b>	<b>16,529</b>	<b>4,694</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 12. TRADE AND OTHER RECEIVABLES (Cont'd)

#### Group

Included in trade receivables are amounts due from related companies of RM2,787,000 (2005: RM1,626,000).

The amounts due from related companies are unsecured, have no fixed terms of repayment and are interest free.

#### Company

The amounts due from subsidiary and related companies are unsecured, have no fixed terms of repayment and are interest free.

### 13. SHORT TERM INVESTMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Malaysian quoted shares</b>				
At lower of cost and market value	1,236	1,105	1,236	1,105
Market value	1,685	1,291	1,685	1,291

### 14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits with:				
- Licensed financial institutions	100,941	224,701	2,863	30,025
- Other corporations	95,122	77,107	40,299	24,802
Cash and bank balances	56,984	98,679	117	39,300
	253,047	400,487	43,279	94,127

Included in the Group's and the Company's deposits, cash and bank balances are the following balances with related companies arising from normal business transactions:-

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Deposits with licensed financial institutions	451	74,144	-	22,814
Cash and bank balances	19,435	15,602	69	2,711

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 15. TRADE AND OTHER PAYABLES

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Trade payables	203,817	173,431	-	-
Amounts due to				
- Subsidiary companies	-	-	19,722	8,818
- Related companies	2,789	1,414	305	-
Other payables	44,537	23,164	-	-
Accrued liabilities				
- Consumables, toolings and transport charges	29,408	23,148	-	-
- Property, plant and equipment purchases	94,045	63,298	-	-
- Operating expenses	45,212	50,994	10,542	9,900
- Staff costs	40,528	36,778	-	-
- Others	24,259	31,724	-	-
	484,595	403,951	30,569	18,718

**Group**

Included in trade payables are amounts due to related companies and associated companies of RM10,300,000 (2005: RM9,002,000).

The amounts due to related companies are unsecured, have no fixed terms of repayment and are interest free.

**Company**

The amounts due to subsidiary and related companies are unsecured, have no fixed terms of repayment and are interest free.

## 16. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
<b>Current (unsecured)</b>				
Bank term loans	289,277	221,940	73,802	126,626
Commercial papers	165,000	85,000	165,000	85,000
Medium term notes	80,000	-	80,000	-
Bankers acceptances	165,898	196,242	-	-
Bank overdrafts	802	828	-	-
	700,977	504,010	318,802	211,626

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 16. BORROWINGS (Cont'd)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Non-current (unsecured)</b>				
Bank term loans	279,091	458,590	133,021	213,904
Medium term notes	-	80,000	-	80,000
	<b>279,091</b>	<b>538,590</b>	<b>133,021</b>	<b>293,904</b>

The non-current borrowings are payable as follows:-

- One to two years	240,675	270,710	133,021	173,652
- Two to five years	38,416	267,880	-	120,252
	<b>279,091</b>	<b>538,590</b>	<b>133,021</b>	<b>293,904</b>

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

	Interest Rates			
	Group		Company	
	2006	2005	2006	2005
Bank term loans	3.7% to 6.2%	2.2% to 7.6%	4.4% to 6.2%	2.2% to 4.2%
Bankers acceptances	2.9% to 4.3%	2.8% to 3.5%	-	-
Bank overdrafts	3.8% to 8.0%	3.6% to 6.3%	-	-

(ii) During the financial year ended 30 June 2001, the Company entered into a 7-year RM300 million Commercial Paper ("CPs") and Medium Term Notes ("MTNs") Programme which were constituted by a Trust Deed between the Company and Universal Trustee (Malaysia) Berhad as trustee.

The CPs are issued at discounts ranging from 3.8% to 4.0% (2005: 2.7% to 2.8%) which are determined based on the Rules of Fully Automated System for Tendering of private debt securities ("FAST") and rules issued by Bank Negara Malaysia. The CPs have a maturity period of not less than 1 month to not more than 12 months.

The MTNs 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 FAST rules and carry interest rates ranging from 6.1% to 7.2% per annum.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 16. BORROWINGS (Cont'd)

(iii) The following are bank term loans denominated in foreign currencies:-

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
USD loan	381,920	553,377	170,079	264,530
Euro loan	7,785	11,488	-	-
RMB loan	27,588	-	-	-
	417,293	564,865	170,079	264,530

## 17. REDEEMABLE BONDS

	Group and Company	
	2006	2005
	RM'000	RM'000
Islamic Bonds 2001/2008	250,000	250,000

The Islamic Bonds 2001/2008 are Islamic Private Debt Securities issued under the Syariah financing principles of Al Bai' Bithaman Ajil and comprised 7-year Primary Notes of aggregate face value of RM250,000,000 for the cost and an aggregate RM111,125,000 of Secondary Notes for the profit element payable over 13 semi-annual payments of RM7,937,500 each and a final 14th payment of RM257,937,500. These financial instruments are traded under the Scriptless Securities Trading System of the Central Depository.

## 18. SHARE CAPITAL

	Group and Company			
	2006		2005	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
<b>Ordinary shares of RM0.50 each</b>				
<b>Authorised:-</b>				
At 1 July/30 June	600,000	300,000	600,000	300,000
<b>Issued and fully paid:-</b>				
At 1 July	225,802	112,901	225,321	112,661
Issue of shares pursuant to conversion of ICULS	187	94	481	240
At 30 June	225,989	112,995	225,802	112,901

The number of ordinary shares of RM0.50 each in issue after deducting treasury shares of 8,424,500 (2005: 7,344,000) ordinary shares (See Note 19 to the financial statements) held at the financial year end was 217,564,690 (2005: 218,458,416) ordinary shares of RM0.50 each.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 18. SHARE CAPITAL (Cont'd)

#### Warrants

The Company had, on 30 June 1997, issued 35,083,500 detachable warrants, the details of which are as follows:-

- (a) The warrants were constituted by a Deed Poll dated 22 October 1996 supplemented by a Supplemental Deed Poll dated 5 May 1997 and a Second Supplemental Deed Poll dated 15 June 1999 (collectively referred to as the "Deed Poll").

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share. The subscription of the outstanding warrants was extended for a further period of 5 years from the previous expiry date of 13 November 2001 to 13 November 2006.

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.

- (c) There were no conversion of warrants into new ordinary shares of the Company during the financial year. As at the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2005: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

### 19. TREASURY SHARES - AT COST

	Group and Company			
	2006		2005	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
<b>Ordinary shares of RM0.50 each</b>				
At 1 July	7,344	59,835	7,344	59,835
Shares bought back	1,080	3,448	-	-
At 30 June	8,424	63,283	7,344	59,835

During the financial year, the Company purchased 1,080,500 ordinary shares of its issued share capital from the open market. The average price for the shares bought back was RM3.19 per ordinary share. The share buy back transactions were financed by internally generated fund. As at 30 June 2006, the total number of shares bought back was 8,424,500 shares 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 (Cont'd)

**20. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")**

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 July	<b>203,975</b>	206,957
Conversion of ICULS	<b>(1,158)</b>	(2,982)
At 30 June	<b>202,817</b>	203,975

The Company issued RM208,152,780 nominal value of 4% five (5)-year ICULS at 100% nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 each held as at 21 May 2002.

