

**ANNUAL
REPORT
2008**

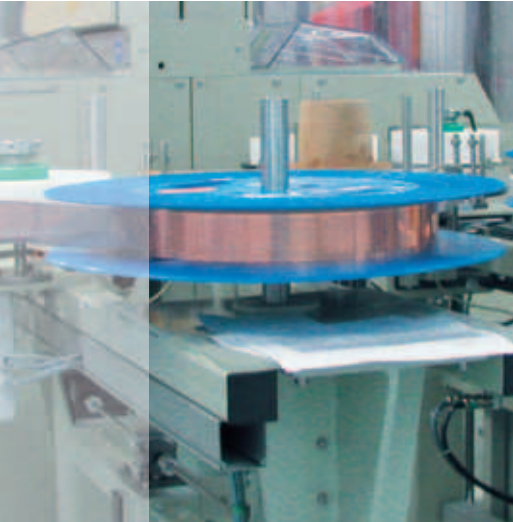
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Company Profile

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-fifth 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, 21 October 2008 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 2008;
2. to approve the payment of Directors' fees of RM270,000/- for the year ended 30 June 2008, 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) Mr Chuah Chuan Thye **(Resolution 2)**
 - b) Mr David Edward Comley; **(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
29 September 2008

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-fifth Annual General Meeting of the Company.

Directors' Profile

YBhg Tan Sri Quek Leng Chan

Executive Chairman/Non-Independent

Tan Sri Quek Leng Chan, aged 65, 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 2008.

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 53, 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 2008.

Mr Kwek, Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a 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 63, a Malaysian, graduated from University of Cairo with a Bachelor of Economics/Political Science degree. She also holds a Diploma in Public Relations from the Malaysian Institute of Public Relations. YAM Tunku Dara is a founder and governor of Kolej Tuanku Ja'afar and is a shareholder and Director of Syarikat Pesaka Antah Sdn Bhd.

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

She has attended all the Board meetings of HLI held during the financial year ended 30 June 2008.

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

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

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

He has attended three (3) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2008.

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 52, 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 three (3) out of four (4) Board meetings of HLI held during the financial year ended 30 June 2008.

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 59, 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 Managing Director.

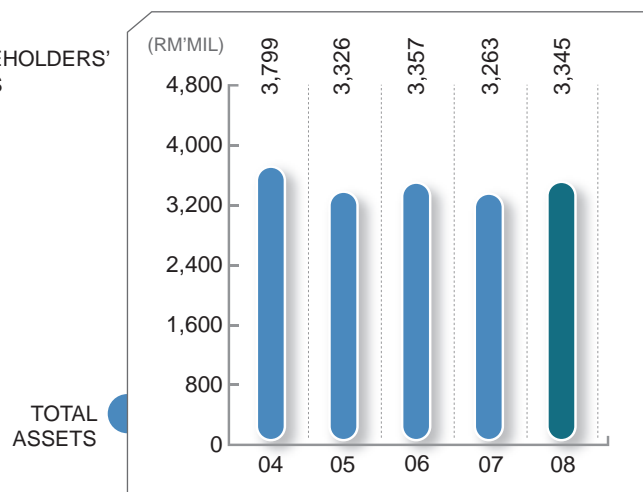
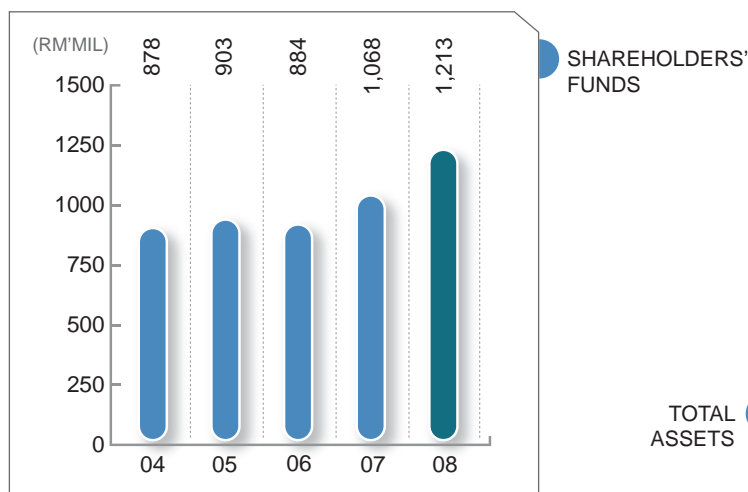
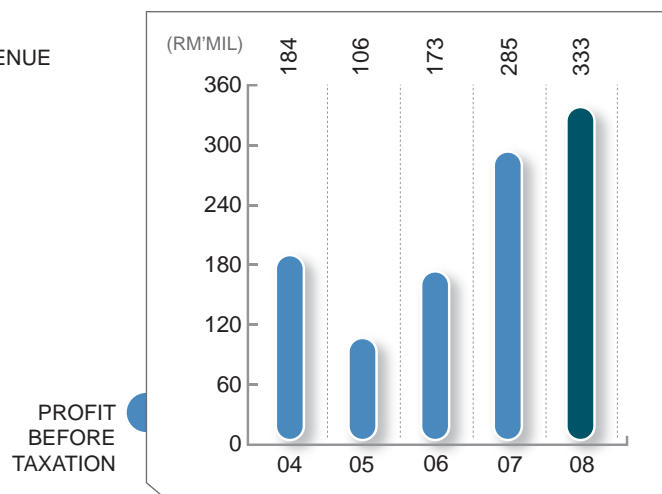
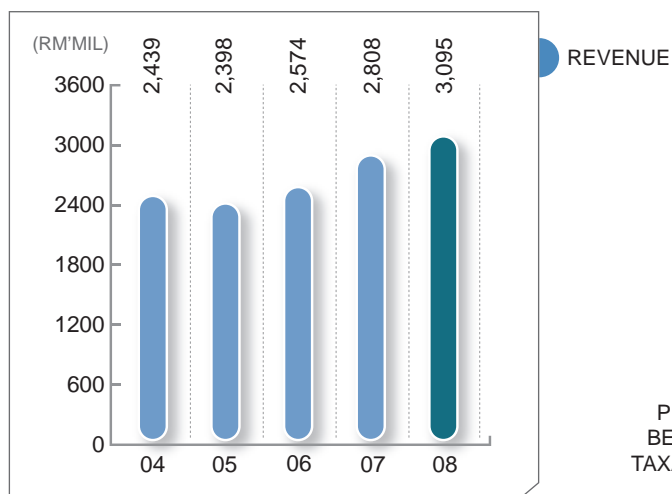
Mr David Comley joined the MPI Group as the Managing Director of Carsem (M) Sdn Bhd on 11 November 1991 and was subsequently promoted as the Group Managing Director of MPI on 16 August 1993.

