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**Hong Leong Industries Berhad** (5486-P)

A Member of the Hong Leong Group Malaysia



# HONG LEONG INDUSTRIES BERHAD (5486-P)

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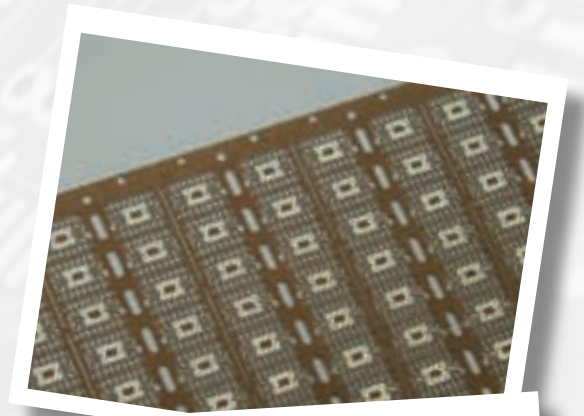
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## Company Profile

# 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 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

## COMPANY 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-fourth 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, 23 October 2007 at 11.00 a.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 2007;
2. to approve the payment of Directors’ fees of RM250,000/- for the year ended 30 June 2007, to be divided amongst the Directors in such manner as the Directors may determine; **(Resolution 1)**
3. to re-elect the following retiring Directors:  
  
a) YBhg Tan Sri Quek Leng Chan **(Resolution 2)**  
b) Mr Kwek Leng San; **(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  
Company Secretary

Kuala Lumpur  
1 October 2007

## 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)*

- Details of individuals who are standing for election as Directors

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

# Directors' Profile

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

*Executive Chairman/Non-Independent*

Tan Sri Quek Leng Chan, aged 64, 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 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 ("HLCM"), Executive Chairman of Hong Leong Financial Group Berhad, GuocoLand (Malaysia) Berhad, Hume Industries (Malaysia) Berhad ("HIMB"), Narra Industries Berhad ("Narra") and Camerlin Group Berhad and Chairman of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, HLG Capital Berhad, Hong Leong Assurance Berhad and Hong Leong Foundation ("HLF").

Tan Sri Quek has attended all the Board meetings of HLI held during the financial year ended 30 June 2007.

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 52, 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 HLCM and HLF.

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 2007.

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 62, 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 three (3) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2007.

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.



## Directors' Profile (cont'd)

### **YBhg Dato' Ahmad Johari bin Tun Abdul Razak**

*Non-Executive Director/Independent*

Dato' Ahmad Johari bin Tun Abdul Razak, aged 53, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in law and qualified as a Barrister-at-Law from Lincoln's Inn. Presently, he is a Partner of a law firm in Kuala Lumpur. He was previously the Executive Chairman of Ancom Berhad ("Ancom").

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

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

He has attended all the Board meetings of HLI held during the financial year ended 30 June 2007.

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 51, 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 2007.

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.

### **Mr David Edward Comley**

*Non-Executive Director/Non-Independent*

Mr David Edward Comley, aged 58, 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 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 Group Managing Director of MPI on 16 August 1993.

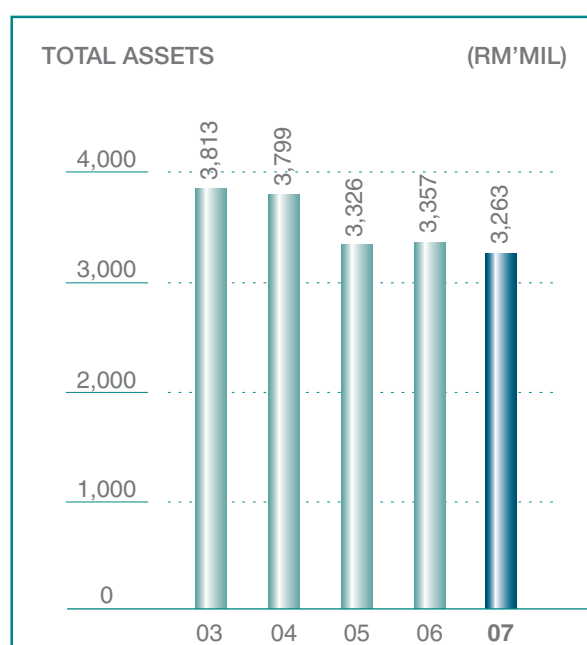
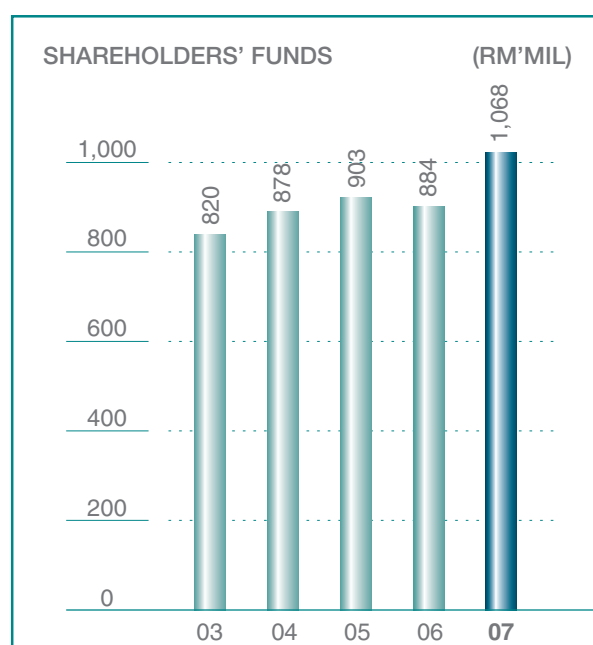
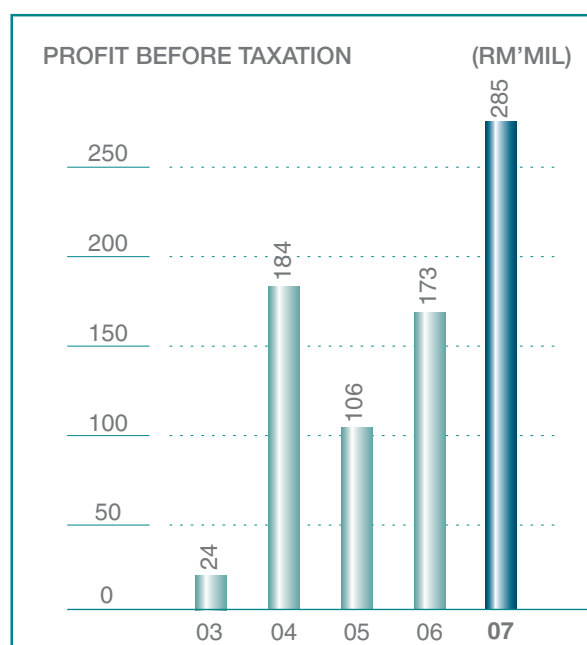
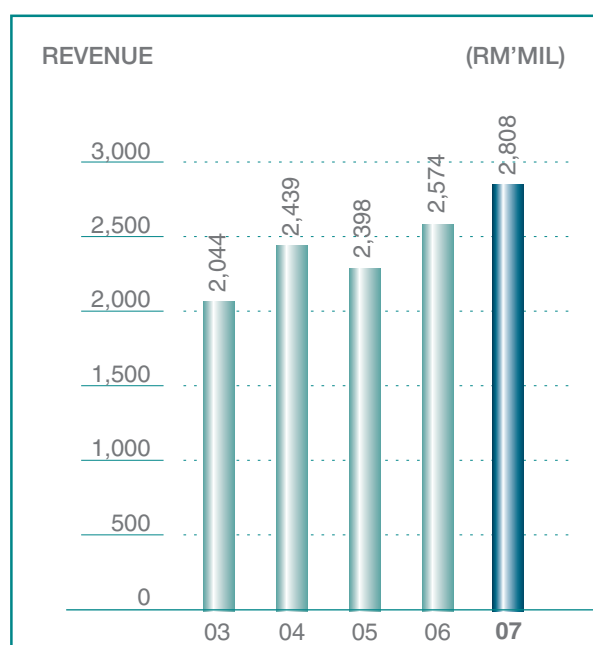
He was appointed to the Board of HLI on 1 May 1994. He does not sit on any committee of HLI.

Mr David Comley has attended all the Board meetings of HLI held during the financial year ended 30 June 2007.

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.

# Group Financial Highlights

(RM'mil)	2003	2004	2005	2006	2007
Revenue	2,044	2,439	2,398	2,574	2,808
Profit Before Taxation	24	184	106	173	285
Profit/(Loss) Attributable to Equity Holders of the Company	(19)	93	72	43	129
Net Earnings/(Loss) Per Share (sen)	(7)	37	29	17	53
Net Dividend Per Share (sen)	2	5	7	10	7
Shareholders' Funds	820	878	903	884	1,068
Total Assets	3,813	3,799	3,326	3,357	3,263





# Chairman's Statement

“ On 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 2007. ”

## Operating Environment

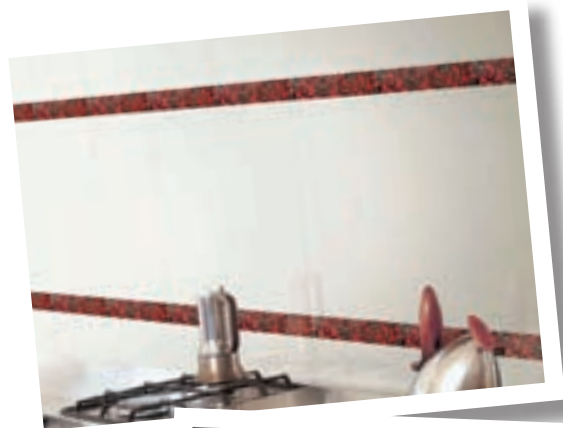
The Malaysian economy remained resilient and continued to achieve steady growth throughout the financial year ended 30 June 2007 (“FY 2007”).

After expanding at over 5.7% in the first half of the FY 2007, the economy moderated in the third quarter of FY 2007 to 5.5% due principally to a slower growth in the electronics and electrical (“E&E”) sector. The moderation in the E&E sector was however mitigated by the strong growth in the services sector.

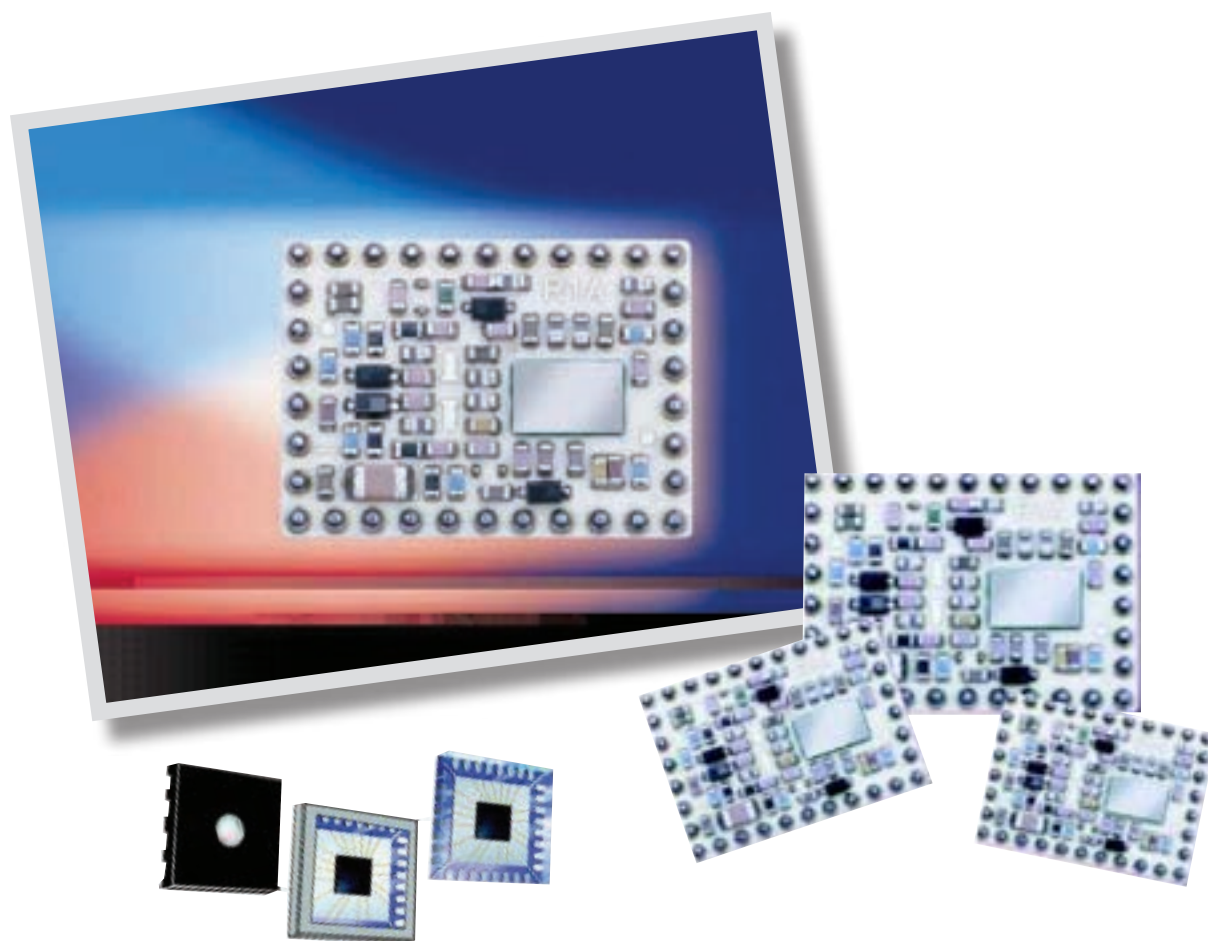
The strong performance of the services sector and higher activities in the construction sector in the later quarters of FY 2007 driven by private consumption and increased public spending helped the country to record a higher growth of 5.7% in the fourth quarter of FY 2007.

## Financial Review

The Group recorded a profit before tax (“PBT”) of RM285.2 million for the FY 2007 as compared with RM172.8 million achieved in the previous financial year. The significant improvement in the Group’s PBT over the previous financial year was mainly attributable to the better performance of the semiconductor and Yamaha motorcycles businesses.



## Chairman's Statement (cont'd)



### 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 2008.

### Dividend

The Company had declared and paid a first and second interim dividend totalling 10.0 sen per share less tax during the financial year under review. The Board does not recommend any final dividend for the FY 2007.

### Directorate

Mr Quah Thain Khan resigned as a director of the Company on 1 August 2007. On Behalf of the Board, I would like to express our appreciation for his services and contributions rendered to the Company.

### 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 extend my sincere appreciation to the management team and all the employees for their contribution, dedication and commitment to the Group.

**QUEK LENG CHAN**

Chairman

## President & Chief Executive Officer's Review

“ Despite the challenging environment, the Group's financial performance for the financial year ended 30 June 2007 (“FY 2007”) had improved significantly as compared with the previous financial year (“FY 2006”). The significant improvement over FY 2006 was mainly attributable to the improved performance of the Group's semiconductor and Yamaha motorcycles businesses.”