The ICULS are constituted by the Trust Deed dated 22 May 2002.

The ICULS, which are irredeemable, have a maturity date of 28 June 2007 and carry a coupon rate of 4% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM0.50 each in the Company at any time from the date of issuance and all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares after the maturity date. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion. Upon conversion, all new ordinary shares rank pari passu with the ordinary shares then in issue except that these shares shall not be entitled to any rights and/or distributions, the entitlement date of which precedes or falls on the relevant conversion date and any dividends declared in respect of the financial quarter(s) immediately preceding the relevant conversion date.

During the financial year, RM1,158,000 nominal value of ICULS were converted into 186,774 new ordinary shares of RM0.50 each of the Company. The outstanding nominal value of ICULS as at 30 June 2006 was RM202,816,500.

**21. EUROCONVERTIBLE BONDS**

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>RM'000</b>	<b>RM'000</b>
EuroConvertible Bonds due 2008		
- US\$30,890,992 (2005: US\$30,890,992)	<b>117,386</b>	117,386

The EuroConvertible Bonds due 2008 ("ECB") were issued during the financial year ended 30 June 1997 at 85% of its nominal value.

During the previous financial year ended 30 June 2005, with the approval of the Securities Commission and ECB holders, the terms and conditions of ECB were further revised. The full Put Premium of RM56,682,472 was paid to the ECB holders and on 25 February 2005 US\$42,589,008 principal amount of the ECB has been redeemed on a proportionate basis. Under the revised terms and conditions, each ECB entitles the holder to convert the ECB into fully-paid ordinary shares of RM0.50 each in the Company at the conversion price of RM5.23 (formerly RM8.20) per share at the fixed exchange rate of RM3.80 (formerly RM2.50508) to US\$1.00. The Company may redeem the ECB at 101.39% of its nominal value at each half yearly interest payment date until 25 February 2008, the extended expiry date of the ECB.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 21. EUROCONVERTIBLE BONDS (Cont'd)

The ECB bears interest at Inter-Bank Offered Rates less 0.125% on the principal amount until 25 February 2008.

The ECB are listed and quoted on the Luxembourg Stock Exchange.

### 22. DEFERRED TAXATION

The amounts of deferred tax assets and liabilities are as follows:-

	Group	
	2006 RM'000	2005 RM'000
<b>Deferred tax assets</b>		
At 1 July	3,306	4,853
Transfer from/(to) income statement	2,580	(744)
Disposal of subsidiary companies	-	(803)
At 30 June	5,886	3,306
<b>Deferred tax liabilities</b>		
At 1 July	20,670	46,386
Transfer to/(from) income statement	13,160	(24,989)
Disposal of subsidiary companies	-	(727)
Acquisition of subsidiary companies	18	-
At 30 June	33,848	20,670

Deferred tax assets and liabilities above are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

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

Group	At 1-7-2005 RM'000	Recognised in income statements RM'000	Acquisition of a subsidiary company RM'000	At 30-6-2006 RM'000
Accelerated capital allowances	(31,848)	(34,903)	(18)	(66,769)
Allowances	9,121	4,978	-	14,099
Unabsorbed capital allowances	3,908	16,138	-	20,046
Unutilised tax losses	1,455	3,207	-	4,662
	(17,364)	(10,580)	(18)	(27,962)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**22. DEFERRED TAXATION (Cont'd)**

The Group and the Company have potential deferred tax assets not recognised in the financial statements as disclosed below:-

	2006		2005	
	Temporary differences RM'000	Tax effect RM'000	Temporary differences RM'000	Tax effect RM'000
<b>Group</b>				
Accelerated capital allowances	2,239	627	(59,957)	(16,788)
Allowances	14,521	4,066	21,625	6,055
Unabsorbed capital allowances	21,711	6,079	109,004	30,521
Unutilised tax losses	392,571	109,920	275,607	77,170
	<b>431,042</b>	<b>120,692</b>	<b>346,279</b>	<b>96,958</b>
<b>Company</b>				
Unabsorbed capital allowances	1,553	435	1,553	435
Unutilised tax losses	9,361	2,621	9,361	2,621
	<b>10,914</b>	<b>3,056</b>	<b>10,914</b>	<b>3,056</b>

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 its subsidiary companies can utilise the benefits.

**23. RETIREMENT BENEFITS**

	Group		Company	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
At 1 July	11,573	12,668	383	419
Provision/(reversal)	1,073	1,832	(30)	(36)
Payments	(211)	(331)	(2)	-
Disposal of subsidiary companies	-	(2,596)	-	-
At 30 June	<b>12,435</b>	<b>11,573</b>	<b>351</b>	<b>383</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 24. DISCONTINUED OPERATIONS

The Group had, during the previous financial year ended 30 June 2005, disposed of its packaging and polyester resin businesses.

The revenue, results and cash flows contributed by the discontinued operation in the previous financial year were as follows:-

	2005	
	Packaging Business RM'000	Polyester Resin Business RM'000
<b>Revenue</b>		
Sales of goods and services	103,247	140,453
Cost of sales	(92,289)	(137,006)
Gross profit	10,958	3,447
Distribution costs	(3,568)	(368)
Administration expenses	(2,941)	(1,080)
Other operating expenses	(21)	(650)
Other operating income	116	721
<b>Operating profit</b>	4,544	2,070
Interest income	-	36
Finance costs	(862)	(2,016)
Profit before taxation	3,682	90
Taxation	(934)	-
<b>Net profit for the financial year</b>	2,748	90
Cash flows from operating activities	(3,003)	12,507
Cash flows from investing activities	(606)	(330)
Cash flows from financing activities	78	1,000
<b>Total cash flows</b>	(3,531)	13,177

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 24. DISCONTINUED OPERATIONS (Cont'd)

## Effect of disposal

The effect of the disposal of discontinued operations on the Group's assets and liabilities in the previous financial year were as follows:-