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

Mr David Comley has attended all the Board meetings of HLI held during the financial year ended 30 June 2008.

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)	2004	2005	2006	2007	2008
Revenue	2,439	2,398	2,574	2,808	3,095
Profit Before Taxation	184	106	173	285	333
Profit Attributable to Equity Holders of the Company	93	72	43	129	178
Net Earnings Per Share (sen)	37	29	17	53	68
Net Dividend Per Share (sen)	5	7	10	7	11
Shareholders' Funds	878	903	884	1,068	1,213
Total Assets	3,799	3,326	3,357	3,263	3,345
Capital Expenditure	312	275	388	233	300

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 2008.

OPERATING ENVIRONMENT

The country's economy continued to post satisfactory growth throughout the financial year ended 30 June 2008 ("FY 2008") in spite of the challenging internal and external economic environment.

In spite of the worsening United States ("US") economy, Malaysia's economy managed to expand at a rate of more than 7% in the first three quarters of our FY 2008. The resilient growth was achieved on the back of higher primary commodities prices and good performance of the services sector despite a slower growth in exports on account of lower exports to the US and a strengthened Ringgit Malaysia.

The volatile commodities prices in the last quarter of FY 2008 as well as significant fuel hikes in the month of June 2008 has, however, affected consumer and business confidence and asserted significant inflationary pressure on the economy.

FINANCIAL REVIEW

The Group recorded a profit before tax ("PBT") of RM332.7 million for FY 2008 as compared with RM285.2 million achieved in the previous financial year ended 30 June 2007 ("FY 2007").

The increase in the Group's PBT in FY 2008 over FY 2007 was mainly attributable to the higher profits achieved by the motorcycle and building materials businesses which were partly offset by lower profits contribution from the semiconductor business and the associated companies.

FUTURE AND PROSPECTS

Barring any unforeseen circumstances, the Board expects the businesses of the Group to perform satisfactorily in the new financial year ending 30 June 2009.



Chairman's Statement (cont'd)

DIVIDEND

The Company had declared and paid a first and a second interim dividend totalling 15.0 sen per share less tax during the financial year under review. The Board does not recommend any final dividend for FY 2008.

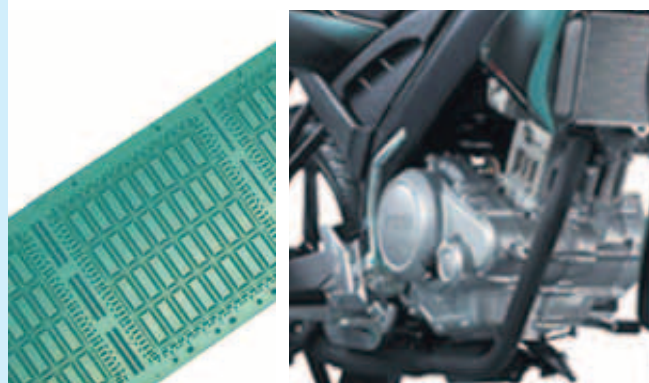
APPRECIATION

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



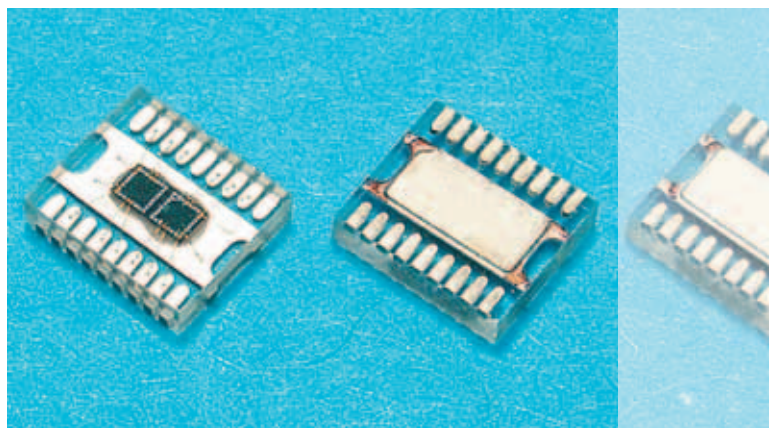
President & Chief Executive Officer's Review

Hong Leong Industries Berhad (5486-P)
Annual Report 2008

Notwithstanding the challenging operating environment for the financial year ended 30 June 2008 ("FY 2008"), the Group managed to deliver another set of satisfactory results for FY 2008 on the back of the good performance of the Group's motorcycles business and the improved margin of our building materials business.

SEMICONDUCTOR

The electronics industry showed strong growth despite the threat of a slowing world economy, the outcome of which was a year-on-year revenue growth of 11% (in United States Dollars ("USD")) for the semiconductor division. Carsem (M) Sdn Bhd ("Carsem M") grew 8% in USD, Carsem Semiconductor (Suzhou) Co., Ltd. ("Carsem Suzhou") 64% (Carsem M and Carsem Suzhou are collectively referred to as "Carsem") and Dynacraft Industries Sdn Bhd ("Dynacraft") 6%. However, the stronger Ringgit Malaysia ("Ringgit") has reduced the division's year-on-year revenue growth in Ringgit terms to only 4%.

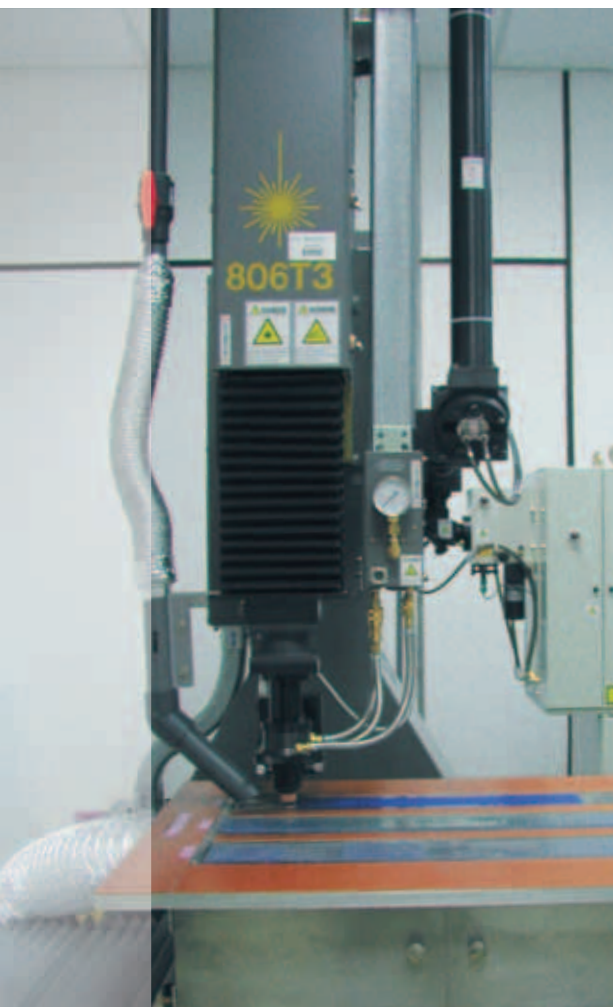


FY 2008 was very similar to the previous financial year ended 30 June 2007 ("FY 2007") with a strong first half, a particularly strong second quarter, as the industry anticipated a good Christmas, followed by a very poor third quarter and a final quarter of recovery. The industry once again showed how quickly it could respond to falling sales and high inventory by taking just one quarter to recover, another indication that the wild cyclic swings of the past are indeed now behind us.