### Semiconductor

Our semiconductor division's revenue grew by 9% from FY 2006. Carsem (M) Sdn Bhd (“Carsem M”)’s revenue grew by 6%, Carsem Semiconductor (Suzhou) Co., Ltd (“Carsem Suzhou”) grew by 82% (Carsem M and Carsem Suzhou are collectively referred to as “Carsem”), giving a combined 9% growth for Carsem, and Dynacraft Industries Sdn Bhd (“Dynacraft”) grew by 9%. This growth rate would have been six percentage points higher if not for the appreciation of the Malaysian Ringgit and the Chinese Renminbi.

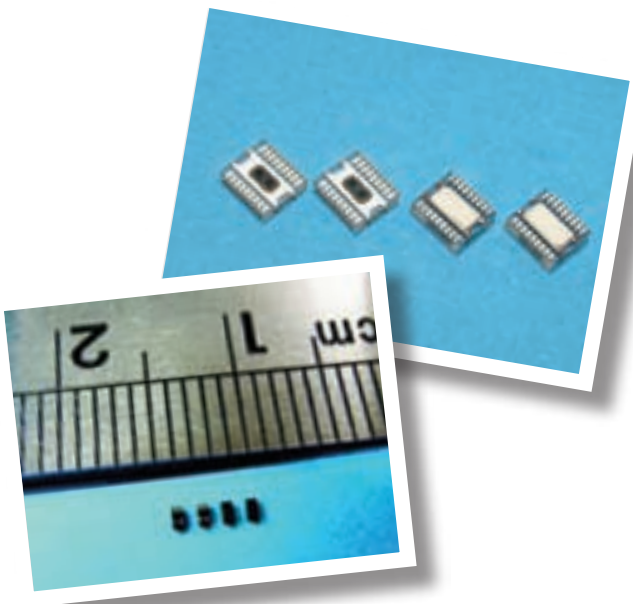
The financial year started with strong sales. However, a weaker than expected Christmas resulted in business starting to slow

down in December 2006 and remaining down until the end of March 2007. The industry's excess inventory data at the end of the December 2006 quarter showed a US\$4 billion excess against a monthly revenue of US\$22 billion. It is interesting to compare these numbers with those in year 2001, just prior to the industry's worst ever downturn, when the excess inventory was at US\$20 billion against a monthly revenue of US\$12 billion. The December 2006 quarter was a very different scenario as it was resolved by the semiconductor industry in a period of 4 months. This type of correction will become the norm as the industry better manages inventory, resulting in shorter cycles and less pronounced peaks and troughs.

The fourth quarter ended June 2007 saw strong growth and together with a strong first quarter ended September 2006 saw the division's sales grew by 9% and its profit by 11% compared with FY 2006.

The Micro Leadframe Package (“MLP”), despite the inventory correction, grew in unit terms by 25% over FY 2006 whereas the other plastic leaded packages remained flat. Modules sales were disappointing, due mainly to the slow consumer spending over last Christmas. However, as its technology and benefits are slowly but surely accepted by the semiconductor industry, it will become a major contributor to the division's revenue and profit in the years to come.

Costs remain a challenge with commodity prices still at all-time high. Carsem M has completed the review of its product lines and has initiated a product rationalisation programme whereby those products with low margins have been either discontinued



## President & Chief Executive Officer's Review (cont'd)

or had their selling prices raised. The majority of the remainder are being converted to using higher density matrix leadframes with the associated much improved productivity. Carsem M introduced multi-site testing for both MLP and non MLP packages. The successful introduction of multi-site testing of sawn MLP will be a major contributor to this important product's future productivity.



Dynacraft's strategy is also aligned to the growth of the MLP package, and a new high speed etching line was installed during FY 2007. Leadframes pre-plated with Nickel Palladium Gold continued to grow as this technology gained increasing acceptance, and Dynacraft's addition of higher accuracy spot plating equipment was again well aligned to the needs of the MLP. The addition towards the end of FY 2007 of a plating line using photoresist technology has been well accepted by customers, and we expect more purchases this coming year.

Carsem Suzhou remains as an assembler and tester of MLP but with testing growing at a faster rate as it catches up with assembly volumes.

The division's research and development will focus on the MLP and module package families, particularly the next generation, together with multi-site testing. Costs of the more established plastic packages will be reduced by the introduction of copper wire bonding and high density leadframes. This new financial year will see the opening of Carsem's two technology development centres, one for assembly and the second for test. Each will be resourced with dedicated technologists and equipment that will enable the company to quickly bring its new developments to market.

Dynacraft's new technology will be closely aligned to that of the MLP products with the introduction of selectively plated Nickel Palladium Gold frames and increased etching and plating capacities.

The semiconductor industry appears to be managing inventory more prudently and the actions taken and programmes introduced over the past years by the division will enable it to meet or even exceed the demands of the industry.

### Motorcycles

The expansion of demand for motorcycles in the domestic market continued in FY 2007 with registrations of 453,998 units, an increase of 3% over FY 2006. The stable economic climate and the continuous availability of easy financing paved the way for the sustainable growth. Our sales rose to an all-time record high of 156,226 units in FY 2007, an expansion of 33% compared with FY 2006.

Yamaha models are well positioned in their respective segments of the market and spearheaded by the widely accepted "King of Mopeds", 135LC model and popular Lagenda 110Z in the 4-Stroke Moped category.

Anticipating the fast changing needs and trend of today's youth, Hong Leong Yamaha Motor Sdn Bhd ("HLYM") had pioneered the growth of the automatic sector. Our two models, Nouvo S and Ego, accounted for a market share of 62% of this sector in FY 2007. With a strong, widely accepted and demanded model line up, Yamaha's market share rose to 35%, a significant improvement from 26% in FY 2006, thus contributing substantially to HLYM's profitability.

We continued with the building of Yamaha's brand and image with the establishment of a new image One-Brand Yamaha





## President & Chief Executive Officer's Review (cont'd)



Star Shops, offering customers a whole new experience in business, conducted in a friendly and comfortable environment. Recognised as a premium brand for motorcycles, Yamaha strived to uphold its esteemed brand equity by exploring and implementing differentiated marketing strategies to stay ahead.

During FY 2007, HLYM reached a major milestone in its history by rolling out the 2,000,000<sup>th</sup> unit of locally manufactured Yamaha motorcycle.

To fulfill our vision to be the best motorcycles manufacturer in meeting customer's quality, cost and delivery expectation, HLYM continues to invest into tooling for its new models as well as new production facilities to keep abreast of the latest technologies. Capacities in our manufacturing lines were expanded to meet the increased demand. Automation of the welding processes through robotic welding was further expanded to enhance productivity and improve quality. A new project to automate the painting process is currently being understudy. Through the adoption of Total Productive Maintenance Programme, many new production system and work method such as kit supply, work-cell and ideal manufacturing condition were introduced to sustain HLYM's competitive edge and cost. In line with the Government's call to support the local industries, HLYM has also increased its local content and enhanced its local vendor capabilities through our vendor development programme.

As a responsible corporate citizen, HLYM has embarked on various activities, which includes the yearly "Balik Kampung Road Safety" campaign, in support of the Government's call for greater awareness on road safety to reduce the high fatality rate amongst motorcyclists and pillion riders. HLYM has developed and introduced the Yamaha Safety Riding Science ("YSRS") programme targeted at motorcycle riding employees at various multi-national factories. The YSRS programme is purely educational in nature, allowing motorcyclists to inculcate good safety riding habits and a changed mindset on safety, through a series of theory, practical and demonstration approaches.

We expect the demand for motorcycles to continue to expand in tandem with Malaysia's economic growth, and HLYM to continue contributing positively to the Group.

Our 24% investment in Yamaha Motor Vietnam Co., Ltd ("Yamaha Vietnam") outperformed the industry to record an impressive year-on-year growth of 44% on sales volume. Its market share improved to 26% from 21% in FY 2006, mainly contributed by the good demand for its Sirius model and its continuous effort in building and strengthening its brand image through various marketing and promotion activities.

With the Vietnamese economy continuing to be stable and growing from strength to strength, the motorcycle industry will continue its robust growth in tandem with its expanding economy. Yamaha Vietnam will continue to contribute positively to the overall performance of the Group.

## President & Chief Executive Officer's Review (cont'd)

Subsequent to FY 2007, MZ Motorrad- und Zweiradwerk GmbH had, on 21 August 2007, entered into an agreement with MZ Motorrad- und Zweiradwerk Inc. Niederlassung Zschopau ("Buyer") to dispose of all of its assets (other than its land and building) and certain of its liabilities to the Buyer ("Proposed Disposal"). Upon completion of the Proposed Disposal, MZ Motorrad Sdn Bhd will continue its operation under a licensing agreement with the Buyer. Consequent to this impending change, the Group has taken an impairment of RM54.4 million on MZ's assets, and the Group does not expect any further losses in its investment in MZ operation.

### Building Materials

The Malaysian economy is projected to achieve continuous growth at 6% in year 2007 and is anticipated to remain strong at between 6% and 6.5% in year 2008. This would be achieved with robust domestic demands and strong fundamentals such as low inflations, high savings and progressive financial policies in the reduction of fiscal deficit.

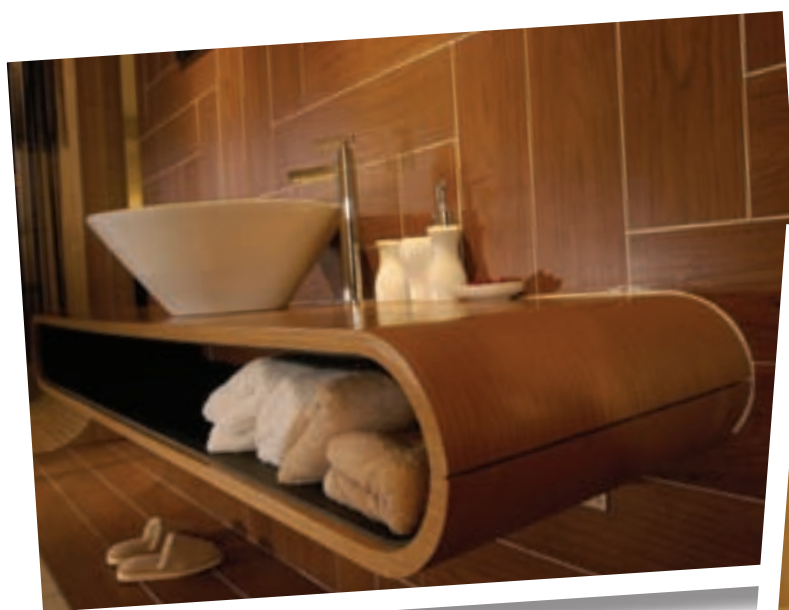
The construction sector registered a mild contraction of 0.5% in year 2006, led by gradual recovery in civil engineering activities and increased developments in the non-residential market. The Government's recent announcement on various infrastructure projects under the Ninth Malaysia Plan, as well as the establishment of Iskandar Development Region provides further stimulus and incite growth in the construction sector.

Fiscal policies on reduction of stamp duty and exemption on real property gain tax further stimulate growth in the property sector, in particular the residential and housing market. Such developments will in turn generate consumption and increase sales of building materials in the construction sector.

The ceramic tiles industry recorded a contraction in actual production, total turnover and selling price in year 2006. The weakened industry scenario was attributed to the earlier slowdown in the construction sector, which resulted in stiff competition amongst players in the industry and decrease in selling prices. Volatility in the external market, in particular the US economy with a weakening US Dollar, had also escalated pressure on export margins and selling prices.

Facing such dynamic challenges in the ceramic tiles industry, Guocera shall continue to excel in its value attributes in order to maintain its dominant position in the industry, equipped with the necessary characteristics and concentration to enhance production and operation excellence, and establish a vibrant distribution network, both domestic and international.

During FY 2007, Guocera maintained volume turnover and revenue growth. The decrease in selling prices was compensated with the improved sales mix, moving towards medium to high-end range of products. This development generated an improvement in operating margins. This, however, was not proportional to the increase in cost due to the increase in imported raw materials prices (18% - 25%)



## President & Chief Executive Officer's Review (cont'd)



### Outlook

Notwithstanding the continuous challenging operating environment ahead, the Group is well positioned to deliver value to our shareholders. I look forward to a better year ahead.

### KWEK LENG SAN

President & Chief Executive Officer

and electricity cost (12%). As a good economical balance, such increase in cost will be mitigated by a reduction in production volumes of standard products which faced intense competition from low-end competitors and cheap imports.

Moving forward, Guocera would continue to review and adopt the concept of modernisation, mechanisation, systemisation and automation, producing high-end and high-technology products and promoting the "Guocera" image so as to differentiate from low-end competitors.



# Corporate Social Responsibility

We are mindful that we should avoid building a group whose total concentration is to make profit – devoid of human touch and excitement. The Group has long been committed to a policy of social responsibility by striving for the betterment of society and holds strongly the belief that an organisation does not detach itself from its social responsibilities. The Group strives for the betterment of society by continuously contributing to the welfare, development and progress of the community.

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. Group companies contribute funds for the Foundation’s activities. The Foundation focuses on education and social welfare as its key thrusts. The Foundation also responds to appeals for aid of victims of natural disasters such as floods, tsunamis and others.

## Scholarship

The Foundation has, as part of its donation framework, designed a Scholarship Programme to benefit Malaysian students from low-income families. The Foundation believes that providing scholarships is about providing opportunities – giving a chance to deserving students to have the higher education necessary to become tomorrow’s leaders.

One million Ringgit is allocated each year for scholarship grants for the public for diploma and undergraduate studies. Invitations are also extended to the scholars for industrial training at Group companies. Industrial training is deemed critical by educational institutions and prospective employers in ensuring that students graduate into the workforce with sufficient knowledge and relevant experience.



Apart from the grants extended to the public, deserving children of Group staff are also granted scholarships by their companies.

The scholarship grants extended to the public and children of Group staff are unconditional and are for diploma and undergraduate studies at local universities and selected institutions of higher learning.



## Corporate Social Responsibility (cont'd)

### Student Assistance

Although primary and secondary education in Malaysia is free, there are still a number of students from low-income families who find it a challenge to avail of this educational opportunity. To address the immediate needs of these students, the Foundation extends additional financial assistance to them through the Group's Student Assistance Programme. To date, through this Programme, the Foundation has donated, amongst others, school bags, books, uniforms and bicycles to thousands of school children nationwide.



### Community Welfare

Every year, the Foundation donates to selected charities nationwide in an effort to help improve the lives of the less fortunate through its Community Welfare Programme. Through cash donations, charities are able to ensure their survival and their ability to provide shelter, food and clothing for all its residents – the young orphans, the aged who have been abandoned by their families, the sick, the disabled and the mentally challenged.