	2005	
	Packaging Business RM'000	Polyester Resin Business RM'000
Property, plant and equipment	43,216	53,487
Development expenditure	-	1,749
Deferred tax assets	803	-
Inventories	33,964	11,698
Trade and other receivables	61,785	4,027
Tax recoverable	500	-
Deposits, cash and bank balances	8,487	13,197
Trade and other payables	(43,425)	(31,368)
Taxation	(833)	-
Borrowings	(34,601)	(46,644)
Deferred tax liabilities	(727)	-
Retirement benefits	(2,399)	(197)
Goodwill on acquisition	14,052	-
Minority interest	(3,856)	-
Net assets	76,966	5,949
Proceeds from disposal	135,621	27,089
<b>Gain on disposal</b>	<b>58,655</b>	<b>21,140</b>
Proceeds from disposal	135,621	27,089
Cash and cash equivalents disposed	8,487	13,197
<b>Cash flow on disposal, net of cash disposed</b>	<b>127,134</b>	<b>13,892</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 25. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation is arrived at after (crediting)/charging:-				
Gross dividend income				
- Malaysian quoted shares	(42)	(42)	(22)	(22)
- Quoted shares outside Malaysia	-	(411)	-	-
- Malaysian unquoted associated companies	-	-	(1,575)	(3,600)
- Unquoted associated company outside Malaysia	-	-	(11,631)	(11,803)
- Subsidiary company quoted in Malaysia	-	-	(41,853)	(41,854)
- Unquoted subsidiary companies	-	-	(54,225)	(68,385)
Interest income				
- Irredeemable convertible unsecured loan stocks in an associated company	-	(1,611)	-	(1,611)
- Related companies	-	-	-	(552)
- Others	(7,131)	(11,889)	(343)	(1,654)
Rental income	(1,211)	(884)	-	-
(Gain)/loss on disposal of:				
- Associated companies	-	25,483	-	60,309
- Discontinued operations	-	(79,795)	-	(14,706)
- Other investments	(2,303)	(8,270)	-	-
Auditors' remuneration	542	519	51	51
Depreciation and amortisation of property, plant and equipment	263,269	269,387	-	-
Directors' fee	603	586	340	326
Directors' emoluments	4,084	4,104	1,275	1,241
Rental of plant and equipment	217	566	-	-
Rental of premises				
- Related companies	513	749	-	-
- Others	6,747	5,919	117	82
Bad and doubtful debts	4,514	1,924	-	-
Property, plant and equipment written off	64,212	802	-	-
(Gain)/loss on disposal of property, plant and equipment	(1,944)	1,979	-	-
Investment written off	18	-	9	-
Loss on capital reduction in a subsidiary company	-	-	-	85
Gain on disposal of property assets	(4,433)	-	-	-
Loss/(gain) on foreign exchange				
- Realised	13,092	549	174	(21)
- Unrealised	(7,777)	682	(7,628)	(3,807)

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 25. PROFIT/(LOSS) BEFORE TAXATION (Cont'd)

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
(Reversal)/impairment of value of investment in:				
- Subsidiary company	-	-	50,000	40,000
- Other investments	(131)	-	(131)	-
Retirement benefits	1,073	1,832	(30)	(36)
Amortisation development expenditure	1,959	3,039	-	-
Development expenditure written off	4,308	-	-	-
EuroConvertible Bond Put Premiums	-	6,583	-	6,583
Goodwill written off	1,035	5,145	-	-
Loss/(gain) on liquidation of subsidiary companies	1	-	(9)	-
Finance costs				
- Bank overdrafts	642	705	4	599
- Term loans	28,826	32,363	12,401	10,047
- Others	38,146	52,144	30,693	43,259
Research and development expenditure	13,809	20,666	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM171,000 (2005: RM109,000) and RM34,000 (2005: RM18,000) respectively.

## 26. TAXATION

	Group		Company	
	2006	2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
<b>Current taxation</b>				
Malaysian				
- current	13,358	(1,200)	(235)	1,300
- prior years	(4,246)	(10,889)	(2,608)	(11,300)
Overseas - current	515	111	-	-
	9,627	(11,978)	(2,843)	(10,000)
<b>Deferred taxation</b>				
Malaysian				
- current	11,186	(26,032)	-	-
- prior years	(606)	1,787	-	-
	10,580	(24,245)	-	-
	20,207	(36,223)	(2,843)	(10,000)



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 26. TAXATION (Cont'd)

A reconciliation of income tax applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense/(income) at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2006	Restated 2005	2006	2005
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	176,215	105,414	18,696	(19,721)
Taxation at Malaysian statutory tax rates of 28% (2005 : 28%)	49,340	29,516	5,235	(5,522)
<b>Tax effect in respect of:</b>				
Difference of tax rates in foreign jurisdictions	(4,286)	(6,175)	-	-
Non allowable expenses	5,718	47,294	15,185	46,481
Non taxable income	(46,743)	(41,228)	(18,377)	(37,359)
Difference attributable to associated companies	(16,489)	(14,411)	-	-
Effect of temporary differences reversing in pioneer period	12,145	(24,220)	-	-
Addition of temporary differences not recognised	36,477	21,991	-	-
Tax incentive	(8,825)	(37,588)	-	-
Reduction on ICULS interest	(2,278)	(2,300)	(2,278)	(2,300)
	25,059	(27,121)	(235)	1,300
Over provision in prior years	(4,852)	(9,102)	(2,608)	(11,300)
Taxation	20,207	(36,223)	(2,843)	(10,000)

### 27. EARNINGS PER ORDINARY SHARE

#### Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders of RM35,391,000 (2005: RM64,169,000 (restated)) being the net profit of RM43,526,000 (2005: RM72,383,000 (restated)) less the interest on the ICULS of RM8,135,000 (2005: RM8,214,000), by the weighted average number of ordinary shares outstanding during the financial year of 217,666,000 (2005: 218,164,000) calculated as follows:-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**27. EARNINGS PER ORDINARY SHARE (Cont'd)**

Weighted average number of ordinary shares (basic)

	<b>Group</b>	
	<b>2006</b>	<b>2005</b>
	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of the financial year	<b>225,803</b>	225,321
Less: treasury shares at beginning of the financial year	<b>(7,344)</b>	(7,344)
	<b>218,459</b>	217,977
Effect on conversion of ICULS into ordinary shares	<b>52</b>	187
Effect on purchase of treasury shares	<b>(845)</b>	-
Weighted average number of ordinary shares (basic)	<b>217,666</b>	218,164

**Diluted earnings per ordinary share**

For the current financial year, the Group has no dilution in its earnings per ordinary share as the assumed issue of ordinary shares arising from conversion of ICULS are anti-dilutive.