Despite the industry supporting a year-on-year growth of 11%, the division's profit fell by 12%. The most significant cause of this fall in profit was the operational performance of Dynacraft. A major quality incident, higher copper and precious metal prices, the strengthening of the Ringgit and a one-off adjustments on the inventories have contributed to Dynacraft's fall in profit. I am pleased to note that Dynacraft's performance has now been stabilised and profit is returning to a more acceptable level.

Dynacraft's high speed etching lines installed during this past year are now full, and plans are in place to add more capacity. The conversion to Nickel Palladium Gold leadframes has stalled as the high price of gold has caused assembly companies to evaluate copper as an alternative to gold. However, bonding copper to Nickel Palladium Gold is not easy and still under development.

This past year saw the opening of Carsem's assembly and test technology centres. The assembly technology centre has been resourced with equipment to the value of USD7 million and over 100 technologists developing Carsem's new products and processes and evaluating new materials. An investment of USD3 million has been made in equipment for the test development centre to support the development engineers in writing test programmes for the many hundreds of products tested by Carsem.



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

Carsem's copper bonding process is now in production, thanks to the support from our customer, Integrated Device Technology, and finally receiving attention from other customers.

Research and development efforts are almost entirely focused on the Micro Leadframe Packages ("MLP") family, modules and test.

Going forward, it is important to recognise that our biggest challenge will be that of reducing costs. This is because the Ringgit is expected to continue to strengthen, and the value of commodities to stay high. Therefore, we have put in place an intensive programme to significantly reduce our operating costs.



I wrote in the previous financial year's report about the price reviews for low margin products, the discontinuation of certain low volume products and the conversion to more productive equipment. This first phase of Carsem's cost restructuring has been completed and the second phase in which all leaded plastic products are to be manufactured using a leadframe design and equipment that is the same irrespective of the product's body size and leadcount, is now entering its qualification stage. These products will also be consolidated at Carsem M's airport site, leaving the larger Jelapang site to focus on MLP, modules and test.

In the next few years, Carsem hopes to achieve a substantially reduced operating cost structure.

MOTORCYCLES

The motorcycles industry demand has grown for five consecutive years. In FY 2008, total retail demand for motorcycles rose 16% to 526,237 units as compared with FY 2007. The sustainable growth was attributable to a resilient economy, the proliferation of easy financing schemes and the pay hike for civil servants. For FY 2008, Yamaha registered an all-time record high in domestic sales volume of 183,298 units, 17% higher than FY 2007.

In FY 2008, Yamaha introduced three new models to further strengthen its model line-up.

To complement the well accepted 135LC auto clutch model in the 4-stroke moped segment, the 135LC Extreme Spirit, a hand clutch version, was introduced in July 2007.

The 135LC and Lagenda110Z series are well accepted and continue to spearhead Yamaha's thrust forward into the 4-stroke moped segment which comprises 84% of the total industry volume. Yamaha's share in the 4-stroke segment stands at 27%.

The automatic segment was pioneered by Yamaha way back in year 2002. Hong Leong Yamaha Motor Sdn Bhd ("HLYM") launched the new Ego S, a replacement of the Ego model in October 2007 to further strengthen its position to reach 78% in the automatic segment.

Recognising the need by customers for a street model for long distance commuting and the likelihood of an expansion in the street segment, HLYM introduced the Yamaha FZ150i Fuel Injection street bike in January 2008, Malaysia's first 150cc model with fuel injection system.

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

MOTORCYCLES (cont'd)

With a strong model line-up in all segments, Yamaha's market share in FY 2008 improved to 34.8% against 34.5% in FY 2007. The better model mix and higher volume coupled with favourable foreign exchange gains contributed substantially to the profitability of HLYM.

To enhance the brand value further, HLYM accelerated its establishment of One Brand Yamaha Star Shops by appointing seven (7) new applicants in FY 2008. Motor sports and promotional activities were intensified in FY 2008 to keep abreast with competitors' activities which grew more aggressive.

Heeding the call from the Road Safety Department to generate greater awareness on road safety in order to reduce the accident fatality rate among motorcyclists and pillion riders, HLYM intensified its safety riding programme, Yamaha Safety Riding Science, to reach out to a wider group of people who use motorcycles as their primary means of transport. HLYM also continued conducting free inspection checks for all brands of motorcycles during the Hari Raya festive period.

In our quest for continuous improvement and manufacturing excellence, the manufacturing operation continues to enhance the quality of our products and the productivity of our production processes through the adoption of new technologies and manufacturing practices. After winning the Award for Total Productive Maintenance ("TPM") Excellence First Category in year 2003, the company is proud to announce that it has again become the first motorcycle company in Malaysia to win the Award for Excellence in Consistent TPM Commitment, First Category in 2007.

In anticipation of the continuous strong market demand for Yamaha motorcycles, HLYM is embarking on projects to further enhance its capacity and productivity. Factory buildings and production facilities will be progressively upgraded to improve operational efficiency and product quality.

Being ISO14001 certified since 2006, HLYM will continue to honour its commitment towards the protection and preservation of our environment through its Environmental Management Programme and Environmental Hazardous Substance Reduction Programme.

In Vietnam, the demand for motorcycles continued to record commendable growth of about 24% to register a total industry demand of 1,970,553 units as compared with 1,590,946 units in FY 2007.

Our 24% investment in Yamaha Motor Vietnam Co., Ltd. ("Yamaha Vietnam") outperformed the industry to record an impressive year-on-year growth of 28% on sales volume. Its market share improved further by 1% to 27.4% from 26.4% in FY 2007, mainly contributed by the good demand for one of its moped models, Sirius, whose sales volume increased by 48% in FY 2008.