The Foundation has made substantial donations to many charities over the years. In this fiscal year alone, to name a few: Handicapped Children's Center, Penang; Badan Usaha Didikan Anak-Anak Yatim Yan, Sungai Petani; Rumah Kebajikan Kanak-Kanak Cacat Negeri Perak, Ipoh; Rumah Kebajikan Kanak-Kanak, Taiping; Selangor and FT Association for Retarded Children, Kuala Lumpur; Shelter, Kuala Lumpur; Jemaah Pengurus Kebajikan Anak-Anak Yatim & Miskin, Ulu Gadong; Montfort Youth Center, Melaka; Persatuan Kebajikan Kalvari Segamat; Pertubuhan Intervensi Awal Batu Pahat; The Spastic Children's Association of Johor; Handicapped & Mentally Retarded Children Center Kuantan; Taman Sinar Harapan Terengganu; Yayasan Kebajikan Anak-Anak Yatim, Kelantan; CHK Moral Uplifting Society Kidney Foundation, Kuching; Social Welfare Council of Sarawak, Sibiu; Montfort Youth Training Center, Kota Kinabalu; and Sabah Cheshire Home Sandakan.





## Corporate Social Responsibility (cont'd)



Apart from activities carried out by the Foundation, Group companies have staged a wide variety of activities in numerous communities nationwide. The Group's employees have regularly participated in community services that include visits to orphanages and welfare homes, assist in the provision of medical services to poor communities through blood donation drives and volunteer work in hospitals as well as initiating and participating in projects involving environmental and social issues.



### Employee Development And Welfare

The Group carried out various learning and development programmes for its employees to develop both technical and soft skills through structured development programmes.

The Group's Total Achievers' Group Programme was initiated in this financial year as a structured 10-month programme to develop managerial talents into future leaders of the Group. This programme currently involves 28 managers from the various Group companies.

The Group's Graduate Development Programme is aimed to identify and develop young graduates into engineering talents to support the growth of the Group. This programme entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.

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



The Group also acknowledges the need to provide a healthy lifestyle to its employees. In this regard, various initiatives such as sports activities, social events and family day, were carried out with the full support and commitment of the employees throughout the financial year.



## Corporate Social Responsibility (cont'd)

### Environmental Preservation

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



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.



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

# Corporate Governance and Internal Control

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

*~ Finance Committee on Corporate Governance*

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

## A. Directors

### I The Board

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

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

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

### II Board Balance

The Board of Directors comprises six (6) directors, four (4) 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 2007 (“FY 2006/2007”).

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

### III 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.

## Corporate Governance and Internal Control (cont'd)

### A. Directors (cont'd)

#### 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

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

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

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

During the FY 2006/2007, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme covering financial, legal and regulatory issues for its directors and senior management.

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

### 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.

## Corporate Governance and Internal Control (cont'd)

### B. Directors' Remuneration (cont'd)

#### III Disclosure

The aggregate remuneration of directors (including remuneration earned as executive directors of subsidiaries) for the FY 2006/2007 is as follows:

	<b>Fees (RM)</b>	<b>Salaries &amp; Other Emoluments (RM)</b>	<b>Total (RM)</b>
Executive Directors	270,000	1,530,050	1,800,050
Non-Executive Directors	135,000	2,924,631	3,059,631

The number of directors whose remuneration (including a director who has resigned subsequent to the FY 2006/2007) 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	1	2
100,001 – 600,000	-	-
600,001 – 650,000	-	1
650,001 – 1,700,000	-	-
1,700,001 – 1,750,000	1	-
1,750,001 – 2,250,000	-	-
2,250,001 – 2,300,000	-	1

### 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 Company Secretary 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 : Ms Joanne Leong Wei Yin  
 Tel No : 03 - 2164 2631  
 Fax No : 03 - 2164 2514  
 E-mail address : IRelations@hli.com.my



## Corporate Governance and Internal Control (cont'd)

### C. Shareholders (cont'd)

#### 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 FY 2006/2007. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 25 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.

#### 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 put in place a risk management framework for the Group to assist it in:

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

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

## Corporate Governance and Internal Control (cont'd)

### E. Statement On Internal Control (cont'd)

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.

### 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 FY 2006/2007, 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 2007, 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 2007, 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.



# HONG LEONG INDUSTRIES BERHAD (5486-P)

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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 2007.

## 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/(loss) for the financial year	129,278	(126,021)

## DIVIDENDS

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

- (i) a first interim dividend of 5 sen per share less tax amounting to RM7,946,185 in respect of the financial year ended 30 June 2007 on 12 December 2006; and
- (ii) a second interim dividend of 5 sen per share less tax amounting to RM8,140,382 in respect of the financial year ended 30 June 2007 on 25 June 2007.

The Directors do not recommend any final dividend for the financial year ended 30 June 2007.

## 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 (Resigned on 1 August 2007)

In accordance with Article 115 of the Company's Articles of Association, YBhg Tan Sri Quek Leng Chan and Mr Kwek Leng San retire by rotation from the Board and, being eligible, offer themselves for re-election.

## Directors' Report (cont'd)

**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 2007 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:-

	Nominal value per share	Number of ordinary shares/*shares issued or to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks/@ shares to be purchased arising from the exercise of options			
		At 1-7-2006	Acquired	Sold	At 30-6-2007
	RM				
Shareholdings in which Directors have direct interests					
<b>Interests of</b>					
<b>YBhg Tan Sri Quek Leng Chan in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Guoco Group Limited	US\$0.50	1,656,325	-	-	1,656,325
GuocoLand Limited	∞	15,047,224	-	-	15,047,224
Hume Industries (Malaysia) Berhad	1.00	2,000,000	-	-	2,000,000
Narra Industries Berhad	1.00	8,170,200	-	20,000	8,150,200
GuocoLand (Malaysia) Berhad	0.50	3,266,280	-	-	3,266,280
BIL International Limited	US\$0.20	150,000	-	-	150,000
<b>Interest of</b>					
<b>YBhg Dato' Ahmad Johari</b>					
<b>bin Tun Abdul Razak in:-</b>					
Hong Leong Industries Berhad	0.50	17,600	-	-	17,600
<b>Interests of</b>					
<b>Mr Kwek Leng San in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	1,800,000	420,000	-	2,220,000
	-	420,000*	-	420,000*	-
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Guoco Group Limited	US\$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
<b>Interests of</b>					
<b>Mr David Edward Comley in:-</b>					
Malaysian Pacific Industries Berhad	0.50	60,000	-	-	60,000
	-	-	1,500,000@	-	1,500,000@



## Directors' Report (cont'd)

## DIRECTORS' INTERESTS (cont'd)

	Nominal value per share	Number of ordinary shares/*shares issued or to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks/@ shares to be purchased arising from the exercise of options			
		At 1-7-2006	Acquired	Sold	At 30-6-2007
	RM				
Shareholdings in which <u>Directors have indirect interests</u>					
<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	1.00	819,824,298	4,613,002	-	824,437,300
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	953,525,600	2,385,000	-	955,910,600
Hong Leong Tokio Marine Takafu Berhad	1.00	65	64,999,935	-	65,000,000
Hong Leong Industries Berhad	0.50	134,924,600	48,727,137	-	183,651,737
	-	46,611,833*	50,032*	46,661,865*	-
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	-
Malaysian Pacific Industries Berhad	0.50	115,153,209	5,490,400	-	120,643,609
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400	-	-	22,400
		(Redeemable Preference Shares)			(Redeemable Preference Shares)
Guolene Packaging Industries Berhad (In members' voluntary liquidation)	1.00	69,924,134	-	-	69,924,134
Hume Industries (Malaysia) Berhad	1.00	120,144,828	-	-	120,144,828
Narra Industries Berhad	1.00	38,304,000	10,000	-	38,314,000
Camerlin Group Berhad	1.00	271,615,317	7,742,700	-	279,358,017
	-	7,181,564*	69,827*	-	7,251,391*
Guoco Group Limited	US\$0.50	215,579,447	430,000	-	216,009,447
GuocoLand Limited	∞	469,407,229	-	44,045,989	425,361,240
First Changi Development Pte Ltd	∞	40,002,075	-	-	40,002,075
First Garden Development Pte Ltd	∞	72,000,000	-	-	72,000,000
Melville Park Development Pte Ltd	∞	57,840,000	-	-	57,840,000
Sanctuary Land Pte Ltd	∞	54,000,000	-	-	54,000,000
Beijing Minghua Property Development Co., Ltd	^	150,000,000	-	-	150,000,000

## Directors' Report (cont'd)

## DIRECTORS' INTERESTS (cont'd)

		Number of ordinary shares/*shares issued or to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks/@shares to be purchased arising from the exercise of options			
	Nominal value per share	At 1-7-2006	Acquired	Sold	At 30-6-2007
	RM				
Shareholdings in which <u>Directors have indirect interests</u>					
<b>Interests of</b>					
<b>YBhg Tan Sri Quek Leng Chan in:-</b>					
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
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	176,095,150	-	271,499,800
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	15,000,000	-	200,000,000
M.C. Packaging Offshore Limited	HK\$0.01	471,793	340,902	-	812,695
Lam Soon Ball Yamamura Inc	NT\$10.00	15,221,823	-	-	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	456,820,716	4,928,673	5,193,773	456,555,616
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	696,892,043	114,405,000	-	811,297,043
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
	US\$0.10	1,000	-	-	1,000
		Class D Shares			Class D Shares
Bondway Properties Limited	GBP1.00	1,134,215	-	-	1,134,215
		Ordinary - Voting Shares			Ordinary - Voting Shares
	GBP1.00	10,332	-	-	10,332
		Ordinary - Non Voting Shares			Ordinary - Non Voting Shares

## Directors' Report (cont'd)

## DIRECTORS' INTERESTS (cont'd)

		Number of ordinary shares/*shares issued or to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks/@shares to be purchased arising from the exercise of options			
	Nominal value per share	At 1-7-2006	Acquired	Sold	At 30-6-2007
	RM				
Shareholdings in which Directors have indirect interests					
<b>Interests of YBhg Tan Sri Quek Leng Chan in:-</b>					
Denarau Corporation Limited	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
<b>Interests of Mr. Chuah Chuan Thye in:-</b>					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	9,284,949	-	-	9,284,949
Hong Leong Industries Berhad	0.50	1,998,800	286,048	-	2,284,848
	-	341,778*	-	341,778*	-
Narra Industries Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	120,000	-	-	120,000
Camerlin Group Berhad	1.00	3,133,500	-	-	3,133,500
	-	666,500*	-	666,500*	-
GuocoLand (Malaysia) Berhad	0.50	2,785,485	-	-	2,785,485

## Legend:

- ∞ 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\$.
- Ω Capital contribution in HK\$.
- ◇ Dissolved by members' voluntary liquidation.

## Directors' Report (cont'd)

### DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for 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 ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 14 October 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

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 ESOS at any time during the existence of the ESOS.

The ESOS would 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 ESOS are, inter alia, as follows:-

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time executive directors 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 ESOS shall not exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company for the time being.
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 ESOS is exercisable by the option holder only during his employment with HLI 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 ESOS.
6. The exercise of the options may, at the absolute discretion of the Board of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS ("ESOS Trust"); or a combination of both new shares and existing shares.

## Directors' Report (cont'd)

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

During the financial year ended 30 June 2007, Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, had granted conditional incentive share options ("HLI Options") over 2,000,000 ordinary shares of RM0.50 each in the Company, at an exercise price of RM5.51 per share to the eligible executives of HLYM.

The HLI Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period.

The HLI Options, if vested, will be satisfied by existing HLI shares held by the ESOS Trust set up for HLI Options.

### SHARE CAPITAL AND DEBENTURE

During the financial year, the issued and paid-up share capital of the Company was increased from 225,989,190 ordinary shares of RM0.50 each to 281,145,867 ordinary shares of RM0.50 each by the issuance and allotment of 55,156,677 new ordinary shares of RM0.50 each arising from the following:-

- (i) conversion of RM202,816,494 nominal value of 4% five (5)-year irredeemable convertible unsecured loan stocks 2002/2007 at the conversion price of RM6.20 per share into 32,711,980 new ordinary shares of RM0.50 each credited as fully paid-up capital; and
- (ii) conversion of US\$30,890,992 Convertible Bonds due 2008 at the conversion price of RM5.23 per share at the fixed exchange rate of RM3.80 to US\$1.00 into 22,444,697 new ordinary shares of RM0.50 each credited as fully paid-up capital.

During the financial year, the Company purchased 2,000 ordinary shares of its issued share capital from the open market. The average price for the shares bought back was RM5.41 per ordinary share. The share buy back transactions were financed by internally generated fund. As at 30 June 2007, the total number of shares bought back was 8,426,500 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 35,083,500 detachable warrants issued by the Company have expired on 13 November 2006.

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.

Each warrant entitled 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.

There were no conversion of warrants into new ordinary shares of the Company during the financial year. As of the expiry date, the total number of warrants which remained unexercised was 35,081,200 warrants. All warrants which have not been exercised at the date of expiry have lapsed and ceased to be valid for any purpose.

## Directors' Report (cont'd)

### LOAN STOCKS

The RM208,152,780 nominal value of 4% five (5)-year irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS") issued by the Company have matured on 28 June 2007.

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

During the financial year, a total of 5,602,441 new ordinary shares of RM0.50 each were issued and allotted arising from the conversion of RM34,735,200 nominal value of ICULS by the ICULS holders. As at the maturity date of the ICULS of 28 June 2007, the outstanding RM168,081,294 nominal value of ICULS were automatically converted into 27,109,539 new ordinary shares of RM0.50 each credited as fully paid-up capital of the Company based on RM6.20 nominal value of ICULS for every one (1) new ordinary share of RM0.50 each in accordance with the terms of the Trust Deed.

### 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
- (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 2007 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.