The diluted earnings per ordinary share for the previous financial year was calculated by dividing the net profit attributable to ordinary shareholders (diluted) of RM70,083,000 (restated) by the weighted average number of ordinary shares (diluted) outstanding during the previous financial year of 251,358,000 calculated as follows:-

*Net profit attributable to ordinary shareholders (diluted)*

	<b>Group</b>
	<b>Restated</b>
	<b>2005</b>
	<b>RM'000</b>
Net profit attributable to ordinary shareholders	64,169
After tax effect of notional interest savings on ICULS into ordinary shares	5,914
<i>Net profit attributable to ordinary shareholders (diluted)</i>	70,083

*Weighted average number of ordinary shares (diluted)*

	<b>Group</b>
	<b>2005</b>
	<b>'000</b>
Weighted average number of ordinary shares (basic)	218,164
Effect of shares to be issued on conversion of ICULS into ordinary shares	33,194
Weighted average number of ordinary shares (diluted)	251,358

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 28. DIVIDENDS

	Group and Company	
	2006	2005
	RM'000	RM'000
<b>First interim</b>		
1.25 sen per share tax exempt and 2.50 sen per share less tax (2005: 1.25 sen per share tax exempt and 2.50 sen per share less tax)	6,630	6,650
<b>Second interim</b>		
6.25 sen per share tax exempt and 1.25 sen per share less tax (2005: 2.50 sen per share tax exempt and 2.50 sen per share less tax)	15,556	9,394
	<b>22,186</b>	<b>16,044</b>

### 29. EMPLOYEES INFORMATION

	Group	
	2006	2005
	RM'000	RM'000
Staff costs	436,904	429,916

The number of employees of the Group (excluding directors) at the end of the financial year was 15,696 (2005: 14,519). At Company level, there are no staff cost as there are no employees other than directors in the Company.

Staff costs of the Group include contributions to statutory pension scheme and remuneration expenses in respect of ESOS of RM33,202,000 (2005: RM33,550,000) and RM1,044,000 (2005: RM12,197,000) respectively.

### 30. SEGMENTAL REPORT

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Inter-segment transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group, on terms not more favourable than those generally available to/from the public and are not detrimental to the minority Shareholders.

#### Business segments

The Group comprises five main business segments, namely motorcycles, building materials, semiconductor, packaging and others.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 30. SEGMENTAL REPORT (Cont'd)

2006	Semiconductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Consolidated RM'000
<b>Revenue</b>					
External sales	1,359,765	624,758	587,737	1,983	2,574,243
<b>Result</b>					
Segment results	180,680	(53,348)	46,958	2,110	176,400
Unallocated corporate income	-	-	-	1,408	1,408
Operating profit					177,808
Interest income					7,131
Finance costs					(67,614)
Share of profit of associated companies	-	43,325	-	15,565	58,890
Profit before taxation					176,215
Taxation					(20,207)
Share of taxation of associated companies					(3,318)
Profit after taxation					152,690
<b>Consolidated assets</b>					
Segment assets	1,929,402	309,236	423,446	38,308	2,700,392
Investments in associated companies	-	106,529	-	298,546	405,075
Unallocated corporate assets					303,955
					3,409,422
<b>Consolidated liabilities</b>					
Segment liabilities	358,416	117,646	167,833	17,173	661,068
Unallocated corporate liabilities					1,228,718
					1,889,786
<b>Other information</b>					
Capital expenditure	368,080	19,153	5,079	143	392,455
Depreciation and amortisation	217,028	25,040	22,537	623	265,228
Non-cash expenses other than depreciation and amortisation	7,071	65,450	1,096	(7,372)	66,245

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 30. SEGMENTAL REPORT (Cont'd)

2005 (Restated)	Semiconductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Discontinued Packaging RM'000	Discontinued Others RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>								
External sales	1,114,402	526,464	513,008	1,738	101,737	140,453	-	2,397,802
Inter-segment sales	-	-	-	-	1,510	-	(1,510)	-
Total revenue	1,114,402	526,464	513,008	1,738	103,247	140,453	(1,510)	2,397,802
<b>Result</b>								
Segment results	65,956	(10,425)	35,054	25,776	4,544	2,070	-	122,975
Unallocated corporate income								2,681
Operating profit								125,656
Interest income								13,500
Finance costs								(85,212)
Share of profit of associated companies	-	40,425	-	11,045	-	-	-	51,470
Profit before taxation								105,414
Taxation								36,223
Share of taxation of associated companies								277
Profit after taxation								141,914
<b>Consolidated assets</b>								
Segment assets	1,650,800	416,184	418,517	12,297	-	-	-	2,497,798
Investments in associated companies	-	79,705	-	285,990	-	-	-	365,695
Unallocated corporate assets								473,130
								3,336,623
<b>Consolidated liabilities</b>								
Segment liabilities	269,864	152,303	175,594	11,155	-	-	-	608,916
Unallocated corporate liabilities								1,241,511
								1,850,427
<b>Other information</b>								
Capital expenditure	232,402	16,600	25,840	347	681	247	-	276,117
Depreciation and amortisation	212,275	30,583	22,507	308	3,331	3,422	-	272,426
Non-cash expenses other than depreciation and amortisation	688	9,052	1,897	(122)	(3,130)	66	-	8,451

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 31. COMMITMENTS

	Group	
	2006 RM'000	2005 RM'000
<b>Capital commitments:</b>		
Property, plant and equipment		
Authorised and contracted for	108,508	39,577
Authorised but not contracted for	69,427	53,314
<b>Operating lease commitments:</b>		
Expiring within one year	1,197	1,134
Expiring between one to five years	4,190	3,912
Expiring after five years	41,030	42,416
	46,417	47,462

The Group has lease commitments of RM906,000 (2005: RM906,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and lease will expire on 30 August 2031. The Group has an option to purchase outright from the third party at market value. The remaining lease tenure of the land is exercisable in any of the calendar years 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

## 32. HOLDING COMPANY

The immediate and ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 33. ACQUISITIONS OF SUBSIDIARY COMPANIES

#### Effect of acquisitions

The effect of the acquisitions of subsidiary companies during the financial year on the Group's assets and liabilities were as follows:-

	2006 RM'000
Property, plant and equipment	2,445
Inventories	159
Trade and other receivables	120
Cash and bank balances	2,641
Trade and other payables	(1,237)
Deferred taxation	(18)
Minority interest	(2,051)
<b>Net assets acquired</b>	<b>2,059</b>
Less: Goodwill on acquisitions	551
<b>Cash consideration paid</b>	<b>2,610</b>
<b>Cash and cash equivalents acquired</b>	<b>2,641</b>
<b>Cash flow on acquisition, net of cash acquired</b>	<b>31</b>

The subsidiary companies acquired during the financial year had contributed a revenue of RM255,000 and sustained a net loss of RM674,318 to the Group.