During FY 2008, the 2S shop concept was introduced to make Yamaha more accessible for its spare parts and repair services which was mainly targeted at the more remote towns. Yamaha Vietnam celebrated its tenth anniversary of successful operation in a competitive environment and launched a new automatic model, Nouvo LX.

Due to the impressive growth in volume over the recent years and the positive outlook, Yamaha Vietnam has invested into a second factory in the Noi Bai Industrial Zone to facilitate the increase in demand and production capacity.

In spite of inflationary pressure, the Vietnamese economy is expected to continue to be stable, and Foreign Direct Investment remains at an all-time high. Therefore, the outlook for the motorcycles industry is expected to continue to be robust in Vietnam.



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

BUILDING MATERIALS

The ceramic tiles industry was operating in a challenging environment in FY 2008 with volatilities in the financial markets, declining project market, low consumer confidence and high inflation. The Government's increase in prices of petrol and diesel had resulted in increase in cost of logistics and transportation. Furthermore, the Government's recent announcement on increase in electricity of 26.6% and natural gas of 71% would place additional cost pressure in the industry.

Throughout the years, Guocera division ("Guocera") had pursued key excellence in its four tenets namely, i) cost, quality and brand; ii) new technologies; iii) control of market and distribution; and iv) human resources. This resulted in a robust business strategy which had provided Guocera the ability to manage successfully and focus on growth opportunities in this challenging climate.

Within a difficult Malaysian economy, Guocera recorded a positive performance with solid demand in the retail and residential renovation market, and a substantial project market. Demand in the retail market and higher-end residential segment had helped offset a contraction in the weaker project market.

The project market used to be largely spurred by Government spending through provisions of basic infrastructures. There are nonetheless optimism with the Government's new growth areas located in the Iskandar Development Region, the Northern Corridor Economic Region and the Eastern Corridor Economic Region.

Despite such challenges, Guocera recorded a growth of 15% in volume and 10% in revenue in the domestic market. At the international front, the division maintained its position as a leading player in its core markets with noteworthy market share. The performance augurs well despite a challenging second half of FY 2008.

Guocera also implemented proactive measures to improve its results with proper management in manufacturing and distribution costs, and to maintain competitive market strengths. In early FY 2008, Guocera was obligated to effect an increase in selling prices following the exceptional increase in the price of energy, raw materials and volatility of exchange rates.

Guocera continues to solidify its position as the premium brand in the industry. Strong emphasis on its new product development to meet changing customer preferences had

been the company's forefront strategy. During FY 2008, Guocera launched its new banner "Life's Inspirations", which focused on value-added attributes of lifestyle innovations, product quality and customer service.

Moving forward, Guocera is positioned to embark on important strategic opportunities, both through acquisition and internal growth, which would broaden its manufacturing, distribution, marketing capabilities, product portfolio and geographical reach.

OUTLOOK

Although the current economic outlook is uncertain as a result of the US financial turmoil, I look forward to a satisfactory albeit challenging year ahead. The Group will intensify efforts on improving operating and cost efficiency, research and development on new products and processes, and exploring further export opportunities.

KWEK LENG SAN

President & Chief Executive Officer



Corporate Social Responsibility

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



Economic Sustainability

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

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

Corporate Social Responsibility (cont'd)

Social Sustainability

• *Employee Development and Welfare*

The Group follows structured development programmes to help develop both technical and soft skills of employees.

The Group's Total Achievers' Group Programme, initiated in Fiscal Year 2006/2007, is a structured 10-month programme to develop managerial talents into future leaders of the Group. This programme currently involves 36 managers from the various Group companies.

The Group's Graduate Development Programme aims 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 has also embarked on a Quality and Productivity Programme since 1991, with the aim to inculcate a continuous improvement culture amongst the workforce in the Group. Employees at various levels are trained in using the necessary problem solving tools as a way of employee development and improvement to their workplace.

• *Diversity and Inclusion*

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

The Group also actively promotes work-life balance through various sports, family, social events initiatives. 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 fiscal year.



• *Environmental Preservation*

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



Corporate Social Responsibility (cont'd)



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. Our Yamaha division has been working together with the Ministry of Transport to intensify its road safety riding programme, Yamaha Safety Riding Science, by reaching out to a wider audience of factory workers who use motorcycles as their primary means of transport, while continuing with free inspection checks for all brands of motorcycles during the Hari Raya festive period.



Social Sustainability (cont'd)

• *Environmental Preservation (cont'd)*

Our newsprint arm has recently embarked on a biomass project. This project is governed by the requirements of the Kyoto Protocol adopted by the relevant parties to the United Nations Framework Convention on Climate Change. The biomass plant will use biomass fuel, mainly empty fruit bunches, as fuel in substitution to medium fuel oil. With the replacement of medium fuel oil with biomass fuel, we are able to reduce the generation of certain greenhouse gases.



Community Investment

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of Hong Leong Group. Since its incorporation in 1992, the Foundation's programmes have been funded by the Group companies' contributions. The Foundation focuses on education and community welfare as its key thrusts and responds to appeals for aid of victims of natural disasters such as floods, tsunamis and others. Among its focus areas, education in particular, takes top priority. Indeed, the children and youth are our future – and one day soon they will be captains of industries, government leaders and heads of families nurturing generations to come. We must do as much as we can to ensure they have our full support today.

Corporate Social Responsibility (cont'd)



Community Investment (cont'd)

• *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 deserving students the chance to have the higher education necessary to become tomorrow's leaders.

At least one million Ringgit is allocated each year for scholarship grants for the public for diploma and undergraduate studies at local universities and selected institutions of higher learning. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience.

Apart from these, a separate fund is set aside for scholarship grants for deserving children of Group staff. Both grants for the public and Group staff's children are unconditional.

Certain Group companies provide on-the-job industrial trainings for students to expose them to real life industrial scenarios and impart to them relevant skills and knowledge. Selected students are given a three to six-month attachment programme with our factory operation, undergoing various trainings. The main objective of the programme is to produce skilled labour that is equipped with employable knowledge and industrial know-how.



• *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 reaches out to them through the Student Assistance Programme. To date, through this Programme, the Foundation has donated school bags, books, uniforms, bicycles and others to thousands of school children nationwide.



Corporate Social Responsibility (cont'd)



Community Investment (cont'd)

• *School Building Fund*

The Foundation actively pursues opportunities where it can play a part in improving the quality of education in the country today. Donations for the construction of bigger and better facilities for learning institutions help create an environment in which students can excel.

Towards this, the Foundation has made substantial donations to the various schools all over Malaysia.