## Directors' Report (cont'd)

### 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  
28 August 2007



# Balance Sheets

as at 30 June 2007

	Note	Group		Company	
		2007	Restated 2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	1,390,809	1,458,448	-	-
Investments in subsidiary companies	5	-	-	854,318	1,098,087
Investments in associated companies	6	395,230	405,075	291,053	319,780
Other investments	7	1,351	1,351	657	648
Intangible assets	8	458,192	444,904	-	-
Other assets	9	-	-	34,645	12,497
Deferred tax assets	22	461	5,886	-	-
		2,246,043	2,315,664	1,180,673	1,431,012
<b>CURRENT ASSETS</b>					
Property assets	10	-	9,147	-	-
Inventories	11	228,093	244,654	-	-
Trade and other receivables	12	461,053	497,286	13,408	16,529
Tax recoverable		30,933	35,771	29,315	29,773
Short term investments	13	27	1,236	-	1,236
Deposits, cash and bank balances	14	296,400	253,047	95,813	43,279
		1,016,506	1,041,141	138,536	90,817
<b>TOTAL ASSETS</b>		3,262,549	3,356,805	1,319,209	1,521,829
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>					
Share capital	15	140,573	112,995	140,573	112,995
Reserves	16	990,649	631,181	562,375	419,171
Treasury shares - at cost	17	(63,294)	(63,283)	(63,294)	(63,283)
		1,067,928	680,893	639,654	468,883
<b>IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")</b>	18	-	202,817	-	202,817
<b>MINORITY INTERESTS</b>		618,135	583,309	-	-
<b>TOTAL EQUITY</b>		1,686,063	1,467,019	639,654	671,700
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	19	294,810	279,091	148,000	133,021
Redeemable Bonds	20	250,000	250,000	250,000	250,000
Convertible Bonds due 2008 ("ECB")	21	-	117,386	-	117,386
Deferred tax liabilities	22	55,051	33,848	-	-
Retirement benefits	23(a)	10,962	12,435	311	351
		610,823	692,760	398,311	500,758
<b>CURRENT LIABILITIES</b>					
Trade and other payables	24	427,457	484,595	54,244	30,569
Borrowings	19	527,126	700,977	227,000	318,802
Tax payable		11,080	11,454	-	-
		965,663	1,197,026	281,244	349,371
<b>TOTAL LIABILITIES</b>		1,576,486	1,889,786	679,555	850,129
<b>TOTAL EQUITY AND LIABILITIES</b>		3,262,549	3,356,805	1,319,209	1,521,829

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

# Income Statements

for the financial year ended 30 June 2007

	Note	Group		Company	
		2007	Restated 2006	2007	2006
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>					
Sales of goods and services		2,807,861	2,574,201	-	-
Dividend income		44	42	139,279	109,306
		2,807,905	2,574,243	139,279	109,306
Cost of sales		(2,336,785)	(2,124,140)	-	-
Gross profit		471,120	450,103	139,279	109,306
Distribution costs		(89,711)	(88,536)	-	-
Administration expenses		(89,078)	(87,425)	(3,073)	(2,951)
Other operating expenses		(72,331)	(124,860)	(257,542)	(52,498)
Other operating income		63,142	28,416	33,941	7,594
<b>Operating profit/(loss)</b>		283,142	177,698	(87,395)	61,451
Interest income		6,169	7,131	1,308	343
Finance costs		(67,440)	(67,614)	(40,297)	(43,098)
Share of profit of associated companies		63,300	55,572	-	-
<b>Profit/(loss) before taxation</b>	25	285,171	172,787	(126,384)	18,696
Taxation	26	(42,902)	(20,207)	363	2,843
<b>Profit/(loss) for the financial year</b>		242,269	152,580	(126,021)	21,539
<b>Attributable to:</b>					
Equity holders of the Company		129,278	43,461	(126,021)	21,539
Minority interests		112,991	109,119	-	-
<b>Profit/(loss) for the financial year</b>		242,269	152,580	(126,021)	21,539
Basic earnings per ordinary share (sen)	27	53.24	17.50		
Dividends per ordinary share - net (sen)	28	7.30	10.20		

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

# Statements Of Changes In Equity

for the financial year ended 30 June 2007

Attributable to equity holders of the Company													
	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Others* RM'000	Reserve For Own Shares* RM'000	Option Reserve* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000	ICULS RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 July 2005													
As previously reported	112,901	293,237	948	(21,516)	3,031	-	-	379,702	(59,835)	708,468	203,975	573,753	1,486,196
Prior year adjustments:													
- Effect of adoption of FRS 5	-	-	-	-	-	-	-	(260)	-	(260)	-	(180)	(440)
- Effect of adoption of IC Interpretation 112	-	-	-	-	(3,260)	(10,582)	-	5,062	-	(8,780)	-	(1,810)	(10,590)
As restated	112,901	293,237	948	(21,516)	(229)	(10,582)	-	384,504	(59,835)	699,428	203,975	571,763	1,475,166
Net profit for the financial year	-	-	-	-	-	-	-	43,461	-	43,461	-	109,119	152,580
Dividends (Note 28)	-	-	-	-	-	-	-	(21,884)	-	(21,884)	-	(77,742)	(99,626)
Interest on ICULS	-	-	-	-	-	-	-	(8,135)	-	(8,135)	-	-	(8,135)
Foreign currency translation differences	-	-	-	(3,235)	-	-	-	-	-	(3,235)	-	819	(2,416)
Conversion of ICULS into ordinary shares	94	1,064	-	-	-	-	-	-	-	1,158	(1,158)	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	(3,448)	(3,448)	-	-	(3,448)
Purchase of Trust Shares	-	-	-	-	(20,892)	(7,080)	-	1,520	-	(26,452)	-	(15,327)	(41,779)
Acquisition of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	2,051	2,051
Changes in equity in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	(7,374)	(7,374)
At 30 June 2006 (Restated)	112,995	294,301	948	(24,751)	(21,121)	(17,662)	-	399,466	(63,283)	680,893	202,817	583,309	1,467,019

## Statements Of Changes In Equity (cont'd)

for the financial year ended 30 June 2007

Attributable to equity holders of the Company															
Group	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation			Reserve		Option Reserve* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000	ICULS RM'000	Minority Interests RM'000	Total Equity RM'000
				Reserve* RM'000	Others* RM'000	Shares* RM'000	For Own Shares* RM'000								
At 1 July 2006															
As previously reported	112,995	294,301	948	(24,751)	3,031	-	-	-	392,907	(63,283)	716,148	202,817	600,671	1,519,636	
Prior year adjustments:															
- Effect of adoption of FRS 5	-	-	-	-	-	-	-	-	(325)	-	(325)	-	(225)	(550)	
- Effect of adoption of IC Interpretation 112	-	-	-	-	(24,152)	(17,662)	-	-	6,884	-	(34,930)	-	(17,137)	(52,067)	
As restated	112,995	294,301	948	(24,751)	(21,121)	(17,662)	-	-	399,466	(63,283)	680,893	202,817	583,309	1,467,019	
Net profit for the financial year	-	-	-	-	-	-	-	-	129,278	-	129,278	-	112,991	242,269	
Dividends (Note 28)	-	-	-	-	-	-	-	-	(15,535)	-	(15,535)	-	(72,095)	(87,630)	
Interest on ICULS	-	-	-	-	-	-	-	-	(7,313)	-	(7,313)	-	-	(7,313)	
Foreign currency translation differences	-	-	-	(8,510)	-	-	-	-	-	-	(8,510)	-	1,121	(7,389)	
Conversion of ICULS into ordinary shares	16,356	186,461	-	-	-	-	-	-	-	-	202,817	(202,817)	-	-	
Conversion of ECB into ordinary shares	11,222	106,164	-	-	-	-	-	-	-	-	117,386	-	-	117,386	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(11)	(11)	-	-	(11)	
Purchase of Trust Shares	-	-	-	-	398	(32,101)	-	-	-	-	(31,703)	-	290	(31,413)	
Share-based payment	-	-	-	-	-	-	626	-	-	-	626	-	-	626	
Transfer to capital redemption reserves	-	-	-	-	9,151	-	-	-	(9,151)	-	-	-	-	-	
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	-	(209)	(209)	
Changes in equity in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	-	(7,272)	(7,272)	
At 30 June 2007	140,573	586,926	948	(33,261)	(11,572)	(49,763)	626	496,745	(63,294)	1,067,928	-	618,135	1,686,063		
(Note 15)															
(Note 17)															
(Note 18)															

(Note 15)

(Note 17)

(Note 18)

# Statements Of Changes In Equity (cont'd)

for the financial year ended 30 June 2007

Company	Attributable to equity holders of the Company						
	Share Capital RM'000	Share Premium* RM'000	Others RM'000	(Accumulated Profits/ Losses) RM'000	Treasury Shares RM'000	Total RM'000	ICULS RM'000
<b>At 1 July 2005</b>	112,901	293,237	3,943	129,709	(59,835)	479,955	203,975
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	(1,158)
Purchase of treasury shares	-	-	-	-	(3,448)	(3,448)	-
<b>At 30 June 2006</b>	112,995	294,301	3,943	120,927	(63,283)	468,883	202,817
Net loss for the financial year	-	-	-	(126,021)	-	(126,021)	-
Dividends (Note 28)	-	-	-	(16,087)	-	(16,087)	-
Interest on ICULS	-	-	-	(7,313)	-	(7,313)	-
Conversion of ICULS into ordinary shares	16,356	186,461	-	-	-	202,817	(202,817)
Conversion of ECB into ordinary shares	11,222	106,164	-	-	-	117,386	-
Purchase of treasury shares	-	-	-	-	(11)	(11)	-
<b>At 30 June 2007</b>	140,573	586,926	3,943	(28,494)	(63,294)	639,654	-

(Note 18)

(Note 17)

(Note 15)

\* Non Distributable

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

# Cash Flow Statements

for the financial year ended 30 June 2007

	Group		Company	
	2007	Restated 2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	285,171	172,787	(126,384)	18,696
Adjustments for:-				
Share of profit of associated companies	(63,300)	(55,572)	-	-
Depreciation of property, plant and equipment	265,948	263,379	-	-
Dividend income	(44)	(42)	(139,279)	(109,306)
Gain on disposal of property, plant and equipment	(1,850)	(1,944)	-	-
Property, plant and equipment written off	5,674	64,212	-	-
Impairment on property, plant and equipment	18,932	-	-	-
Retirement benefits	(902)	1,073	(31)	(30)
Unrealised loss/(gain) on foreign exchange	540	(7,777)	-	(7,628)
Interest income	(6,169)	(7,131)	(1,308)	(343)
Finance costs	67,440	67,614	40,297	43,098
Goodwill written off	-	1,035	-	-
Amortisation of development expenditure	1,172	1,959	-	-
Loss/(gain) on disposal/liquidation of				
- Subsidiary companies	514	1	10,634	(9)
- Other investments	(555)	(2,303)	(555)	-
Gain on bonus/redemption of redeemable preference shares in an associated company	(15,768)	-	(25,980)	-
Impairment/(reversal) of value of investments in				
- Subsidiary companies	-	-	246,908	50,000
- Other investments	-	(131)	-	(131)
Bad and doubtful debts	3,880	4,514	-	-
Inventories written down	32,275	36,341	-	-
Share-based payment	1,315	-	-	-
Development expenditure written off	4,162	4,308	-	-
Other non-cash items	198	82	-	-
Operating profit/(loss) before working capital changes	598,633	542,405	4,302	(5,653)
Changes in working capital:				
Inventories	(16,482)	(39,335)	-	-
Trade and other receivables	17,890	(111,971)	(19,027)	(17,867)
Trade and other payables	(33,136)	80,371	23,675	11,851
Cash generated from/(used in) operations	566,905	471,470	8,950	(11,669)
Taxation (paid)/refund	(11,810)	(132)	15,291	16,147
Interest income received	6,169	7,131	1,308	343
Finance costs paid	(67,440)	(67,614)	(40,297)	(43,098)
Dividends received from				
- Subsidiary companies	-	-	99,517	82,602
- Associated companies	26,048	12,954	26,048	12,954
- Other investments	32	37	32	37
Retirement benefits paid	(571)	(211)	(9)	(2)
Net cash generated from operating activities	519,333	423,635	110,840	57,314



## Cash Flow Statements (cont'd)

for the financial year ended 30 June 2007

	Group		Company	
	2007	Restated 2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of subsidiary companies (Note 32(b))	-	31	-	(2,600)
Cash distribution from liquidation of subsidiary companies	28	-	27,998	9
Addition of development expenditure	(3,619)	(6,607)	-	-
Purchase of property, plant and equipment	(232,877)	(385,848)	-	-
Proceeds from disposal of property, plant and equipment	8,213	4,494	-	-
Proceeds from disposal of investments	1,791	2,303	1,791	-
Disposal of a subsidiary company (Note 32(a))	(320)	-	209	-
Proceeds from redemption of redeemable preference shares in an associated company	54,708	-	54,708	-
Additional investment in subsidiary companies	(22,768)	(15,723)	(42,768)	(25,723)
Acquisition of other investments	(27)	-	(10)	-
Net cash (used in)/generated from investing activities	(194,871)	(401,350)	41,928	(28,314)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to				
- Equity holders of the Company	(15,535)	(21,884)	(16,087)	(22,186)
- Minority shareholders of subsidiary companies	(72,095)	(77,742)	-	-
Payment of interest on ICULS	(7,313)	(8,135)	(7,313)	(8,135)
Repayment of borrowings	(1,866,608)	(1,687,811)	(985,079)	(907,823)
Drawdown of borrowings	1,713,869	1,636,687	908,256	861,744
Purchase of treasury shares	(51)	(3,549)	(11)	(3,448)
Purchase of Trust Shares	(32,101)	(7,080)	-	-
Net cash used in financing activities	(279,834)	(169,514)	(100,234)	(79,848)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>44,628</b>	<b>(147,229)</b>	<b>52,534</b>	<b>(50,848)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>252,245</b>	<b>399,659</b>	<b>43,279</b>	<b>94,127</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS</b>	<b>(1,106)</b>	<b>(185)</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>295,767</b>	<b>252,245</b>	<b>95,813</b>	<b>43,279</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:-</b>				
Deposits	225,270	196,063	95,697	43,162
Cash and bank balances	71,130	56,984	116	117
Bank overdrafts	(633)	(802)	-	-
	<b>295,767</b>	<b>252,245</b>	<b>95,813</b>	<b>43,279</b>

**Note:**

During the previous financial year, the Group acquired property, plant and equipment with an aggregate cost of RM387,815,000 of which RM1,967,000 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. CORPORATE INFORMATION

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

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

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

The consolidated financial statements as at and for the financial year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the Group). The financial statements of the Company for the financial year ended 30 June 2007 do not include other entities.

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.

The financial statements were approved and authorised for issue by the Board of Directors on 28 August 2007.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost basis.

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5, 6 and 8 for measurement of the recoverable amounts of cash-generating units.

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

On 1 July 2006, the Group and the Company adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory to be adopted for the financial periods beginning on or after 1 January 2006 as disclosed in Note 2.2.

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (b) Basis of consolidation

###### (i) Subsidiaries

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. The acquisition method of accounting involves allocating the cost of acquisition to fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition represents negative goodwill which is immediately recognised in the income statement.

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

Minority interests represent the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the date of acquisition and the minorities' share of changes in the subsidiaries' equity since then.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

###### (ii) Associates

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

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the income and expenses of the equity accounted associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Investments in associates are stated in the Company's balance sheet at cost less impairment losses unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (c) 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 independent professional valuations 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 1982 to 1990 by the Directors based on professional valuations using 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.

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

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

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

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

Depreciation is recognised in the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (c) Property, plant and equipment and depreciation (cont'd)

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

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

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

##### (d) Intangible assets

###### (i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates.

For acquisition prior to 1 July 2006, goodwill represents the excess of cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities of the acquiree. With the adoption of FRS 3 Business Combination beginning 1 July 2006, goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill is measured at cost which is allocated to cash-generating units and is tested annually for impairment or more frequently if events or changes in circumstances indicate it might be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds the recoverable amount.

Negative goodwill represents any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, which is immediately recognised in the income statement.

###### (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. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses, and is amortised over a period of ten years on a straight line basis. Other development expenditure is expensed to the income statement as incurred.

##### (e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories are mainly determined on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes raw materials and an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (f) Non-current assets held for sale

Non-current assets are stated at the lower of cost or carrying amount and fair value less costs to sell and are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and only when the sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

##### (g) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for any debts considered to be doubtful of collection. Receivables are not held for the purposes of trading.