### 34. 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. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a Director and a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Kwek Leng San ("Mr Kwek LS"), is a Director and a shareholder of the Company and HLCM. Mr Kwek Leng Beng ("Mr Kwek LB"), a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Quek Leng Chye ("Mr Quek LC") is a deemed major shareholder of the Company and a shareholder and a deemed major shareholder of HLCM. Tan Sri Quek, Mr Kwek LS and Mr Quek LC are brothers. HLCM is a person connected with Tan Sri Quek, Mr Kwek LS, Mr Kwek LB and Mr Quek LC;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected with Tan Sri Quek and Mr Kwek LB;
- (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, Tan Sri Quek, Mr Kwek LS and Mr Quek LC;



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 34. RELATED PARTIES (Cont'd)

- (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 certain subsidiaries of the Company;
- (v) Yamaha Motor Co. Ltd ("YMC") is a major shareholder of a subsidiary of the Company. Yamaha Motor Asia Pte Ltd ("YMA"), Thai Yamaha Motor Co Ltd ("TYM") and P.T. Yamaha Indonesia Motor Manufacturing ("PT") are persons connected with YMC (YMC, YMA, TYM and PT collectively referred to as "YMC Group"); and
- (vi) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected with YBhg Tan Sri Dato' Zaki bin Tun Azmi, a Director of certain related companies of the Company.

Significant transactions with related parties are as follows:-

Transaction	Related Party	Group	
		2006 RM'000	2005 RM'000
(a) Sales of goods and services	Subsidiary and associated companies of HLCM	32,336	29,763
	Hong Bee Hardware and Hong Bee Motors	31,890	27,954
	YMC Group	16,997	22,368
	Syarikat Motor Singa and Sing Heng Motor	9,774	7,223
(b) Purchase of goods and services	Subsidiary and associated companies of HLCM	171,024	107,792
	YMC Group	139,892	101,128
	Tasek	20,345	16,063
(c) Rental of properties	Subsidiary and associated companies of HLCM	827	821
	YMC Group	148	590
(d) Provision of legal, secretarial, tax, personnel, credit control services, provision of telecommunication services and corporate office support services	Subsidiary and associated companies of HLCM	1,784	1,800
(e) Receipt of services	Subsidiary and associated companies of HLCM and BIB	9,339	10,361
(f) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	9,011	8,975
(g) Payment for usage of the Hong Leong logo and trademark	HLCM	27	48
(h) Payment of royalties and technical fees for usage of Yamaha trademark and technical support	YMC	4,560	3,203
(i) Receipt of research and development services	YMC	1,556	1,235

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 34. RELATED PARTIES (Cont'd)

The above transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group and of the Company, on terms not more favourable to the related party than those generally available to/from the public and are not detrimental to the minority shareholders.

### 35. FINANCIAL INSTRUMENTS

#### Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arise in the normal course of the Group's and of the Company's business. The Directors of the Group and of the Company will consider and evaluate the risk management of the Group and of the Company periodically.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's and the Company's accounting policies in relation to derivative financial instruments are set out in Note 2(r) to the financial statements.

#### Credit 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 balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

#### Liquidity risk

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.

#### Interest rate risk

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



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**35. FINANCIAL INSTRUMENTS (Cont'd)**

The following table shows information about the enterprise's exposure to interest rate risk.

**Effective interest rates and repricing analysis**

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
<b>Group</b>					
<b>2006</b>					
<b>Financial assets</b>					
Deposits, cash and bank balances	3.14	196,063	196,063	-	-
<b>Financial liabilities</b>					
Borrowings					
- Floating rate	4.84	872,480	872,480	-	-
- Fixed rate	6.44	107,588	107,588	-	-
EuroConvertible bonds	4.85	117,386	117,386	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
<b>2005</b>					
<b>Financial assets</b>					
Deposits, cash and bank balances	2.71	301,808	301,808	-	-
<b>Financial liabilities</b>					
Borrowings					
- Floating rate	3.43	962,600	962,600	-	-
- Fixed rate	6.80	80,000	-	80,000	-
EuroConvertible bonds	2.99	117,386	117,386	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 35. FINANCIAL INSTRUMENTS (Cont'd)

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
<b>Company</b>					
<b>2006</b>					
<b>Financial assets</b>					
Deposits, cash and bank balances	3.27	43,162	43,162	-	-
<b>Financial liabilities</b>					
Borrowings					
- Floating rate	4.97	371,823	371,823	-	-
- Fixed rate	6.80	80,000	80,000	-	-
EuroConvertible bonds	4.85	117,386	117,386	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
<b>2005</b>					
<b>Financial assets</b>					
Deposits, cash and bank balances	3.00	54,827	54,827	-	-
<b>Financial liabilities</b>					
Borrowings					
- Floating rate	3.71	425,530	425,530	-	-
- Fixed rate	6.80	80,000	-	80,000	-
EuroConvertible bonds	2.99	117,386	117,386	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-

**Foreign currency risk**

The Group and the Company incurs foreign currency risk on sales and purchases that are denominated in the currency other than Ringgit Malaysia. The currencies giving rise to this risk include the US dollar to which Ringgit Malaysia is presently pegged against Euro and Japanese Yen.

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

**35. FINANCIAL INSTRUMENTS (Cont'd)****Fair value*****Recognised financial instruments***

There is no significant differences between the fair values and carrying values of the financial assets and liabilities of the Group and of the Company except for the following:-

	Company			
	2006		2005	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Long term investment				
- quoted shares	578,309	1,127,624	566,714	1,316,993

***Unrecognised financial instruments***

The nominal amount of the financial instruments not recognised in the balance sheet are as follows:-

	Group	
	2006 RM'000	2005 RM'000
Forward foreign exchange contracts	634,216	62,327

All the above forward foreign exchange contracts mature within 1 year.

There are no significant differences between fair values and contracted amount in respect of the above unrecognised financial instruments.

**36. CONTINGENT LIABILITIES (UNSECURED)**

Amkor Technology, Inc. ("Amkor") has filed a complaint with the International Trade Commission ("ITC") on 17 November 2003 alleging Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. (collectively "Carsem Group") all of which are subsidiary companies of Malaysian Pacific Industries Berhad, a 56.69% subsidiary company of the Company, of infringing three of Amkor's United States patents. Amkor Technology has also filed a civil lawsuit at the District Court on even date alleging Carsem Group of infringement of the same three patents which are the subject of the ITC investigation.

Following a hearing in July and August 2004, an Administrative Law Judge ("ALJ") issued an Initial Determination finding all of the asserted claims of Amkor's patents invalid, not infringed, or both, and no violation by Carsem Group. Subsequently, the ITC reviewed the Initial Determination and remanded to the ALJ for further findings on several issues.

Carsem Group has now been advised by its lawyers that the ALJ has found that some but not all of Carsem Group's devices infringed on Amkor's patents. Carsem Group has filed a petition for review by the ITC and the motion to extend the target date for completion of this investigation by three months pending ASAT, Inc.'s subpoena enforcement proceeding ("ASAT Proceeding").

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 36. CONTINGENT LIABILITIES (UNSECURED) (Cont'd)

Carsem Group's motion is granted to the extent that the target date for completion of the investigation is extended to a date that is three months after completion of the ASAT Proceeding.

As at the date of this report, the ASAT Proceeding is still pending.