• *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: AUTORR Foundation Project which is a community centre for the rest and recreation for senior citizens and their families; centres and shelters for the mentally and physically handicapped like the NASOM Intervention Centre, Persatuan Daybreak in Perak, Pusat Harian Kanak-Kanak Spastik, Pertubuhan Perkhidmatan Intervensi Awal in South Johore, Pusat Penjagaan Kanak-Kanak Cacat in Petaling Jaya, Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru and the Sibu, Miri and Sabah Divisions of the Society for the Blind; orphanages such as the Children's Protection Society, Ti Ratana Salak South KL, Fatima Home and Pertubuhan Anak-Anak Yatim in Batu Pahat; centres that provide medical aid to the needy such as Pusat Hemodialisis Mawar, Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru and Persatuan Kebajikan HOPE Worldwide.



Corporate Social Responsibility (cont'd)

Community Investment (cont'd)

• *Small Enterprise Programme*

The people behind the Group are core entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community. By expanding our contribution to the community to include this new category, through our dealings with various charities on programmes designed to help the underprivileged set up their own businesses, we are able to teach people to stand on their own two feet, eventually breaking the cycle of poverty. Over the short term, those whom we help by giving seed money for businesses will be able to generate enough income to be able to provide for their families' needs. Over time, with proper management and guidance, these businesses will grow and, in turn, be able to help others.

Towards this end, we are working with various NGOs, among which are: Yayasan Salam Malaysia, Malaysia Aids Council, Shelter, Persatuan Kanak-Kanak Istimewa Kajang, United Voice and Rose Virginie Good Shepherd Centre.

Apart from activities carried out by the Foundation, Group companies have staged their own 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.



Awards and Recognition

- Industry Excellence Awards 2007 was awarded to Guocera Holdings Sdn Bhd in the categories of Excellence Export (Merchandise) 2007 and Excellence (Brand) 2007 by The Ministry of International Trade & Industry (MITI). The Excellence Export Award recognises companies who successfully penetrate the export market while the Brand Excellence Award is a special recognition to companies who have developed and promoted a Malaysian brand to international standards.
- ISO14001 Certification (Environmental Management System) was awarded to Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), the first motorcycle assembler in Malaysia to receive such certification.
- Excellence in Consistent Total Productive Maintenance ("TPM") Commitment First Category Award 2007 was awarded to HLYM by Japan Institute of Plant Maintenance, the first motorcycle company in Malaysia to win such award. This award was in recognition of the efforts and contributions made by HLYM in pursuing manufacturing excellence through TPM philosophy.

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 2008.

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 financial year ended 30 June 2008, 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 compliance and regulatory issues, for its directors and senior management.

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

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.

Corporate Governance and Internal Control (cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

II Procedure

The remuneration packages of all executives of the Group, including executive directors, are laid out in the Group's Human Resources Manual, which is reviewed from time to time to align with market/industry practices.

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

III Disclosure

The aggregate remuneration of directors (including a director who has resigned during the financial year and remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2008 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	273,320	1,507,650	1,780,970
Non-Executive Directors	150,000	2,891,311	3,041,311

The number of directors whose remuneration (including a director who has resigned during the financial year ended 30 June 2008) falls into the following bands is as follows:

Range Of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	2
50,001 – 100,000	1	2
100,001 – 1,650,000	-	-
1,650,001 – 1,700,000	1	-
1,700,001 – 2,750,000	-	-
2,750,001 – 2,800,000	-	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 Chief Financial Officer could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Corporate Governance and Internal Control (cont'd)

C. SHAREHOLDERS (cont'd)

I Dialogue between Companies and Investors (cont'd)

Queries may be conveyed to the following person:

Name : Mr Cheang Kok Kuan
Tel No : 03 - 2164 2631
Fax No : 03 - 2715 4808
E-mail Address : IRelations@hli.com.my

II Annual General Meeting ("AGM")

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

D. ACCOUNTABILITY AND AUDIT

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

The Committee met four (4) times during the financial year ended 30 June 2008. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 26 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.

Corporate Governance and Internal Control (cont'd)

E. STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

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

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 financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2008, 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

Hong Leong Industries Berhad (5486-P)
Annual Report 2008

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, competency and resources of the internal audit functions.
- To review the report and findings of the Internal Audit Department including any findings of internal investigations and the management’s response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as may be agreed to by the Committee and the Board.

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 twice 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 2008, four (4) Committee meetings were held and all the meetings were attended by all the Committee members. The Committee also had two (2) separate sessions with the external auditors without the presence of executive directors.

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 2008, 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.

Financial Statements

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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 2008.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit attributable to equity holders of the Company	177,702	91,347

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 RM10,090,579 in respect of the financial year ended 30 June 2008 on 28 December 2007; and
- (ii) a second interim dividend of 10 sen per share less tax amounting to RM20,181,085 in respect of the financial year ended 30 June 2008 on 20 June 2008.

The Directors do not recommend any final dividend for the financial year ended 30 June 2008.

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

In accordance with Article 115 of the Company's Articles of Association, Mr Chuah Chuan Thye and Mr David Edward Comley 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 loan stocks/bonds of the Company and/or its related corporations during the financial year ended 30 June 2008 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:-

		Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/options/convertible loan stocks/bonds			
	Nominal value per share	At			At
	RM	1-7-2007	Acquired	Sold	30-6-2008
Shareholdings in which <u>Directors have direct interests</u>					
Interests of					
YBhg Tan Sri Quek Leng Chan in:-					
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	5,015,741	-	20,062,965
Hume Industries (Malaysia) Berhad	1.00	2,000,000	-	-	2,000,000
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
GuocoLand (Malaysia) Berhad	0.50	3,266,280	1,210,000	-	4,476,280
GuocoLeisure Limited (formerly known as BIL International Limited)	US\$0.20	150,000	-	-	150,000
Interest of					
YBhg Dato’ Ahmad Johari bin Tun Abdul Razak in:-					
Hong Leong Industries Berhad	0.50	17,600	-	-	17,600
Interests of					
Mr Kwek Leng San in:-					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,220,000	-	-	2,220,000
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

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

		Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/options/convertible loan stocks/bonds			
	Nominal value per share RM	At 1-7-2007	Acquired	Sold	At 30-6-2008
Shareholdings in which <u>Directors have direct interests</u>					
Interests of Mr David Edward Comley in:-					
Malaysian Pacific Industries Berhad	0.50	60,000	-	-	60,000
	-	1,500,000*	-	-	1,500,000*
Shareholdings in which <u>Directors have indirect interests</u>					
Interests of YBhg Tan Sri Quek Leng Chan in:-					
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
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
	-	-	2,500,000*^^	-	2,500,000*^^
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	955,910,600	5,779,500	-	961,690,100
Hong Leong Tokio Marine Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Industries Berhad	0.50	183,651,737	1,248,000	-	184,899,737
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	1.00	1,750,000	-	-	1,750,000
(In members' voluntary liquidation)					
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd	1.00	10,560,627	-	-	10,560,627
(In members' voluntary liquidation)					
RZA Logistics Sdn Bhd	1.00	7,815,980	-	-	7,815,980
Malaysian Pacific Industries Berhad	0.50	120,643,609	7,039,700	-	127,683,309
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	1.00	69,924,134	-	69,924,134##	-
(In members' voluntary liquidation)					
Hume Industries (Malaysia) Berhad	1.00	120,144,828	64,100	-	120,208,928
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Camerlin Group Berhad	0.01Δ	279,358,017	7,516,061@	-	286,874,078
	-	7,251,391*	-	7,251,391≈*	-