##### (h) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition:

- Investments in non-current equity securities other than investments in subsidiaries and associates are stated at cost less allowance for diminution in value; and
- All current investments are carried at the lower of cost and market value, determined on an aggregate investment basis by category of investments.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- (i) the recognition of an asset on the day it is received by the entity; and
- (ii) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

##### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.



## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (j) Impairment

The carrying amounts of the Group's assets other than inventories and financial assets, 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. 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 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a 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 been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

##### (k) Share capital

Incremental costs directly attributable to issue of shares and share options classified as equity are recognised as a deduction from equity.

When share capital recognised as equity is repurchase, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

##### (l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans and borrowings using the effective interest method.

##### (m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

##### (n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (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<sub>2004</sub>, 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.

###### (iv) Share-based payments

The Group operates equity-settled, share based compensation plans for the employees of the Group under the Hong Leong Industries Berhad ("HLI")'s Executive Share Option Scheme and Malaysian Pacific Industries Berhad ("MPI")'s Executive Share Option Scheme (collectively referred to as "ESOSs") respectively.

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

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

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

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

# Notes To The Financial Statements (cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Foreign currency

##### (i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

##### (ii) Financial statements of foreign operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations in functional currencies other than RM including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2006 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year. Differences on exchange arising from the translation of the opening net investment in subsidiaries, and from the translation of the income and expenses of those companies at the average rate, are taken to reserves.

On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

The closing rates used in the translation of foreign currency monetary assets and liabilities are:-

	2007 RM	2006 RM
1 AUD	2.92	2.72
1 RMB	0.45	0.46
1 HKD	0.44	0.47
1 SGD	2.25	2.31
1 THB	0.10	0.09
1 USD	3.45	3.68
1 EURO	4.64	4.67
1 SWF	2.81	2.98
100 JPY	2.80	3.20

##### (iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in foreign operations, are recognised in the Company's income statement. Such exchange differences are reclassified to equity in the consolidated financial statements only when the loan is denominated in either the functional currency of the Company or the foreign operation. Deferred exchange differences are released to the income statement upon disposal of the investment.

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (q) Derivative financial instruments

The Group uses derivative financial instruments, including forward foreign exchange contracts, to hedge its exposure to foreign exchange 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.

Derivatives that do not qualify for hedge accounting are accounted for as trading instruments and marked to market at balance sheet date. Any profit or loss is recognised in the income statement upon realisation.

##### (r) 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.

###### (iii) Interest and rental income

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

##### (s) Borrowings costs

All borrowings costs are recognised in the income statement using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

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

##### (t) Bond issue expenses

Expenditure attributable to the issue of Redeemable Bonds and Convertible Bonds due 2008 (collectively referred to as "Bond") are amortised over the tenure of the Bonds.

## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (u) Lease assets

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.

Other leases are operating leases and leased assets are not recognised on the Group's balance sheet.

##### (v) 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 item recognised directly in equity, in which case it 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 years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

##### (w) Contingent liabilities

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

##### (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)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs

On 1 July 2006, the Group and the Company adopted the following FRSs that are effective for the financial period beginning on or after 1 January 2006:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure & Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property
IC Interpretation 112	Consolidation - Special Purpose Entities

The adoption of 102, 108, 110, 116, 121, 127, 128, 131, 132 and 140 does not have significant financial impact on the Group and the Company. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs are as follows:-

##### **FRS 2: Share-based Payment and IC Interpretation 112: Consolidation - Special Purpose Entities**

The Group operates equity-settled, share based compensation plans for the employees of the Group under the Hong Leong Industries Berhad ("HLI")'s Executive Share Option Scheme and Malaysian Pacific Industries Berhad ("MPI")'s Executive Share Option Scheme (collectively referred to as "ESOSs") respectively.

With the adoption of FRS 2, Share-based Payment, the fair value of the share options granted to employees is recognised as an employment cost with a corresponding increase in the share option reserve over the vesting period.

Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, had granted conditional incentive share options ("HLI Options") over 2,000,000 ordinary shares of RM0.50 each in the Company, at an exercise price of RM5.51 per share to the eligible executives of HLYM.

The HLI Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period.

MPI had granted conditional incentive share options ("MPI Options") over 250,000 ordinary shares of RM0.50 each in MPI at an exercise price of RM10.61 per share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd, a wholly-owned subsidiary of MPI, whilst Carsem (M) Sdn Bhd ("C(M)") and Dynacraft Industries Sdn Bhd ("DCI"), both subsidiaries of MPI, had granted MPI Options over a total of 3,400,000 ordinary shares of RM0.50 each in MPI at an exercise price of RM10.61 per share to the eligible executives of C(M) and DCI.

The MPI Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period.

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

The HLI Options and MPI Options will be satisfied by existing HLI shares and MPI shares held by the ESOS Trust set up for the HLI Options and MPI Options respectively.



## Notes To The Financial Statements (cont'd)

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

##### **FRS 2: Share-based Payment and IC Interpretation 112: Consolidation - Special Purpose Entities (cont'd)**

Prior to 1 July 2006, the advances given to purchase the Trust Shares were recorded as "Other Assets" in the balance sheet of the Group and of the Company. Remuneration expenses computed using the average purchase price (net of dividend received from the shares held) of the Trust Shares less the options price or the market price (whichever is lower) of the Trust Shares, were recognised as employment cost in the income statement on a straight line basis over the remaining period of the ESOS.

Beginning 1 July 2006, with the adoption of IC Interpretation 112, the ESOS Trusts has been consolidated into the Group's consolidated financial statements and the "Other Assets" have been restated as a deduction from equity and classified as reserves for own shares. Dividends received by the ESOS Trust are eliminated against the dividend expense of HLI and MPI respectively. For the purposes of calculating earning per ordinary share, Trust Shares are excluded from the weighted average number of ordinary shares.

##### **FRS 3: Business Combination, FRS 136: Impairment of Assets and FRS 138: Intangible Assets**

In accordance with FRS 3, FRS 136 and FRS 138, goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds the recoverable amount.

In prior years, goodwill was carried at cost less impairment when there has been a permanent impairment in its value. This change in accounting policy has not resulted in any financial impact to the Group except that the goodwill is now tested for impairment annually.

##### **FRS 5 : Non-current Assets Held for Sale and Discontinued Operations**

FRS 5 specifies the conditions for non-current assets that can be classified as "held for sale".

In accordance with FRS 5, a leasehold property with carrying value of RM10,672,000 (2006: RM10,672,000) which does not fulfill the conditions for assets "held for sale" has been reclassified from property assets to property, plant and equipment and accordingly is depreciated over its estimated useful life. The effect of such reclassification has been applied retrospectively to the comparatives as at 30 June 2006.

##### **FRS 101 : Presentation of Financial Statements**

The adoption of revised FRS 101 requires new presentation of the financial statements.

In the consolidated income statement, minority interests are presented as an allocation of the total profit for the financial year between the equity holders of the parent and minority interests. In the consolidated balance sheet and consolidated statement of changes in equity, minority interests are presented within total equity. FRS 101 also requires disclosure on the face of the consolidated statement of changes in equity, a total for recognised income and expenses for the financial year, showing separately the amount attributable to the equity holders of the parent and the minority interests.

Share of profit of associates is now presented net of taxation and minority interest (if any) in the consolidated income statement.

The presentation of this financial report is based on the revised requirements of FRS 101 in which certain comparative figures have been restated to conform with the current year's presentation.

##### **FRS 133: Earnings Per Share**

In accordance with FRS 133, ordinary shares that will be issued upon conversion of a mandatorily convertible instrument should be included in the computation of basic earnings per share ("EPS").

As at 30 June 2006, the Company had an outstanding RM202,816,494 nominal value of 4% five (5)-year irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS") which were converted into 32,711,980 new ordinary shares of HLI of RM0.50 each during the current financial year ("Conversion"). Accordingly, the effect of the Conversion had been included in the computation of basic EPS.

The comparative basic EPS have been restated to conform with the current year's computations.

## Notes To The Financial Statements (cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## 2.2 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

## Restatement of Comparative Figures

The following comparatives have been restated due to the adoption of the above new and revised FRSs which have retrospective impact on the preceding year's financial statements:-

Group	30 June 2006				As Restated RM'000
	As Previously Reported RM'000	← Adoption of → IC			
		FRS 5 RM'000	Interpretation 112 RM'000		
<b>Balance Sheet</b>					
Property, plant and equipment	1,448,326	10,122	-		1,458,448
Other assets	52,067	-	(52,067)		-
Property asset	19,819	(10,672)	-		9,147
Reserves	666,436	(325)	(34,930)		631,181
Minority interest	600,671	(225)	(17,137)		583,309
	As Previously Reported RM'000	← FRS 5 RM'000	Adoption of FRS 101 RM'000	→ FRS 133 RM'000	As Restated RM'000
<b>Income Statement</b>					
Share of profit of associated companies	58,890	-	(3,318)	-	55,572
Profit before taxation	176,215	(110)	(3,318)	-	172,787
Taxation					
- Share of taxation of associated companies	(3,318)	-	3,318	-	-
Basic earning per ordinary share (sen)	16.26	-	-	1.24	17.50
	As Previously Reported RM'000	← Adoption of IC FRS 5 RM'000	→ FRS 101 RM'000	FRS 112 RM'000	As Restated RM'000
<b>Statement of Changes in Equity</b>					
Reserves - Others	3,031	(24,152)	-		(21,121)
Reserve for own shares	-	(17,662)	-		(17,662)
Retained profits	392,907	6,884	(325)		399,466
Minority interests	600,671	(17,137)	(225)		583,309
	As Previously Reported RM'000	← Adoption of IC FRS 5 RM'000	→ FRS 101 RM'000	Interpretation 112 RM'000	As Restated RM'000
<b>Cash Flows Statement</b>					
Profit before taxation	176,215	(110)	(3,318)	-	172,787
Share of profit of associated companies	58,890	-	(3,318)	-	55,572
Depreciation of property, plant and equipment	263,269	110	-	-	263,379
Trade and other receivables	(118,749)	-	-	6,778	(111,971)
Dividend paid to equity holders of the Company	(22,186)	-	-	302	(21,884)

## Notes To The Financial Statements (cont'd)

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## 2.2 CHANGES IN ACCOUNTING POLICIES AND EFFECTS ARISING FROM ADOPTION OF NEW AND REVISED FRSs (cont'd)

## Restatement of Comparative Figures (cont'd)

The MASB has issued the following Financial Reporting Standards ("FRSs") and Interpretations that are effective for annual periods beginning after 1 October 2006 and that have not been applied in preparing these financial statements.

Standard/Interpretation		Effective date
FRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2007
FRS 107	Cash Flow Statements	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 129	Financial Reporting in Hyperinflationary Economies	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
FRS 139	Financial Instruments: Recognition and Measurement	To be announced
Amendment to FRS 119 <sub>2004</sub>	Employees Benefits - Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
IC Interpretation 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2	Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environment Rehabilitation Funds	1 July 2007
IC Interpretation 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7	Applying the Restatement Approach under FRS 129 <sub>2004</sub> , Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The Group and the Company plan to first adopt FRS 107, FRS 112, FRS 117, FRS 118, FRS 124, FRS 137 and the Amendment to FRS 119<sub>2004</sub> and FRS 121 for the next financial year beginning 1 July 2007.

The first adoption of the FRS 107, FRS 112, FRS 118, FRS 137 and Amendment to FRS 121 is not expected to have any material impact on the financial statements of the Group and the Company.

The effect resulting from the adoption of FRS 117, FRS 124 and FRS 139 upon first adoption of these standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemptions given in the respective standards.

FRS 6, FRS 129, the Amendment to FRS 119<sub>2004</sub> and the Interpretations listed above are not applicable to the Group and the Company. Hence, no further disclosure is warranted.

## 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
		2007 %	2006 %	
<b><u>Subsidiary Companies</u></b>				
Guocera Holdings Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
• Guocera Tile Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of ceramic tiles.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of ceramic tiles.
• *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.
• Guocera Marketing (International) Sdn Bhd (formerly known as Clearnaxis Sdn Bhd)	Malaysia	100.0	100.0	Intended to undertake procurement and sale of raw materials, parts and components, and finished products of tiles for the local and export markets.
♦♦ 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	Malaysia	100.0	100.0	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	Malaysia	100.0	100.0	Provision of management services.
*MZ Motorrad- und Zweiradwerk GmbH	Germany	100.0	100.0	Manufacture and distribution of motorcycles.
*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.
♦MZ Motorrad Group Limited	Bermuda	100.0	100.0	Investment holding.
♦♦ MuZ of North America Inc	United States of America	100.0	100.0	Dormant.
• *MZ Engineering GmbH	Germany	100.0	100.0	Dormant.
• *MZ Motorrad (Thailand) Company Limited	Thailand	100.0	100.0	Dormant.
*Malaysian Pacific Industries Berhad	Malaysia	57.8	56.7	Investment holding.
• *Carsem (M) Sdn Bhd	Malaysia	40.5	39.7	Manufacturing and testing of semiconductor devices and electronic components.
• *Carsem Semiconductor Sdn Bhd	Malaysia	40.5	39.7	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
		2007 %	2006 %	
♦♦ Carsem Holdings Limited	Bermuda	57.8	56.7	Investment holding.
• *@Carsem Semiconductor (Suzhou) Co., Ltd	The People's Republic of China	57.8	56.7	Manufacturing and testing of semiconductor devices and electronic components.
• *Carter Realty Sdn Bhd	Malaysia	40.5	39.7	Investment holding.
♦♦ Carsem Inc	United States of America	40.5	39.7	Semiconductor devices' and electronic components' marketing agent.
• *Dynacraft Industries Sdn Bhd	Malaysia	57.8	56.7	Manufacturing and sale of leadframes.
♦♦ Dyna-Craft Industries, Inc	United States of America	57.8	56.7	Dormant.
• *MPI (BVI) Limited	British Virgin Islands	57.8	56.7	Investment holding and trading in securities.
*Guolene Packaging Industries Berhad	Malaysia	96.4	96.4	In members' voluntary liquidation.
Guolene Plastic Products Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
Guolene Paper Products Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.
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.
*HLI Trading Limited	Hong Kong	100.0	100.0	Investment trading.
♦HLI Overseas Limited	Jersey, Channel Islands	100.0	100.0	Dormant.
Guotrade (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	Dormant.
RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Investment holding.
Kasih Sayang Realty Sdn Bhd	Malaysia	-	100.0	Wound up.
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.
ΔGlobal Roaming Communications Sdn Bhd	Malaysia	-	50.1	Trading of tele-communication equipment and provision of tele-communication services.
<b><u>Associated companies</u></b>				
*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 motorcyces, spare parts and components and provision of maintenance and repair service for motorcycles.
*Southern Iron & Steel Centre Sdn Bhd	Malaysia	-	36.0	Wound up.
*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
+ 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 financial year ended 31 December 2006. The financial year end of this sub-subsidiary company is 31 December as required under the local regulations in its country of incorporation.
- ♦ These sub-subsidiary companies are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.
- + Group's share of profit is based on the latest audited financial statements and latest management financial statements available.
- △ Disposed of during the financial year.