### 37. PRIOR YEAR ADJUSTMENTS

During the financial year, the Company reclassified its unquoted investments in Malaysian Newsprint Industries Sdn Bhd ("MNI") and Laras Perkasa Sdn Bhd ("LP") ("Investments") with a carrying value of RM292,419,068, (comprising cost RM364,378,068 less accumulated impairment of RM71,959,000) and RM464,208 respectively from "Other Investments" to "Investments in Associated Companies" on account of the unsuccessful disposal of the Investments by the Company. In accordance with FRS128<sub>2004</sub> (MASB 12), the recognition of this investment as an associated company has been given retrospective effect by application of equity accounting as from its date of acquisition.

The effects of application of equity accounting to the income statement and balance sheet for the current financial year are as follows:-

	2006 RM'000
<b>Group</b>	
<b>Income Statement</b>	
Share of profit of associated companies	15,564
Share of taxation of associated companies	(3,006)
<b>Balance sheet</b>	
Investments in associated companies	12,558
<b>Statements of changes in equity</b>	
Retained profits	12,558

Resulting from the reclassification, certain comparative figures have been restated as follows:-

	As Previously Reported RM'000	2005 Adjustments RM '000	As Restated RM'000
<b>Group</b>			
<b>Balance sheet</b>			
Investments in associated companies	79,705	285,990	365,695
Other investments	294,234	(292,883)	1,351
Reserves	662,295	(6,893)	655,402

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

## 37. PRIOR YEAR ADJUSTMENTS (Cont'd)

	As Previously Reported RM'000	2005 Adjustments RM '000	As Restated RM'000
<b>Group</b>			
<b>Income statements</b>			
Share of profit of associated companies	43,173	8,297	51,470
Profit before taxation	97,117	8,297	105,414
Share of taxation of associated companies	280	(3)	277
Profit after taxation	133,620	8,294	141,914
Net profit for the financial year	64,089	8,294	72,383
<b>Cash flow statements</b>			
Profit before taxation	97,117	8,297	105,414
Share of profit of associated companies	43,173	8,297	51,470
<b>Statements of changes in equity</b>			
Reserves - others	3,023	8	3,031
Retained profits	386,603	(6,901)	379,702
<b>Earnings Per Share ("EPS")</b>			
Basic EPS (sen)	25.61	3.80	29.41
Net profit attributable to ordinary shareholders	55,875	8,294	64,169
Diluted EPS (sen)	24.58	3.30	27.88
Net profit attributable to ordinary shareholders (diluted)	61,789	8,294	70,083
<b>Company</b>			
<b>Balance Sheet</b>			
Investments in associated companies	26,897	292,883	319,780
Other investments	293,531	(292,883)	648



## STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Kwek Leng San and David Edward Comley, being two of the Directors of HONG LEONG INDUSTRIES BERHAD state that in the opinion of the Directors, the financial statements set out on pages 41 to 91 are drawn up in compliance with applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2006 and of the results of the business of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

**Kwek Leng San**

**David Edward Comley**

Kuala Lumpur  
21 August 2006

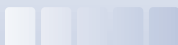
## STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Foo Seang Choong, being 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 41 to 91 are, in my opinion, 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 Foo Seang Choong	)	<b>Foo Seang Choong</b>
at Kuala Lumpur in the Federal	)	
Territory on 21 August 2006	)	

Before me  
**S. MASOHOOD OMAR**  
Pesuruhjaya Sumpah  
Commissioner for Oaths



## REPORT OF THE AUDITORS

TO THE MEMBERS OF HONG LEONG INDUSTRIES BERHAD

We have audited the financial statements set out on pages 41 to 91 of HONG LEONG INDUSTRIES BERHAD. The financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanation, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements which have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards so as to give a true and fair view of:-
  - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
  - (ii) the state of affairs of the Group and of the Company at 30 June 2006 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the year ended on that date; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiaries of which we have not acted as auditors are indicated on pages 32 to 36. We have considered the financial statements of the subsidiaries and the auditors' report thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

**LING KAM HOONG**

AF: 0106

**CHARTERED ACCOUNTANTS, MALAYSIA**

**LING KAM HOONG**

161/5/08 (J/PH)

Kuala Lumpur

21 August 2006

## OTHER INFORMATION

## 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2006

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 2006 (RM'000)
Lot 57, Persiaran Bukit Rahman Putra 3, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	10	50,740
Lot 14/70, Jalan Utas, 40000 Shah Alam, Selangor Darul Ehsan	11 Jun 2071	Office and factory building	1983	456,000	19-25	16,031
PF 70, Alte Marienberger Strasse, 30-35, 09401 Zschopau-Hohndorf, Germany	Freehold	Office and factory building	1996	823,338	11-25	4,305
5 1/2 miles, Jalan Kapar, Rantau Panjang, 42100 Klang, Selangor Darul Ehsan	Freehold	Office and factory building	1982	667,513	15-37	20,832
5 1/2 miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Freehold	Office and factory building	1983	871,600	25	26,416
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	21	7,629
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	16	6,129
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	13	20,240
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Industrial Land	1985	256,187	-	258
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Warehouses	1985	907,790	11	14,754
Ranca-Ranca Industrial Estate, Labuan, Federal Territory	31 Dec 2043	Office and factory building	1990	457,790	22	2,224
CL-205228842, Lot 5331 Labuan, Federal Territory	1 Jan 2057	Industrial Land	1993	243,936	-	332

## OTHER INFORMATION (Cont'd)

## 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2006 (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 2006 (RM'000)
No. 367 A& B, Jalan Melaka Raya, Taman Melaka Raya, 75000 Melaka.	4 Oct 2082	3 storey Mid Terrace shop Office	1996	1,399	23	177
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	1998	158,297	10-31	9,371
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	1998	64,469	8-18	14,870
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	1998	19,849	10-18	1,568
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	8 May 2039	Industrial Land	1998 1999	53,274	-	18,273
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	6 Nov 2063	Vacant Industrial Land	2003	66,812	-	1,350
Jalan Lapangan Terbang 30720 Ipoh, Perak Darul Ridzuan	8 May 2039	Office and factory building	1989	45,680	12	4,452
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Office and factory building	1992	1,348,704	15	95,245
Plot 73021 Shen Hu Road in District 2, Suzhou Industrial Park, Jiangsu Province, 215021 The People's Republic of China.	1 Jan 2052	Office and factory building	2002	430,550	3	29,173
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Office and factory building	1995	257,000	12	25,004
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Office and factory building	1995	105,000	7	15,586
Plot 15, Bayan Lepas, Pulau Pinang	22 Feb 2065	Office and factory buildings, and store	2005	174,243	-	25,942
4060, Norbatrol Ave, Murrys ville, Pennsylvania	Freehold	Office and factory building	1996	52,000	41	1,996
Lot 5036 Jalan Teluk Datuk 28/40 40000 Shah Alam Selangor	Freehold	Vacant office and factory building	1981	440,278	13-17	9,147
Section 7, Phase 1A, Pulau Indah Industrial Park, West Port, Selangor Darul Ehsan	99 years to 24 Feb 2097	Vacant Industrial Land	1996	684,720	-	10,672