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

		Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/options/convertible loan stocks/bonds			
	Nominal value per share RM	At 1-7-2007	Acquired	Sold	At 30-6-2008
Shareholdings in which <u>Directors have indirect interests</u>					
Interests of					
YBhg Tan Sri Quek Leng Chan in:-					
Guoco Group Limited	US\$0.50	216,009,447	3,830,082	-	219,839,529
GuocoLand Limited	∞	425,361,240	145,597,080	-	570,958,320
		-	726,348*	-	726,348*
First Changi Development Pte Ltd	∞	40,002,075	4,444,675	-	44,446,750 [⊙]
First Garden Development Pte Ltd	∞	72,000,000	-	-	72,000,000
Melville Park Development Pte Ltd	∞	57,840,000	-	-	57,840,000
(In members' voluntary liquidation)					
Sanctuary Land Pte Ltd	∞	54,000,000	-	-	54,000,000
Beijing Minghua Property Development Co., Ltd	^	150,000,000	-	-	150,000,000
(In members' voluntary liquidation)					
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	^	271,499,800	-	-	271,499,800
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	^	-	50,000,000	-	50,000,000
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	200,000,000	-	-	200,000,000
M.C. Packaging Offshore Limited	HK\$0.01	812,695	-	-	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	456,555,616	-	-	456,555,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
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)

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

		Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/options/convertible loan stocks/bonds			
	Nominal value per share RM	At 1-7-2007	Acquired	Sold	At 30-6-2008
Shareholdings in which <u>Directors have indirect interests</u>					
Interests of YBhg Tan Sri Quek Leng Chan in:-					
GuocoLeisure Limited (formerly known as BIL International Limited)	US\$0.20	811,297,043	32,167,000	3,754,935	839,709,108
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
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

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

		Number of ordinary shares/*shares issued or to be issued or acquired arising from the exercise of warrants/options/convertible loan stocks/bonds			
	Nominal value per share RM	At 1-7-2007	Acquired	Sold	At 30-6-2008
<hr/>					
Shareholdings in which <u>Directors have indirect interests</u>					
Interests of					
Mr Chuah Chuan Thye in:-					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	9,284,949	-	-	9,284,949
Hong Leong Industries Berhad	0.50	2,284,848	-	-	2,284,848
Narra Industries Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	120,000	-	-	120,000
Camerlin Group Berhad	0.01Δ	3,133,500	-	-	3,133,500
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.
- Δ Reduction in par value from RM1.00 to RM0.01 per share with effect from 22 May 2008.
- @ Inclusive of shares arising from the conversion of convertible loan stocks ("Conversion"), additional shares from cash top up pursuant to the Conversion and exercise of warrants to subscribe for shares.
- ^^ Held through children who are not directors of the Company.
- ≈ The convertible loan stocks and warrants of Camerlin Group Berhad expired on 16 July 2007 and 25 July 2007 respectively.
- ⊙ Became a wholly-owned subsidiary of GuocoLand Limited on 23 November 2007.

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 has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EXECUTIVE SHARE OPTION SCHEME ("ESOS" 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 has 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 have been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.
2. The aggregate number of shares to be issued under the 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.

Directors' Report (cont'd)

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

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.

Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, has 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 eligible executives of HLYM ("Option Holders"). The HLI Options granted are subject to the achievement of certain performance criteria by the Option Holders over the option performance period.

At the end of the option performance period, the Option Holders fulfilled the performance criteria and accordingly, on 15 August 2008, HLYM vested the HLI Options over 2,000,000 ordinary shares in the Company to the Option Holders. The vested HLI Options will be satisfied by existing HLI shares held by the ESOS Trust set up for HLI Options.

SHARE CAPITAL AND DEBENTURE

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

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 RM4.17 per ordinary share. The share buy back transactions were financed by internally generated fund. As at 30 June 2008, the total number of shares bought back was 8,428,500 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.

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.

Directors' Report (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report there does not exist:-

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

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

In the opinion of the Directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

On behalf of the Board

Kwek Leng San

David Edward Comley

Kuala Lumpur
25 August 2008

Balance Sheets

as at June 2008

		Group		Company	
	Note	2008 RM'000	Restated 2007 RM'000	2008 RM'000	2007 RM'000
Non-current assets					
Property, plant and equipment	4	1,389,205	1,353,130	-	-
Prepaid lease payments	5	37,294	37,679	-	-
Investments in subsidiary companies	6	-	-	852,318	854,318
Investments in associated companies	7	403,697	395,230	291,053	291,053
Other investments	8	1,351	1,351	657	657
Intangible assets	9	482,477	458,192	-	-
Other assets	10	-	-	37,137	34,645
Deferred tax assets	21	1,127	461	-	-
		2,315,151	2,246,043	1,181,165	1,180,673
Current assets					
Inventories	11	213,039	228,093	-	-
Trade and other receivables	12	525,226	461,053	53,916	13,408
Tax recoverable		23,198	30,933	22,418	29,315
Short term investments	13	7	27	-	-
Deposits, cash and bank balances	14	268,023	296,400	56,784	95,813
		1,029,493	1,016,506	133,118	138,536
TOTAL ASSETS		3,344,644	3,262,549	1,314,283	1,319,209
Capital and reserves attributable to equity holders of the company					
Share capital	15	140,573	140,573	140,573	140,573
Reserves	16	1,135,346	990,649	623,450	562,375
Treasury shares - at cost	17	(63,302)	(63,294)	(63,302)	(63,294)
		1,212,617	1,067,928	700,721	639,654
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	18	-	-	-	-
Minority interests		635,445	618,135	-	-
TOTAL EQUITY		1,848,062	1,686,063	700,721	639,654
Non-current liabilities					
Borrowings (unsecured)	19	330,166	294,810	208,000	148,000
Redeemable Bonds	20	-	250,000	-	250,000
Deferred tax liabilities	21	61,783	55,051	-	-
Retirement benefits	22(a)	11,712	10,962	335	311
		403,661	610,823	208,335	398,311
Current liabilities					
Trade and other payables	23	431,524	427,457	43,227	54,244
Borrowings (unsecured)	19	394,400	527,126	112,000	227,000
Redeemable Bonds	20	250,000	-	250,000	-
Tax payable		16,997	11,080	-	-
		1,092,921	965,663	405,227	281,244
TOTAL LIABILITIES		1,496,582	1,576,486	613,552	555,555
TOTAL EQUITY AND LIABILITIES		3,344,644	3,262,549	1,314,283	1,319,209