## 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 2006					
- As previously reported	153,300	244,092	1,023,847	27,087	1,448,326
- Adoption of FRS 5	-	10,122	-	-	10,122
- As restated	153,300	254,214	1,023,847	27,087	1,458,448
Translation differences	(294)	(409)	(2,512)	(348)	(3,563)
Additions	788	11,039	190,262	30,788	232,877
Reclassification	-	1,880	16,944	(18,824)	-
Disposals	(1,727)	-	(4,636)	-	(6,363)
Disposal of a subsidiary company	-	-	(36)	-	(36)
Write off	-	(58)	(5,616)	-	(5,674)
Impairment	(901)	(68)	(17,963)	-	(18,932)
Depreciation	(3,104)	(15,466)	(247,378)	-	(265,948)
<b>At 30 June 2007</b>	<b>148,062</b>	<b>251,132</b>	<b>952,912</b>	<b>38,703</b>	<b>1,390,809</b>
<b>At 30 June 2007</b>					
Cost	184,472	344,530	3,060,641	38,703	3,628,346
Valuation	1,415	17,813	5,378	-	24,606
Accumulated depreciation and impairment	(37,825)	(111,211)	(2,113,107)	-	(2,262,143)
<b>Net book value</b>	<b>148,062</b>	<b>251,132</b>	<b>952,912</b>	<b>38,703</b>	<b>1,390,809</b>
<b>At 30 June 2006 (Restated)</b>					
Cost	187,751	331,856	3,004,573	27,087	3,551,267
Valuation	2,070	17,813	5,378	-	25,261
Accumulated depreciation	(36,521)	(95,455)	(1,986,104)	-	(2,118,080)
<b>Net book value</b>	<b>153,300</b>	<b>254,214</b>	<b>1,023,847</b>	<b>27,087</b>	<b>1,458,448</b>



## Notes To The Financial Statements (cont'd)

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

Included in the property, plant and equipment of the Group are plant and machinery acquired under finance lease agreements with a net book value of RM1,137,000 (2006: RM3,222,000).

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 2007 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
1983	Long leasehold land and buildings	11,618	-
1982	Freehold land	1,415	-
		19,228	5,378

The valuation were made on the open market value basis.

**5. INVESTMENTS IN SUBSIDIARY COMPANIES**

	Company	
	2007 RM'000	2006 RM'000
<b>At cost:</b>		
- Malaysian quoted shares	601,077	578,309
- Unquoted shares	595,149	614,778
	1,196,226	1,193,087
Less: Impairment in value		
- Unquoted shares	(341,908)	(95,000)
	854,318	1,098,087
<b>Market value:</b>		
- Malaysian quoted shares	1,138,487	1,127,624

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

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

## Notes To The Financial Statements (cont'd)

## 6. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>At cost/written down value:</b>				
- Unquoted shares	267,300	267,300	266,892	266,891
- Unquoted redeemable preference shares	85,908	124,848	96,120	124,848
	353,208	392,148	363,012	391,739
Share of capital reserves	(4,409)	(5,258)	-	-
Share of profits	46,431	18,185	-	-
Less:				
Impairment in value	-	-	(71,959)	(71,959)
	395,230	405,075	291,053	319,780

Investments in associated companies are represented by:-

	Group	
	2007	2006
	RM'000	RM'000
Share of net assets other than goodwill of the associated companies	394,949	404,794
Premium on acquisition	281	281
Carrying value	395,230	405,075

The summarised financial information of the associated companies are as follows:-

	Group	
	2007	2006
	RM'000	RM'000
<b>Assets</b>		
Current assets	638,147	618,089
Non-current assets	1,642,315	1,711,360
Total assets	2,280,462	2,329,449
<b>Liabilities</b>		
Current liabilities	1,111,763	429,954
Non-current liabilities	112,674	946,292
Total liabilities	1,224,437	1,376,246
<b>Results</b>		
Revenue	2,339,378	1,986,776
Profit for the financial year	244,292	215,649

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

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

## Notes To The Financial Statements (cont'd)

**7. OTHER INVESTMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At cost:</b>				
Unquoted shares	556	556	259	250
Unquoted convertible preference stocks and loan stocks	795	795	398	398
	<b>1,351</b>	<b>1,351</b>	<b>657</b>	<b>648</b>

**8. INTANGIBLE ASSETS**

<b>Group</b>	<b>Goodwill</b>	<b>Development expenditure</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2007</b>			
At 1 July 2006	440,202	4,702	444,904
Disposal/liquidation of subsidiary companies	(533)	-	(533)
Change in equity in a subsidiary company	15,536	-	15,536
Additions	-	3,619	3,619
Amortisation	-	(1,172)	(1,172)
Write off	-	(4,162)	(4,162)
At 30 June 2007	<b>455,205</b>	<b>2,987</b>	<b>458,192</b>
<b>2006</b>			
At 1 July 2005	433,003	4,362	437,365
Acquisition of a subsidiary company	551	-	551
Changes in equity in subsidiary companies	7,683	-	7,683
Additions	-	6,607	6,607
Amortisation	-	(1,959)	(1,959)
Write off	(1,035)	(4,308)	(5,343)
At 30 June 2006	<b>440,202</b>	<b>4,702</b>	<b>444,904</b>

**Impairment testing for cash-generating units containing goodwill**

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

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the recent financial projections approved by the management. These projections cover a period of ten years, using projected growth rate of between 5% to 10% for the first 5 years and discounted by the prevailing interest rates. The cash flows are extrapolated in perpetuity due to the long term perspective of these business within the Group.

The gross margins used in the projections were based on past experience and expectations of market developments.

## Notes To The Financial Statements (cont'd)

**9. OTHER ASSETS**

The other assets of the Company comprise advances given to the trustee to purchase the Trust Shares as disclosed in Note 2.1(o)(iv). The advances shall be repaid by the trustee upon the sale of all the Trust Shares.

**10. PROPERTY ASSETS**

	<b>Group</b>	
	<b>2007</b>	<b>Restated 2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At cost:</b>		
Freehold land and industrial buildings	-	9,147

**11. INVENTORIES**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Raw materials and consumables	106,303	117,629
Work-in-progress	24,032	27,788
Finished goods	97,758	99,237
	<b>228,093</b>	<b>244,654</b>

Inventories amounted to RM2,330,226,000 (2006: RM2,114,785,000) are recognised as cost of sales.

**12. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables	449,588	477,376	-	-
Less: Allowance for doubtful debts	(19,270)	(21,116)	-	-
	<b>430,318</b>	<b>456,260</b>	<b>-</b>	<b>-</b>
Amounts due from:				
- Subsidiary companies	-	-	12,146	15,277
- Related companies	12	74	-	35
Other receivables, deposits and prepayments	30,723	40,952	1,262	1,217
	<b>461,053</b>	<b>497,286</b>	<b>13,408</b>	<b>16,529</b>

**Group**

Included in trade receivables are amounts due from related companies of RM2,629,000 (2006: RM2,787,000).

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

**Company**

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

## Notes To The Financial Statements (cont'd)

## 13. SHORT TERM INVESTMENTS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>At cost</b>				
Quoted in Malaysia				
- Shares	-	1,236	-	1,236
- Loan stocks	27	-	-	-
	27	1,236	-	1,236
<b>Market value</b>	27	1,685	-	1,685

## 14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deposits with:				
- Licensed financial institutions	120,360	100,941	787	2,863
- Other corporations	104,910	95,122	94,910	40,299
Cash and bank balances	71,130	56,984	116	117
	296,400	253,047	95,813	43,279

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

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed financial institutions	1,622	451	-	-
Cash and bank balances	66,707	19,435	62	69

## 15. SHARE CAPITAL

	Group and Company			
	2007		2006	
	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	225,989	112,995	225,802	112,901
Issued of shares arising from the conversion of ICULS	32,712	16,356	187	94
Issued of shares arising from the conversion of ECB	22,445	11,222	-	-
At 30 June	281,146	140,573	225,989	112,995

## Notes To The Financial Statements (cont'd)

### 15. SHARE CAPITAL (cont'd)

The number of ordinary shares issue after deducting treasury shares of 8,426,500 (2006: 8,424,500) ordinary shares held at the end of the financial year was 272,719,367 (2006: 217,564,690) ordinary shares of RM0.50 each.

#### Warrants

The 35,083,500 detachable warrants issued by the Company have expired on 13 November 2006.

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.

Each warrant entitled 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.

There were no conversion of warrants into new ordinary shares of the Company during the financial year. As of the expiry date, the total number of warrants which remained unexercised was 35,081,200 (2006: 35,081,200) warrants. All warrants which have not been exercised at the date of expiry have lapsed and ceased to be valid for any purpose.

### 16. RESERVES

	Note	Group		Company	
		2007 RM'000	2006 RM'000	2007 RM'000	2006 RM'000
Reserves consist of:-					
Share premium		586,926	294,301	586,926	294,301
Revaluation reserve	a	948	948	-	-
Exchange equalisation reserve		(33,261)	(24,751)	-	-
Others	b	(11,572)	(21,121)	3,943	3,943
Reserve for own shares	c	(49,763)	(17,662)	-	-
Share option reserve	d	626	-	-	-
Retained profits/(Accumulated losses)		496,745	399,466	(28,494)	120,927
		990,649	631,181	562,375	419,171

#### Note a

The revaluation reserve is used to record increases in the fair value of freehold land and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

#### Note b

Other reserves of the Group represent the Group's equity interest in the subsidiary and associated companies' capital redemption reserve, reserve for own shares and share option reserve; and gains on disposal of investments in the previous financial years.

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

#### Note c

Reserve for own shares represents advances given to a trustee to purchase the Trust Shares as disclosed in Note 2.1(o)(iv).

During the financial year, the trustee has repurchased 6,170,300 Trust Shares from the open market. As at 30 June 2007, the total number of Trust Shares purchased by the trustee was 10,000,000 (2006: 3,829,700) ordinary shares of RM.050 each.

#### Note d

Share option reserve represents fair value of the share options granted to employees as disclosed in Note 2.1(o)(iv).

## Notes To The Financial Statements (cont'd)

## 17. TREASURY SHARES - AT COST

	Group and Company			
	2007		2006	
Ordinary shares of RM0.50 each	No. of Shares '000	RM'000	No. of Shares '000	RM'000
At 1 July	8,424	63,283	7,344	59,835
Shares bought back	2	11	1,080	3,448
At 30 June	8,426	63,294	8,424	63,283

During the financial year, the Company purchased 2,000 ordinary shares of its issued share capital from the open market. The average price for the shares bought back was RM5.45 per ordinary share. The share buy back transactions were financed by internally generated fund. As at 30 June 2007, the total number of shares bought back was 8,426,500 ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

## 18. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS 2002/2007 ("ICULS")

	Group and Company	
	2007	2006
	RM'000	RM'000
At 1 July	202,817	203,975
Conversion of ICULS	(202,817)	(1,158)
At 30 June	-	202,817

The RM208,152,780 nominal value of 4% Five (5)-year ICULS issued by the Company have matured on 28 June 2007.

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

During the financial year, a total of 5,602,441 new ordinary shares of RM0.50 each were issued and allotted arising from the conversion of RM34,735,200 nominal value of ICULS by the ICULS holders. As at the maturity date of the ICULS of 28 June 2007, the outstanding RM168,081,294 nominal value of ICULS were automatically converted into 27,109,539 new ordinary shares of RM0.50 each credited as fully paid-up capital of the Company based on RM6.20 nominal value of ICULS for every one(1) new ordinary share in accordance with the terms of the Trust Deed.



## Notes To The Financial Statements (cont'd)

## 19. BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Current (unsecured)</b>				
Bank term loans	199,560	289,277	20,000	73,802
Commercial papers	207,000	165,000	207,000	165,000
Medium term notes	-	80,000	-	80,000
Bankers acceptances	119,933	165,898	-	-
Bank overdrafts	633	802	-	-
	527,126	700,977	227,000	318,802
<b>Non-current (unsecured)</b>				
Bank term loans	294,810	279,091	148,000	133,021
	821,936	980,068	375,000	451,823
The non-current borrowings are payable as follows:-				
- One to two years	224,674	240,675	148,000	133,021
- Two to five years	70,136	38,416	-	-
	294,810	279,091	148,000	133,021

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

	Group		Company	
	2007	2006	2007	2006
Bank term loans	4.06% to 6.40%	3.70% to 6.20%	4.06 - 4.22%	4.40% to 6.20%
Bankers acceptances	3.60% to 4.22%	2.90% to 4.30%	-	-
Bank overdrafts	6.75% to 7.75%	3.80% to 8.00%	-	-

(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 3.5% to 3.6% (2006: 3.8% to 4.0%) 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 were issued at par to face value and had a maturity period of not less than 12 months and not more than 84 months. The interest rates were determined on issuance and calculated based on FAST rules and carried interest rates ranging from 6.1% to 7.2% per annum in the previous financial year.

## Notes To The Financial Statements (cont'd)

**19. BORROWINGS (cont'd)**

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

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
USD loan	110,544	381,920	-	170,079
Euro loan	8,821	7,785	-	-
RMB loan	9,072	27,588	-	-
	<b>128,437</b>	<b>417,293</b>	<b>-</b>	<b>170,079</b>

**20. REDEEMABLE BONDS**

	<b>Group and Company</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
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.

**21. CONVERTIBLE BONDS DUE 2008 ("ECB")**

	<b>Group and Company</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Convertible Bonds due 2008		
- Nil (2006: US\$30,890,992)	-	117,386

The ECB were issued during the financial year ended 30 June 1997 at 85% of its nominal value.

During the 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 had been redeemed on a proportionate basis. Under the revised terms and conditions, each ECB entitled 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 ECB bore interest at Inter-Bank Offered Rates less 0.125% on the principal amount until 25 February 2008 and were listed and quoted on the Luxembourg Stock Exchange.

During the financial year, the entire US\$30,890,992 of ECB were converted into 22,444,697 new ordinary shares of RM0.50 each of the Company credited as fully paid-up capital of the Company.