## OTHER INFORMATION (Cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 21 AUGUST 2006

Class of Shares : Ordinary share of RM.050 each

Voting Rights

- On a show of hand : 1 vote
- On a poll : 1 vote for each share held

#### Distribution Schedule Of Shareholders As At 21 August 2006

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	100	2.76	1,315	0.00
100 – 1,000	1,295	35.77	1,212,562	0.56
1,001 – 10,000	1,753	48.41	6,985,580	3.21
10,001 – 100,000	381	10.52	10,645,533	4.89
100,001 – less than 5% of issued shares	87	2.40	90,912,475	41.77
5% and above of issued shares	5	0.14	107,887,225	49.57
	3,621	100.00	217,644,690	100.00

#### List Of Thirty Largest Shareholders As At 21 August 2006

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	29,766,325	13.68
2. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	29,495,000	13.55
3. Employees Provident Fund Board	20,625,900	9.48
4. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	17,000,000	7.81
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	11,000,000	5.05
6. RHB Capital Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	7,000,000	3.22
7. AMMB Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,700,000	3.08
8. ABB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,000,000	2.76
9. RC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,000,000	2.76
10. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	2.39
11. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	5,000,000	2.30

## OTHER INFORMATION (Cont'd)

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 21 AUGUST 2006 (Cont'd)

## List Of Thirty Largest Shareholders As At 21 August 2006 (Cont'd)

Name of Shareholders	No. of Shares	%
12. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	4,116,900	1.89
13. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (HLIB)	4,000,200	1.84
14. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Hong Leong Company (Malaysia) Berhad	3,900,000	1.79
15. ABB Nominee (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,512,000	1.15
16. UOBM Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,200,000	1.01
17. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,000,475	0.92
18. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,783,000	0.82
19. Hong Bee Hardware Company, Sdn. Berhad	1,770,000	0.81
20. Valuecap Sdn Bhd	1,743,900	0.80
21. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	1,577,300	0.72
22. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	1,556,000	0.72
23. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.71
24. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Millenia Fund Berhad	1,423,000	0.65
25. HLG Nominee (Asing) Sdn Bhd - Maxcellon Capital Assets Ltd	1,400,000	0.64
26. Lembaga Tabung Angkatan Tentera	1,134,000	0.52
27. Kumpulan Wang Amanah Pencen	1,123,900	0.52
28. Citigroup Nominees (Asing) Sdn Bhd - DFA Emerging Markets Fund	1,101,800	0.51
29. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,100,000	0.51
30. Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad - Hong Leong Company (Malaysia) Berhad	902,000	0.41
	180,681,700	83.02

## OTHER INFORMATION (Cont'd)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 21 AUGUST 2006 (Cont'd)

#### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 21 August 2006 are as follows:

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Company (Malaysia) Berhad ("HLCo (M)")	132,163,800	60.72	248,800#	0.12#
2. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek")	-	-	134,924,600**	61.99**
3. HL Holdings Sdn Bhd	-	-	132,412,600*	60.84*
4. Hong Realty (Private) Limited	-	-	132,412,600*	60.84*
5. Hong Leong Investment Holdings Pte Ltd	-	-	132,412,600*	60.84*
6. Kwek Holdings Pte Ltd	-	-	132,412,600*	60.84*
7. Mr Kwek Leng Beng	-	-	132,412,600*	60.84*
8. Mr Kwek Leng Kee	-	-	132,412,600*	60.84*
9. Davos Investment Holdings Private Limited	-	-	132,412,600*	60.84*
10. Mr Quek Leng Chye	-	-	132,412,600*	60.84*
11. Employees Provident Fund Board	28,800,100	13.23	-	-

#### Notes:

# Deemed interests through subsidiary companies.

\*\* Deemed interests through HLCo(M) and a company in which Tan Sri Quek has interest.

\* Deemed interests through HLCo (M).

## OTHER INFORMATION (Cont'd)

## 3. ANALYSIS OF WARRANTHOLDINGS AS AT 21 AUGUST 2006

## Voting Rights

- On a show of hand : 1 vote
- On a poll : 1 vote for each warrant held

## Distribution Schedule Of 1996/2006 Warrantholders As At 21 August 2006

Size of Holdings	No. of 1996/2006 Warrantholders	%	No. of 1996/2006 Warrants	%
Less than 100	14	0.61	668	0.00
100 – 1,000	881	38.44	818,751	2.34
1,001 – 10,000	1,048	45.72	4,115,956	11.73
10,001 – 100,000	276	12.04	9,174,325	26.15
100,001 – less than 5% of outstanding 1996/2006 warrants	73	3.19	20,971,500	59.78
5% and above of outstanding 1996/2006 warrants	0	0.00	0	0.00
	2,292	100.00	35,081,200	100.00

## List Of Thirty Largest 1996/2006 Warrantholders As At 21 August 2006

Name of 1996/2006 Warrantholders	No. of 1996/2006 Warrants	%
1. Loke Yew Hing @ Loke Kew Moi	1,100,000	3.14
2. JS Nominees (Tempatan) Sdn Bhd - Ang Ban Leong	1,050,000	2.99
3. Kok Yean Mee	1,000,000	2.85
4. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	716,600	2.04
5. Mayban Nominees (Tempatan) Sdn Bhd - Kek Lian Lye	693,000	1.98
6. Ang Woun-Eng	692,600	1.97
7. Wan Yat Keong	675,700	1.93
8. Lai Siew Khim	653,800	1.86
9. Chew Su Lip	591,400	1.69
10. Tse Ming Yee	505,000	1.44
11. Kang Peck Jee	462,300	1.32
12. Lim Meng Lip	450,000	1.28
13. Ting Lick Ing	422,200	1.20
14. Tan Seok Khoon @ May Tan	411,800	1.17
15. HLG Nominee (Tempatan) Sdn Bhd - Tan Kian Keong	400,000	1.14



## OTHER INFORMATION (Cont'd)

### 3. ANALYSIS OF WARRANTHOLDINGS AS AT 21 AUGUST 2006 (Cont'd)

#### List Of Thirty Largest 1996/2006 Warrantholders As At 21 August 2006 (Cont'd)

Name of 1996/2006 Warrantholders	No. of 1996/2006 Warrants	%
16. Mayban Securities Nominees (Tempatan) Sdn Bhd - Wong Siew Keat	380,000	1.08
17. Tan Kim Eng	374,000	1.07
18. RHB Capital Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	350,600	1.00
19. Goh Kue Lim	350,000	1.00
20. Ong Ai Siam	350,000	1.00
21. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	312,500	0.89
22. TA Nominees (Tempatan) Sdn Bhd - Chong Kin Ngean	307,000	0.87
23. Gee Seh Keng	300,000	0.86
24. RHB Nominees (Tempatan) Sdn Bhd - Koay Chee Seng	297,300	0.85
25. Lim King Huak	288,000	0.82
26. Tham Kah Yong	280,000	0.80
27. Leong Weng Haw	273,000	0.78
28. Loh Lai Mei	271,100	0.77
29. Yeoh Kee Hong	270,000	0.77
30. Tang Kee Hiong	266,000	0.76
	14,493,900	41.32