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

Income Statements

for the financial year ended 30 June 2008

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue					
Sales of goods and services		3,094,613	2,807,861	-	-
Dividend income		-	44	127,341	139,279
		3,094,613	2,807,905	127,341	139,279
Cost of sales		(2,561,142)	(2,336,785)	-	-
Gross profit		533,471	471,120	127,341	139,279
Distribution costs		(95,140)	(89,711)	-	-
Administration expenses		(87,374)	(89,078)	(3,483)	(3,073)
Other operating expenses		(36,965)	(72,331)	(5,589)	(257,542)
Other operating income		16,842	63,142	132	33,941
Operating profit/(loss)		330,834	283,142	118,401	(87,395)
Interest income		6,141	6,169	1,940	1,308
Finance costs		(51,627)	(67,440)	(28,991)	(40,297)
Share of profit of associated companies		47,347	63,300	-	-
Profit/(loss) before taxation	24	332,695	285,171	91,350	(126,384)
Taxation	25	(37,753)	(42,902)	(3)	363
Profit/(loss) for the financial year		294,942	242,269	91,347	(126,021)
Attributable to:					
Equity holders of the Company		177,702	129,278	91,347	(126,021)
Minority interests		117,240	112,991	-	-
Profit/(loss) for the financial year		294,942	242,269	91,347	(126,021)
Basic earnings per ordinary share (sen)	26	67.66	53.24		
Dividends per ordinary share - net (sen)	27	11.10	7.30		

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

Statements of Changes in Equity

for the financial year ended 30 June 2008

Group	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 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
Profit for the financial year	-	-	-	-	-	-	-	129,278	-	129,278	-	112,991	242,269
Interest on Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	-	-	-	-	-	-	-	(7,313)	-	(7,313)	-	-	(7,313)
Foreign currency translation differences	-	-	-	(8,510)	-	-	-	-	-	(8,510)	-	1,120	(7,390)
Dividends (Note 27)	-	-	-	-	-	-	-	(15,535)	-	(15,535)	-	(72,095)	(87,630)
Conversion of ICULS into ordinary shares	16,356	186,461	-	-	-	-	-	-	-	202,817	(202,817)	-	-
Conversion of Convertible Bonds due 2008 ("ECB") into ordinary shares	11,222	106,164	-	-	-	-	-	-	-	117,386	-	-	117,386
Purchase of treasury shares	-	-	-	-	-	-	-	-	(11)	(11)	-	-	(11)
Purchase of Trust Shares	-	-	-	-	-	(32,101)	-	-	-	(32,101)	-	-	(32,101)
Transfer to capital redemption reserves	-	-	-	-	9,151	-	-	(9,151)	-	-	-	-	-
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	-	-	-	(209)	(209)
Change in equity in subsidiary companies	-	-	-	-	-	-	-	-	-	-	-	(7,272)	(7,272)
Share-based payments	-	-	-	-	398	-	626	-	-	1,024	-	291	1,315
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)													

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

Statements of Changes in Equity (cont'd)

for the financial year ended 30 June 2008

	Attributable to equity holders of the Company											
	Exchange				Reserve							
	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Equalisation Reserve* RM'000	Others* RM'000	For Own Shares* RM'000	Option Reserve* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group												
At 1 July 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
Profit for the financial year	-	-	-	-	-	-	-	177,702	-	177,702	117,240	294,942
Foreign currency translation differences	-	-	-	(3,239)	-	-	-	-	-	(3,239)	4,476	1,237
Dividends (Note 27)	-	-	-	-	-	-	-	(29,129)	-	(29,129)	(76,068)	(105,197)
Purchase of treasury shares	-	-	-	-	-	-	-	-	(8)	(8)	-	(8)
Purchase of Trust Shares	-	-	-	-	-	(2,492)	-	-	-	(2,492)	-	(2,492)
Transfer to capital redemption reserves	-	-	-	-	58	-	-	(58)	-	-	-	-
Transfer of capital reserves	-	-	-	-	1,044	-	-	(1,044)	-	-	-	-
Change in equity in subsidiary companies	-	-	-	-	-	-	-	-	-	-	(28,843)	(28,843)
Share-based payments	-	-	-	-	693	-	1,162	-	-	1,855	505	2,360
At 30 June 2008	140,573	586,926	948	(36,500)	(9,777)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062
	(Note 15)									(Note 17)		

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

Statements of Changes in Equity (cont'd)

for the financial year ended 30 June 2008

Company	Attributable to equity holders of the Company						Total Equity RM'000
	Share Capital RM'000	Share Premium* RM'000	Others RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000	
At 1 July 2006	112,995	294,301	3,943	120,927	(63,283)	468,883	671,700
Loss for the financial year	-	-	-	(126,021)	-	(126,021)	(126,021)
Interest on ICULS	-	-	-	(7,313)	-	(7,313)	(7,313)
Dividends (Note 27)	-	-	-	(16,087)	-	(16,087)	(16,087)
Conversion of ICULS into ordinary shares	16,356	186,461	-	-	-	202,817	-
Conversion of ECB into ordinary shares	11,222	106,164	-	-	-	117,386	117,386
Purchase of treasury shares	-	-	-	-	(11)	(11)	(11)
At 30 June 2007	140,573	586,926	3,943	(28,494)	(63,294)	639,654	639,654
Profit for the financial year	-	-	-	91,347	-	91,347	91,347
Dividends (Note 27)	-	-	-	(30,272)	-	(30,272)	(30,272)
Purchase of treasury shares	-	-	-	-	(8)	(8)	(8)
At 30 June 2008	140,573	586,926	3,943	32,581	(63,302)	700,721	700,721

(Note 15)

(Note 17)

(Note 18)