## Notes To The Financial Statements (cont'd)

**22. DEFERRED TAXATION**

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

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred tax assets</b>		
At 1 July	<b>5,886</b>	3,306
Transfer (to)/from income statement	<b>(5,425)</b>	2,580
At 30 June	<b>461</b>	5,886
<b>Deferred tax liabilities</b>		
At 1 July	<b>33,848</b>	20,670
Transfer to income statement	<b>21,203</b>	13,160
Acquisition of subsidiary companies	-	18
At 30 June	<b>55,051</b>	33,848

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:-

	<b>At</b>	<b>Recognised</b>	<b>At</b>
	<b>1-7-2006</b>	<b>in income</b>	<b>30-6-2007</b>
	<b>RM'000</b>	<b>statements</b>	<b>RM'000</b>
<b>Group</b>			
Accelerated capital allowances	(66,769)	5,214	<b>(61,555)</b>
Allowances	14,099	(7,136)	<b>6,963</b>
Unabsorbed capital allowances	20,046	(20,044)	<b>2</b>
Unutilised tax losses	4,662	(4,662)	-
	<b>(27,962)</b>	<b>(26,628)</b>	<b>(54,590)</b>

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

	<b>2007</b>		<b>2006</b>	
	<b>Temporary</b>	<b>Tax</b>	<b>Temporary</b>	<b>Tax</b>
	<b>differences</b>	<b>effect</b>	<b>differences</b>	<b>effect</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
Accelerated capital allowances	<b>(615)</b>	<b>(160)</b>	2,239	627
Allowances	<b>15,823</b>	<b>4,114</b>	14,521	4,066
Unabsorbed capital allowances	<b>20,192</b>	<b>5,250</b>	21,711	6,079
Unutilised tax losses	<b>425,323</b>	<b>110,584</b>	392,571	109,920
	<b>460,723</b>	<b>119,788</b>	431,042	120,692
<b>Company</b>				
Unabsorbed capital allowances	<b>1,553</b>	<b>404</b>	1,553	435
Unutilised tax losses	<b>9,361</b>	<b>2,434</b>	9,361	2,621
	<b>10,914</b>	<b>2,838</b>	10,914	3,056

## Notes To The Financial Statements (cont'd)

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

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. EMPLOYEE BENEFITS****(a) Retirement benefits**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 July	<b>12,435</b>	11,573	<b>351</b>	383
(Reversal)/provision	<b>(902)</b>	1,073	<b>(31)</b>	(30)
Payments	<b>(571)</b>	(211)	<b>(9)</b>	(2)
At 30 June	<b>10,962</b>	12,435	<b>311</b>	351

**(b) Share-based payments****(i) Hong Leong Industries Berhad's ESOS ("HLI ESOS")**

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

Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, had granted conditional incentive share options ("HLI Options") over 2,000,000 ordinary shares of RM0.50 each in the Company, at an exercise price of RM5.51 per share to the eligible executives of HLYM.

The HLI Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period.

The HLI Options, if vested, will be satisfied by existing HLI shares held by the ESOS Trust set up for the HLI Options.

The movement in the number and weighted average exercise prices of HLI Options are as follows:-

	<b>Number of HLI Options</b>	<b>Weighted average exercise price ("WAEP")</b>
Outstanding at 1 July 2006	-	-
Granted during the current financial year	2,000,000	5.51
Outstanding at 30 June 2007	<b>2,000,000</b>	<b>5.51</b>

No HLI Options were vested during the current financial year. The weighted average share price for the year was RM5.33.

The HLI Options outstanding at the end of the current financial year have a WAEP of RM5.51 and are exercisable from 1 July 2008 to 31 December 2010, if vested.

## Notes To The Financial Statements (cont'd)

**23. EMPLOYEE BENEFITS (cont'd)****(b) Share-based payments (cont'd)****(i) Hong Leong Industries Berhad's ESOS (" HLI ESOS") (cont'd)**

The fair value of services received in return for share options granted is based on the fair value of HLI Options granted, measured using Black Scholes model, with the following inputs:-

**Fair value of HLI Options measured at grant date and assumption**

Weighted average fair value at grant date	RM1.29
Weighted average share price	RM5.50
Exercise price	RM5.51
Expected volatility*	30.34%
Options life	4 years
Expected dividends	1.78%
Risk-free interest rate (based on Malaysian government bonds)	3.68%

**(ii) Malaysian Pacific Industries Berhad's ESOS ("MPI ESOS")**

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

MPI had granted conditional incentive share options ("MPI Options") over 250,000 ordinary shares of RM0.50 each in MPI at an exercise price of RM10.61 per share to an eligible executive of Carsem Semiconductor (Suzhou) Co., Ltd, a wholly-owned subsidiary of MPI, whilst Carsem (M) Sdn Bhd ("C(M)") and Dynacraft Industries Sdn Bhd ("DCI"), both subsidiaries of MPI, had granted MPI Options over a total of 3,400,000 ordinary shares of RM0.50 each in MPI at an exercise price of RM10.61 per share to the eligible executives of C(M) and DCI.

The MPI Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period.

The MPI Options, if vested, will be satisfied by existing MPI shares held by the ESOS Trust set up for the MPI Options.

The movement in the number and weighted average exercise prices of MPI Options are as follows:-

	<b>Number of MPI Options</b>	<b>Weighted average exercise price ("WAEP")</b>
Outstanding at 1 July 2006	-	-
Granted during the current financial year	3,650,000	RM10.61
Outstanding at 30 June 2007	<b>3,650,000</b>	<b>RM10.61</b>

No MPI Options were vested during the current financial year. The weighted average share price for the year was RM10.30.

The MPI Options outstanding as at end of the current financial year have a WAEP of RM10.61 and are exercisable from 1 July 2009 to 31 December 2011, if vested.

## Notes To The Financial Statements (cont'd)

**23. EMPLOYEE BENEFITS (cont'd)****(b) Share-based payments (cont'd)****(ii) Malaysian Pacific Industries Berhad ESOS ("MPI ESOS") (cont'd)**

The fair value of services received in return for share options granted is based on the fair value of MPI Options granted, measured using Black Scholes model, with the following inputs:

**Fair value of MPI Options measured at grant date and assumptions**

Weighted average fair value at grant date	RM1.08
Weighted average share price	RM10.70
Exercise price	RM10.61
Expected volatility*	14.97%
Options life	5 years
Expected dividends	4.64%
Risk-free interest rate (based on Malaysian government bonds)	3.69%

\* The expected volatility reflects the assumption that the historical volatility is indicative of future trend, which may not necessarily be the actual outcome. No other features of the HLI Options and MPI Options granted were incorporated into the measurement of fair value.

**24. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables	197,444	203,817	-	-
Amounts due to				
- Subsidiary companies	-	-	46,704	19,722
- Related companies	726	2,789	-	305
Other payables	30,434	44,537	-	-
Accrued liabilities				
- Consumables, toolings and transport charges	28,223	29,408	-	-
- Property, plant and equipment purchases	54,967	94,045	-	-
- Operating expenses	49,932	45,212	7,540	10,542
- Staff costs	34,300	40,528	-	-
- Others	31,431	24,259	-	-
	427,457	484,595	54,244	30,569

**Group**

Included in trade payables are amounts due to related and associated companies of RM30,023,000 (2006: RM10,300,000).

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.

## Notes To The Financial Statements (cont'd)

## 25. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2007	Restated 2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after (crediting)/charging:-				
Gross dividend income				
- Malaysian quoted shares	(44)	(42)	(44)	(22)
- Malaysian unquoted associated companies	-	-	(1,575)	(1,575)
- Unquoted associated company outside Malaysia	-	-	(24,784)	(11,631)
- Subsidiary company quoted in Malaysia	-	-	(45,930)	(41,853)
- Unquoted subsidiary companies	-	-	(66,946)	(54,225)
Interest income				
- ESOS Trust	-	-	(657)	-
- Others	(6,169)	(7,131)	(651)	(343)
Rental income	(993)	(1,211)	-	-
Loss/(gain) on disposal/liquidation of:				
- Subsidiary companies	514	1	10,634	(9)
- Other investments	(555)	(2,303)	(555)	-
Auditors' remuneration				
- Statutory audits	450	443	54	51
- Other services	35	39	-	-
Depreciation of property, plant and equipment	265,948	263,379	-	-
Directors' fee	405	603	250	340
Directors' emoluments	4,455	4,084	1,196	1,275
Rental of plant and equipment	2,391	1,645	-	-
Rental of premises				
- Related companies	200	513	123	-
- Others	6,226	6,747	-	117
Bad and doubtful debts	3,880	4,514	-	-
Property, plant and equipment written off	5,674	64,212	-	-
Gain on disposal of property, plant and equipment	(1,850)	(1,944)	-	-
Investment written off	-	18	-	9
Impairment on property, plant and equipment	18,932	-	-	-
Inventories written down	32,275	36,341	-	-
Gain on bonus/redemption of redeemable preference shares in an associated company	(15,768)	-	(25,980)	-
(Gain)/loss on foreign exchange				
- Realised	(5,822)	13,092	(7,372)	174
- Unrealised	540	(7,777)	-	(7,628)
Impairment/(reversal) of value of investment in:				
- Subsidiary companies	-	-	246,908	50,000
- Other investments	-	(131)	-	(131)
Retirement benefits	(902)	1,073	(31)	(30)
Amortisation of development expenditure	1,172	1,959	-	-
Development expenditure written off	4,162	4,308	-	-
Goodwill written off	-	1,035	-	-
Finance costs				
- Bank overdrafts	1,629	642	-	4
- Term loans	27,068	28,826	10,410	12,401
- Others	38,743	38,146	29,887	30,693
Research and development expenditure	19,549	13,809	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM156,000 (2006: RM171,000) and RM22,850 (2006: RM34,000) respectively.



## Notes To The Financial Statements (cont'd)

## 26. TAXATION

	Group		Company	
	2007	Restated 2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
<b>Current taxation</b>				
Malaysian				
- Current	17,212	13,358	(292)	(235)
- Prior years	(1,828)	(4,246)	(71)	(2,608)
Overseas				
- Current	912	515	-	-
- Prior years	(22)	-	-	-
	16,274	9,627	(363)	(2,843)
<b>Deferred taxation</b>				
Malaysian				
- Current	26,354	11,186	-	-
- Prior years	274	(606)	-	-
	26,628	10,580	-	-
	42,902	20,207	(363)	(2,843)

The 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	
	2007	Restated 2006	2007	2006
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before taxation	285,171	172,787	(126,384)	18,696
Taxation at Malaysian statutory tax rates of 27% (2006: 28%)	76,996	48,380	(34,124)	5,235
<b>Tax effect in respect of:</b>				
Difference of tax rates in foreign jurisdictions	1,045	(4,286)	-	-
Non allowable expenses	8,646	5,749	67,963	15,185
Non taxable income	(59,330)	(46,743)	(32,156)	(18,377)
Difference attributable to associated companies	(14,334)	(15,560)	-	-
Effect of temporary differences reversing in pioneer period	25,001	12,145	-	-
Addition of temporary differences not recognised	23,497	36,477	-	-
Tax incentive	(11,556)	(8,825)	-	-
Reduction on ICULS interest	(1,975)	(2,278)	(1,975)	(2,278)
Deferred tax recognised at different tax rate	(3,512)	-	-	-
	44,478	25,059	(292)	(235)
Over provision in prior years	(1,576)	(4,852)	(71)	(2,608)
Taxation	42,902	20,207	(363)	(2,843)

With effect from year of assessment 2007, corporate tax rate is at 27%. The Malaysian Budget 2007 also announced the reduction of corporate tax rate to 26% in 2008. Consequently, deferred tax assets and liabilities are measured using these tax rates.

## Notes To The Financial Statements (cont'd)

**27. EARNINGS PER ORDINARY SHARE****Basic earnings per ordinary share**

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to equity holders of the Company of RM129,278,000 (2006: RM43,461,000 (restated)) by the weighted average number of ordinary shares outstanding during the financial year of 242,836,000 (2006: 248,360,000 (restated)) calculated as follows:-

Weighted average number of ordinary shares (basic)

	Group 2007 '000	Restated 2006 '000
Issued ordinary shares at beginning of the financial year	225,989	225,803
Less:		
Treasury shares held at beginning of the financial year	(8,424)	(7,344)
Trust Shares held at beginning of the financial year	(3,830)	(1,913)
	213,735	216,546
Effect on mandatory conversion of ICULS into ordinary shares	32,712	32,899
Effect on conversion of ECB into ordinary shares	123	-
Effect on purchase of treasury shares	(1)	(844)
Effect on purchase of Trust Shares	(3,733)	(241)
Weighted average number of ordinary shares (basic)	242,836	248,360

**Diluted earnings per ordinary share**

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

The Group had no dilution in its earnings per ordinary share in the previous year as there were no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

**28. DIVIDENDS**

	Group 2007 RM'000	2006 RM'000	Company 2007 RM'000	2006 RM'000
<b>First interim</b>				
5 sen per share less tax (2006: 1.25 sen per share tax exempt and 2.50 sen per share less tax)	7,759	6,572	7,946	6,630
<b>Second interim</b>				
5 sen per share less tax (2006: 6.25 sen per share tax exempt and 1.25 sen per share less tax)	7,776	15,312	8,141	15,556
	15,535	21,884	16,087	22,186

Dividend received by the ESOS Trust amounted to RM552,435 (2006: RM301,816) are eliminated against the dividend expense of the Company upon consolidation of the ESOS Trust as disclosed in Note 2.1(o)(iv).

## Notes To The Financial Statements (cont'd)

**29. EMPLOYEES BENEFITS COST**

	<b>Group</b>	
	<b>2007</b>	<b>2006</b>
	<b>RM'000</b>	<b>RM'000</b>
Staff costs	<b>429,077</b>	436,904

Staff costs of the Group include contributions to statutory pension scheme and share-based payments of HLI Options and MPI Options of RM32,891,000 (2006: RM33,202,000) and RM1,315,000 (2006: RM Nil) 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 four main business segments, namely semiconductor, motorcycles, building materials and others.

	<b>Semiconductor</b>	<b>Motorcycles</b>	<b>Building materials</b>	<b>Others</b>	<b>Consolidated</b>
<b>2007</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>					
External sales	<b>1,485,329</b>	<b>730,270</b>	<b>590,449</b>	<b>1,857</b>	<b>2,807,905</b>
<b>Result</b>					
Segment results	<b>207,824</b>	<b>29,731</b>	<b>19,511</b>	<b>25,819</b>	<b>282,885</b>
Unallocated corporate income	-	-	-	-	<b>257</b>
Operating profit					<b>283,142</b>
Interest income					<b>6,169</b>
Finance costs					<b>(67,440)</b>
Share of profit of associated companies	-	<b>47,548</b>	-	<b>15,752</b>	<b>63,300</b>
Profit before taxation					<b>285,171</b>
Taxation					<b>(42,902)</b>
Profit for the financial year					<b>242,269</b>

## Notes To The Financial Statements (cont'd)

## 30. SEGMENTAL REPORT (cont'd)

2007	Semiconductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Consolidated RM'000
<b>Consolidated assets</b>					
Segment assets	1,872,349	253,407	398,532	5,007	2,529,295
Investments in associated companies	-	119,872	-	275,358	395,230
Unallocated corporate assets	-	-	-	-	338,024
					<u>3,262,549</u>
<b>Consolidated liabilities</b>					
Segment liabilities	283,387	113,893	152,258	8,723	558,261
Unallocated corporate liabilities	-	-	-	-	1,018,225
					<u>1,576,486</u>
<b>Other information</b>					
Capital expenditure	213,780	13,779	8,687	250	236,496
Depreciation and amortisation	229,333	16,237	21,104	446	267,120
Non-cash expenses other than depreciation and amortisation	25,083	47,781	5,056	31,650	109,570
<b>2006 (Restated)</b>					
<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	-	-	-	1,298	1,298
Operating profit					<u>177,698</u>
Interest income					7,131
Finance costs					(67,614)
Share of profit of associated companies	-	43,014	-	12,558	55,572
Profit before taxation					<u>172,787</u>
Taxation					(20,207)
Profit for the financial year					<u>152,580</u>
<b>Consolidated assets</b>					
Segment assets	1,889,833	309,236	423,446	25,810	2,648,325
Investments in associated companies	-	106,529	-	298,546	405,075
Unallocated corporate assets					303,405
					<u>3,356,805</u>
<b>Consolidated liabilities</b>					
Segment liabilities	358,416	117,646	167,833	17,173	661,068
Unallocated corporate liabilities					1,228,718
					<u>1,889,786</u>
<b>Other information</b>					
Capital expenditure	368,080	19,153	5,079	143	392,455
Depreciation and amortisation	217,028	25,040	22,537	733	265,338
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)

## 31. COMMITMENTS

	Group	
	2007 RM'000	2006 RM'000
<b>Capital commitments:</b>		
Property, plant and equipment		
Authorised and contracted for	84,882	108,508
Authorised but not contracted for	83,406	69,427
<b>Operating lease commitments:</b>		
Expiring within one year	906	1,197
Expiring between one to five years	5,574	4,190
Expiring after five years	38,673	41,030
	45,153	46,417

The Group has lease commitments of RM906,000 (2006: 906,000) 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. DISPOSAL AND ACQUISITIONS OF SUBSIDIARY COMPANIES

## (a) Effect of disposal

The effect of the disposal of a subsidiary company during the financial year are as follows:-

	2007 RM'000	2006 RM'000
Property, plant and equipment	36	-
Inventories	228	-
Trade and other receivables	132	-
Cash and bank balances	530	-
Trade and other payables	(507)	-
Goodwill on acquisition	551	-
Minority interest	(209)	-
Net assets	761	-
Proceeds from disposal	210	-
Loss on disposal	551	-
Proceeds from disposal	210	-
Cash and cash equivalents disposed	530	-
Cash outflow on disposal, net of cash disposed	320	-

## Notes To The Financial Statements (cont'd)

**32. DISPOSAL AND ACQUISITIONS OF SUBSIDIARY COMPANIES (cont'd)****(b) Effect of acquisitions**

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

	2007 RM'000	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)
Net assets acquired	-	2,059
Less: Goodwill on acquisitions	-	551
Cash consideration paid	-	2,610
Cash and cash equivalents acquired	-	2,641
Cash inflow on acquisition, net of cash acquired	-	31

The subsidiary companies acquired in the previous financial year had contributed a revenue of RM255,000 and sustained a net loss of RM674,310 to the Group.