## OTHER INFORMATION (Cont'd)

**4. ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS AS AT 21 AUGUST 2006**

## Voting Rights

- On a show of hand : 1 vote
- On a poll : 1 vote for each RM1.00 nominal amount of 2002/2007 ICULS held

**Distribution Schedule Of 2002/2007 ICULS Holders As At 21 August 2006**

Size of Holdings	No. of 2002/2007 ICULS Holders	%	No. of 2002/2007 ICULS	%
Less than 100	1	0.06	15	0.00
100 – 1,000	433	25.73	424,827	0.21
1,001 – 10,000	873	51.87	3,866,358	1.91
10,001 – 100,000	306	18.18	9,963,900	4.93
100,001 – less than 5% of outstanding 2002/2007 ICULS	67	3.98	34,684,600	17.14
5% and above of outstanding 2002/2007 ICULS	3	0.18	153,380,800	75.81
	1,683	100.00	202,320,500	100.00

**List Of Thirty Largest 2002/2007 ICULS Holders As At 21 August 2006**

Name of 2002/2007 ICULS Holders	No. of 2002/2007 ICULS	%
1. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	120,000,000	59.31
2. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	17,540,800	8.67
3. Employees Provident Fund Board	15,840,000	7.83
4. Hong Leong Assurance Berhad - As Beneficial Owner	10,000,000	4.94
5. Hong Bee Hardware Company, Sdn. Berhad	1,767,000	0.87
6. Citigroup Nominees (Tempatan) Sdn Bhd - Exempt AN for Prudential Assurance Malaysia Berhad	1,630,200	0.81
7. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.77
8. Kwek Leng San	1,054,000	0.52
9. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,000,000	0.49
10. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Bhd (Non-Life)	1,000,000	0.49
11. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Bhd (Life)	1,000,000	0.49

## OTHER INFORMATION (Cont'd)

### 4. ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS AS AT 21 AUGUST 2006 (Cont'd)

#### List Of Thirty Largest 2002/2007 ICULS Holders As At 21 August 2006 (Cont'd)

Name of 2002/2007 ICULS Holders	No. of 2002/2007 ICULS	%
12. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for J.P. Morgan Bank (Ireland) Public Limited Company	932,700	0.46
13. Olive Lim Swee Lian	899,200	0.44
14. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	736,000	0.36
15. Yap Yuen Ching	722,900	0.36
16. Citigroup Nominees (Asing) Sdn Bhd - Heinrich Group Limited	677,000	0.34
17. Nga Nguk Ding	514,300	0.25
18. Lionel Loke Kok Hooi	498,500	0.25
19. Hong Leong Fund Management Sdn Bhd - Hong Leong Foundation	420,000	0.21
20. Sai Yee @ Sia Say Yee	405,000	0.20
21. Soon Khia Voon	380,300	0.19
22. Loo Mei Mei	373,000	0.18
23. Mayban Nominees (Tempatan) Sdn Bhd - Balanced Returns Fund	368,000	0.18
24. Onn Kok Puay (Weng Guopei)	353,300	0.18
25. Southern Investment Bank Berhad - Employee's Provident Fund	335,000	0.17
26. RHB Nominees (Tempatan) Sdn Bhd - Malaysian Timber Council	333,000	0.17
27. Cheong Chen Yue	330,900	0.16
28. Amanah Raya Nominees (Tempatan) Sdn Bhd - AUTB Progress Fund	316,000	0.16
29. Cimsec Nominees (Tempatan) Sdn Bhd - Leong Mun Wey	300,000	0.15
30. Southern Investment Bank Berhad - Oriental Capital Assurance Berhad	300,000	0.15
	181,577,100	89.75

## OTHER INFORMATION (Cont'd)

## 5. DIRECTORS' INTERESTS AS AT 21 AUGUST 2006

Subsequent to the financial year end, there is no change, as at 21 August 2006, to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 31 to 36 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*	
	Indirect	
	No. of Shares	%
<b>YBhg Tan Sri Quek Leng Chan</b>		
Hong Leong Industries Berhad ("HLI")	134,924,600	61.99 @
	46,611,833*	14.74 ^
Malaysian Pacific Industries Berhad	115,694,309	58.16
Camerlin Group Berhad	271,768,317	69.16
GuocoLand (Malaysia) Berhad	457,287,216	65.28
Hong Leong Bank Berhad	953,525,600	63.10 #
Nanjing Mahui Property Development Co., Ltd	271,499,800	94.93
BIL International Limited	697,242,043	50.97

**Notes:**

@ Change of percentage arising from the conversion of convertible unsecured loan stocks 2002/2007 ("ICULS").

^ Based on the enlarged share capital of HLI assuming full exercise of warrants, options and ICULS as at 21 August 2006.

# Change of percentage arising from share buy back.

## 6. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

Month	No. of Shares Bought Back	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid* RM	Total Consideration* RM
July 2005	80,000	3.36	3.36	3.38	270,438
August 2005	228,200	3.32	3.30	3.32	758,711
September 2005	656,400	3.32	3.06	3.13	2,051,642
October 2005	97,900	3.10	3.08	3.10	303,879
November 2005	8,000	2.90	2.90	2.92	23,372
May 2006	10,000	3.98	3.94	3.99	39,853

**Note:**

\* Inclusive of transaction charges.

## OTHER INFORMATION (Cont'd)

### 7. 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 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad.



# Hong Leong Industries Berhad (5486-P)

A Member of the Hong Leong Group Malaysia  
(Incorporated in Malaysia)

## FORM OF PROXY

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member/members of HONG LEONG INDUSTRIES BERHAD, hereby appoint \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-third 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, 10 October 2006 at 3.00 p.m. and at any adjournment thereof.

My/Our proxy is 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 Directors' fees		
2.	To re-elect YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar as a Director		
3.	To re-elect YBhg Dato' Ahmad Johari bin Tun Abdul Razak as a Director		
4.	To re-appoint Messrs Ling Kam Hoong & Co as Auditors and authorise the Directors to fix their remuneration		
5.	As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this ..... day of ..... 2006

Number of Shares held \_\_\_\_\_

Signature(s) of Member(s) \_\_\_\_\_

### Notes:

- 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 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 shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. 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.*
- 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 48 hours before the time for holding the meeting or adjourned meeting.*