**33. 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 and Mr Kwek LB;
- (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 are collectively referred to as "YMC Group"); and

## Notes To The Financial Statements (cont'd)

**33. RELATED PARTIES (cont'd)**

Significant transactions with related parties are as follows:-

Transaction	Related Party	Group	
		2007 RM'000	2006 RM'000
(a) Sales of goods and services	Subsidiary and associated companies of HLCM	<b>13,392</b>	32,336
	Hong Bee Hardware and Hong Bee Motors	<b>28,844</b>	31,890
	YMC Group	<b>5,590</b>	16,997
	Syarikat Motor Singa and Sing Heng Motor	<b>9,833</b>	9,774
(b) Purchase of goods and services	Subsidiary and associated companies of HLCM	<b>187,027</b>	171,024
	YMC Group	<b>215,070</b>	139,892
	Tasek	<b>22,492</b>	20,345
(c) Rental of properties	Subsidiary and associated companies of HLCM	<b>831</b>	827
	YMC Group	<b>148</b>	148
(d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	<b>1,760</b>	1,784
(e) Receipt of services	Subsidiary and associated companies of HLCM	<b>3,696</b>	9,339
(f) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	<b>9,157</b>	9,011
(g) Payment for usage of the Hong Leong logo and trademark	HLCM	<b>27</b>	27
(h) Payment of royalties and technical fees for usage of Yamaha trademark and technical support	YMC	<b>6,787</b>	4,560
(i) Receipt of research and development services	YMC	<b>2,411</b>	1,556

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 and on terms not more favourable to the related parties than those generally available to and/or from the public and are not detrimental to the minority shareholders.



## Notes To The Financial Statements (cont'd)

### 34. 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 2.1(q) 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.

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 year RM'000
<b>Group</b>					
<b>2007</b>					
<b>Financial assets</b>					
Deposits with licensed financial institutions and other corporations	3.33	225,270	225,270	-	-
<b>Financial liabilities</b>					
Borrowings					
- Floating rate	4.34	812,864	664,864	148,000	-
- Fixed rate	5.82	9,072	9,072	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-

## Notes To The Financial Statements (cont'd)

## 34. FINANCIAL INSTRUMENTS (cont'd)

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 year RM'000
<b>Group</b>					
<b>2006</b>					
<b>Financial assets</b>					
Deposits with licensed financial institutions and other corporations	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	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
Convertible bonds due 2008	4.85	117,386	117,386	-	-
<b>Company</b>					
<b>2007</b>					
<b>Financial assets</b>					
Deposits with licensed financial institutions and other corporations	3.40	95,697	95,697	-	-
<b>Financial liabilities</b>					
Borrowings					
- Floating rate	3.84	375,000	227,000	148,000	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
<b>2006</b>					
<b>Financial assets</b>					
Deposits with licensed financial institutions and other corporations	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	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
Convertible bonds due 2008	4.85	117,386	117,386		

**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 primarily US dollars and Euro.

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

## Notes To The Financial Statements (cont'd)

**34. 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	2007		2006	
	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	621,077	1,138,487	578,309	1,127,624
Other assets	34,645	40,000	12,497	15,932

**Unrecognised financial instruments**

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

	Group	
	2007 RM'000	2006 RM'000
Forward foreign exchange contracts	173,227	634,216

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.

**35. 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 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").

Carsem Group's motion was 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 pending ASAT Proceeding.

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

**36. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

During the financial year, the Company and its wholly-owned subsidiary, Guolene Plastic Products Sdn Bhd, have disposed of their entire interests in Global Roaming Communications Sdn Bhd ("GRC") comprising a total of 2,610,000 ordinary shares of RM1.00 each, representing 50.1% of the issued and paid-up capital of GRC, to Mr Ooi Kean Lim @ Wei Khian Lim.

# 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 36 to 83 are drawn up in compliance with the Companies Act, 1965 and applicable approved accounting standards for entities other than private entities issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2007 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  
28 August 2007

# Statutory Declaration

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

I, Lai Shin Fah @ David Lai, being the person primarily responsible for the financial management of HONG LEONG INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 36 to 83 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 Lai Shin Fah @	)	<b>Lai Shin Fah @ David Lai</b>
	)	
David Lai at Kuala Lumpur in the	)	
	)	
Federal Territory on 28 August 2007	)	

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 36 to 83 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 for entities other than private entities issued by the Malaysian Accounting Standards Board 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 2007 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 57 to 59. 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 auditors' reports on the financial statements of the subsidiaries were not subject to any qualification except as disclosed in Note 3 to the financial statements and did not include any comment made under Subsection (3) of Section 174 of the Act.

**LING KAM HOONG & CO**  
**AF: 0106**  
**CHARTERED ACCOUNTANTS, MALAYSIA**

**LING KAM HOONG**  
**161/5/08 (J/PH)**

Kuala Lumpur  
 28 August 2007

# Other Information

## 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2007

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 2007 (RM'000)
Lot 57, Persiaran Bukit Rahman Putra 3, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	11	50,236
Lot 14/70, Jalan Utas, 40000 Shah Alam, Selangor Darul Ehsan	11 June 2071	Office and factory building	1983	456,000	20-26	15,643
PF 70, Alte Marienberger Strasse, 30-35, 09401 Zschopau-Hohndorf, Germany	Freehold	Office and factory building	1996	823,338	12-26	4,006
5 1/2 miles, Jalan Kapar, Rantau Panjang, 42100 Klang, Selangor Darul Ehsan	Freehold	Office and factory building	1982	667,513	16-38	19,561
5 1/2 miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Freehold	Office and factory building	1983	871,600	26	25,930
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	22	7,552
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	17	5,980
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	14	19,999
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	12	14,545
Ranca-Ranca Industrial Estate, Labuan, Federal Territory	31 Dec 2043	Office and factory building	1990	457,790	23	1,926
CL-205228842, Lot 5331 Labuan, Federal Territory	1 Jan 2057	Industrial land	1993	243,936	-	324
No. 367 A & B, Jalan Melaka Raya, Taman Melaka Raya, 75000 Melaka.	4 Oct 2082	3 storey Mid Terrace shop office	1996	1,399	24	174

## Other Information (cont'd)

## 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2007 (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 2007 (RM'000)
Jalan Lapangan Terbang, 30720 Ipoh, Perak Darul Ridzuan	20 Apr 2074	Office and factory building	1998	158,297	11-32	17,308
Jalan Lapangan Terbang, 30720 Ipoh, Perak Darul Ridzuan	15 Aug 2081	Office and factory building	1998	64,469	9-19	16,797
Jalan Lapangan Terbang, 30720 Ipoh, Perak Darul Ridzuan	23 May 2082	Office and factory building	1998	19,849	11-19	1,427
Jalan Lapangan Terbang, 30720 Ipoh, Perak Darul Ridzuan	8 May 2039	Industrial land	1998 1999	53,274	-	18,285
Jalan Lapangan Terbang, 30720 Ipoh, Perak Darul Ridzuan	6 Nov 2063	Vacant industrial land	2003	66,812	-	4,600
Jalan Lapangan Terbang, 30720 Ipoh, Perak Darul Ridzuan	8 May 2039	Office and factory building	1989	45,680	13	3,937
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Office and factory building	1992	1,348,704	16	87,133
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	4	27,388
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Office and factory building	1995	257,000	13	25,888
Lot 8, Bayan Lepas, Pulau Pinang	16 June 2058	Office and factory building	1995	105,000	8	15,206
Plot 15, Bayan Lepas, Pulau Pinang	22 Feb 2065	Office and factory buildings, and store	2005	174,243	-	25,552
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	-	10,013



## Other Information (cont'd)

**2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2007**

Class of Shares : Ordinary share of RM0.50 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 30 August 2007**

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	114	3.73	1,805	0.00
100 – 1,000	1,058	34.57	886,423	0.32
1,001 – 10,000	1,468	47.97	5,559,257	2.04
10,001 – 100,000	332	10.85	9,263,017	3.40
100,001 – less than 5% of issued shares	86	2.81	129,218,843	47.38
5% and above of issued shares	2	0.07	127,790,022	46.86
	3,060	100.00	272,719,367	100.00

**Note:**

\* Excluding 8,426,500 shares bought back and retained by the Company as treasury shares.

**List Of Thirty Largest Shareholders As At 30 August 2007**

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	92,790,022	34.03
2. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	35,000,000	12.83
3. Lembaga Tabung Haji	11,560,800	4.24
4. ABB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	10,000,000	3.67
5. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (HLIB)	10,000,000	3.67
6. Malaysia Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	8,000,000	2.93
7. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	8,000,000	2.93
8. Employees Provident Fund Board	7,141,500	2.62
9. Citigroup Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	6,146,700	2.26
10. RC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,000,000	2.20
11. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	1.91

## Other Information (cont'd)

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2007 (cont'd)

## List Of Thirty Largest Shareholders As At 30 August 2007 (cont'd)

Name of Shareholders	No. of Shares	%
12. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	5,000,000	1.83
13. CIMB Group Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,900,000	1.43
14. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	3,116,900	1.14
15. EB Nominees (Tempatan) Sendirian Berhad - Soft Portfolio Sdn Bhd	2,512,000	0.92
16. Mayban Nominees (Tempatan) Sdn Bhd - Public Regular Savings Fund	2,041,100	0.75
17. Hong Bee Hardware Company, Sdn. Berhad	2,019,145	0.74
18. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,000,475	0.74
19. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	1,804,000	0.66
20. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,800,000	0.66
21. Valuecap Sdn Bhd	1,775,300	0.65
22. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,724,945	0.63
23. Hong Leong Assurance Berhad - As Beneficial Owner	1,612,902	0.59
24. Mayban Nominees (Tempatan) Sdn Bhd - Public Ittikal Fund	1,524,500	0.56
25. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Millenia Fund Berhad	1,423,000	0.52
26. HLG Nominee (Asing) Sdn Bhd - Maxcellon Capital Assets Ltd	1,400,000	0.51
27. Citigroup Nominees (Asing) Sdn Bhd - DFA Emerging Markets Fund	1,225,800	0.45
28. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,100,000	0.40
29. Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Equity Fund	1,050,500	0.39
30. Lembaga Tabung Angkatan Tentera	1,013,000	0.37
	237,882,589	87.23

## Other Information (cont'd)

**2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2007 (cont'd)****Substantial Shareholders**

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2007 are as follows:

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Company (Malaysia) Berhad ("HLCM")	176,792,497	64.83	2,328,095#	0.85#
2. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek")	-	-	183,651,737**	67.34**
3. HL Holdings Sdn Bhd	-	-	179,120,592*	65.68*
4. Hong Realty (Private) Limited	-	-	181,139,737^	66.42^
5. Hong Leong Investment Holdings Pte Ltd	-	-	181,139,737^	66.42^
6. Kwek Holdings Pte Ltd	-	-	181,139,737^	66.42^
7. Mr Kwek Leng Beng	-	-	181,139,737^	66.42^
8. Mr Kwek Leng Kee	-	-	181,139,737^	66.42^
9. Davos Investment Holdings Private Limited	-	-	181,139,737^	66.42^
10. Mr Quek Leng Chye	-	-	181,139,737^	66.42^

**Notes:**

# Held through subsidiaries.

\* Held through HLCM.

\*\* Held through HLCM and companies in which Tan Sri Quek has interest.

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

## Other Information (cont'd)

**3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2007**

Subsequent to the financial year end, there is no change, as at 30 August 2007, 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 28 to 31 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:

	No. of Ordinary Shares/ *Shares to be purchased arising from the exercise of options	%
<b>Direct Interest</b>		
<b>YBhg Tan Sri Quek Leng Chan in:</b>		
GuocoLand Limited	20,062,965 #	2.26
<b>Indirect Interests</b>		
<b>YBhg Tan Sri Quek Leng Chan in:</b>		
Guoco Group Limited	219,839,529	66.81
GuocoLand Limited	567,148,320 #	63.90
Camerlin Group Berhad	286,874,078 @	61.99
Hong Leong Financial Group Berhad	2,500,000 *^	Not Applicable

**Notes:**

# Inclusive of acceptance of shares pursuant to a rights issue.

@ Inclusive of shares arising from the conversion of convertible unsecured loan stocks ("Conversion"), additional shares from cash top up pursuant to the Conversion and exercise of warrants to subscribe for shares.

^ Held through spouse and/or children who are not directors of the Company.

**4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007**

Month	No. of Shares Bought Back	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid* RM	Total Consideration* RM
November 2006	1,000	5.70	5.70	5.74	5,742
May 2007	1,000	5.25	5.10	5.15	5,154

**Note:**

\* Inclusive of transaction charges.

**5. MATERIAL CONTRACTS**

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad.

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# 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-fourth 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, 23 October 2007 at 11.00 a.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 YBhg Tan Sri Quek Leng Chan as a Director		
3. To re-elect Mr Kwek Leng San 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 ..... 2007

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

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

### Notes:

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