*Non Distributable

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

Cash Flow Statements

for the financial year ended 30 June 2008

	Group		Company	
	2008	Restated 2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	332,695	285,171	91,350	(126,384)
Adjustments for:-				
Amortisation of prepaid lease payments	508	497	-	-
Share of profit of associated companies	(47,347)	(63,300)	-	-
Depreciation of property, plant and equipment	256,338	265,451	-	-
Dividend income	-	(44)	(127,341)	(139,279)
Gain on disposal of property, plant and equipment	(1,991)	(1,850)	-	-
Property, plant and equipment written off	2,576	5,674	-	-
Impairment on property, plant and equipment	7,787	18,932	-	-
Retirement benefits	1,057	(902)	25	(31)
Unrealised loss on foreign exchange	70	540	-	-
Interest income	(6,141)	(6,169)	(1,940)	(1,308)
Finance costs	51,627	67,440	28,991	40,297
Amortisation of development expenditure	1,387	1,172	-	-
(Gain)/loss on disposal/liquidation of				
- Subsidiary companies	(157)	514	(157)	10,634
- Other investments	-	(555)	-	(555)
Gain on bonus/redemption of redeemable preference shares in an associated company	-	(15,768)	-	(25,980)
Impairment of value of investments in				
- Subsidiary companies	-	-	2,000	246,908
- Other investments	20	-	-	-
Share-based payments	2,360	1,315	-	-
Development expenditure written off	-	4,162	-	-
Other non-cash items	156	198	-	-
Operating profit/(loss) before working capital changes	600,945	562,478	(7,072)	4,302
Changes in working capital:				
Inventories	15,749	15,793	-	-
Trade and other receivables	(68,461)	21,770	(39,391)	(19,027)
Trade and other payables	9,470	(33,136)	(14,626)	23,675
Cash generated from/(used in) operations	557,703	566,905	(61,089)	8,950
Taxation (paid)/refund	(18,290)	(11,810)	14,551	15,291
Interest income received	6,141	6,169	1,940	1,308
Finance costs paid	(51,627)	(67,440)	(28,991)	(40,297)
Dividends received from				
- Subsidiary companies	-	-	88,770	99,517
- Associated companies	30,914	26,048	30,914	26,048
- Other investments	-	32	-	32
Retirement benefits paid	(307)	(571)	(1)	(9)
Net cash generated from operating activities	524,534	519,333	46,094	110,840

Cash Flow Statements (cont'd)

for the financial year ended 30 June 2008

	Group		Company	
	2008	Restated 2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash distribution from liquidation of subsidiary companies	157	28	157	27,998
Addition of development expenditure	(1,588)	(3,619)	-	-
Purchase of property, plant and equipment	(299,838)	(232,877)	-	-
Proceeds from disposal of property, plant and equipment	5,100	8,213	-	-
Proceeds from disposal of investments	-	1,791	-	1,791
Disposal of a subsidiary company (Note 30)	-	(320)	-	209
Proceeds from redemption of redeemable preference shares in an associated company	-	54,708	-	54,708
Additional investment in subsidiary companies	(52,924)	(22,768)	-	(42,768)
Acquisition of other investments	-	(27)	-	(10)
Net cash (used in)/generated from investing activities	(349,093)	(194,871)	157	41,928
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to				
- Equity holder of the Company	(29,129)	(15,535)	(30,272)	(16,087)
- Minority shareholders of subsidiary companies	(76,068)	(72,095)	-	-
Payment of interest on ICULS	-	(7,313)	-	(7,313)
Repayment of borrowings	(1,123,702)	(1,866,608)	(352,000)	(985,079)
Drawdown of borrowings	1,028,820	1,713,869	297,000	908,256
Purchase of treasury shares	(26)	(51)	(8)	(11)
Purchase of Trust Shares	(2,492)	(32,101)	-	-
Net cash used in financing activities	(202,597)	(279,834)	(85,280)	(100,234)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,156)	44,628	(39,029)	52,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	295,767	252,245	95,813	43,279
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS	(636)	(1,106)	-	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	267,975	295,767	56,784	95,813
CASH AND CASH EQUIVALENTS COMPRISE:-				
Deposits	185,217	225,270	56,738	95,697
Cash and bank balances	82,806	71,130	46	116
Bank overdrafts	(48)	(633)	-	-
	267,975	295,767	56,784	95,813

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 2008 comprise the Company, its subsidiaries and special purpose entities (Note 2.1(b)(ii)) (together referred to as the Group). The financial statements of the Company for the financial year ended 30 June 2008 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 25 August 2008.

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 Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

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 6, 7 and 9 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 2007, the Group and the Company adopted new and revised Financial Reporting Standards ("FRSs") which are mandatory to be adopted 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 transactions 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, liabilities and contingent 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) Special Purpose Entities

Special Purpose Entities ("SPE") are entities defined in IC Interpretation 112, Consolidation - Special Purpose Entities, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly the ESOS Trust set up as mentioned in Note 2.1(o)(iv) is consolidated in the Consolidated Financial Statement of the Group.

(iii) 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.

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 (cont'd)

(iii) Associates

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).

(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 and long term leasehold 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.

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

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.

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

Buildings	2% - 5%
Building improvements	10%
Plant and equipment and motor vehicles	5% - 50%

The depreciable amount is determined after deducting the residual value.

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

(d) Prepaid lease payments

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and the rewards are classified as operating leases, other than a property held under operating leases which meets the definition of an investment property is classified as an investment property on a property by property basis.

The minimum lease payments including up-front payments made for leasehold land and building, are allocated between land and buildings elements in proportion to the relative fair values of leasehold interest in the land element and the buildings element at the inception of the lease.

Leasehold land that normally has an indefinite economic life and if title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The up-front payment made for the leasehold land represents prepaid lease payments that are amortised on a straight line basis over the lease term. Where the leasehold land has been previously revalued, the unamortised revalued amount of leasehold land is retained as surrogate carrying amount of the prepaid lease payments.

For leases of land and buildings in which the amount that would initially be recognised for land element is immaterial, the land and buildings maybe treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) 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.

Excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, 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.

(f) 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.

(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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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.

(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 119²⁰⁰⁴, Employee Benefits has not been used in deriving at the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Employee benefits (cont'd)

(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 Trusts ("Trust Shares").

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

(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.

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 (cont'd)

(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.

(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. Deferred exchange differences are released to the income statement upon disposal of the investment.

(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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue (cont'd)

(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 "Bonds") are amortised over the tenure of the Bonds.

(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 substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Taxation (cont'd)

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. Unutilised reinvestment allowance and investment tax allowance are recognised as a reduction of tax expense as and when they are utilised.

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 2007, the Group and Company adopted the following FRSs:-

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 111	Construction Contracts	1 July 2007
FRS 112	Income Taxes	1 July 2007
FRS 117	Leases	1 October 2006
FRS 118	Revenue	1 July 2007
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 124	Related Party Disclosures	1 October 2006
FRS 134	Interim Financial Reporting	1 July 2007
FRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
Amendment to FRS 119 ²⁰⁰⁴	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 ²⁰⁰⁴ , Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8	Scope of FRS 2	1 July 2007

The adoption of FRSs 6, 107, 111, 112, 118, 120, 124, 134, 137, Amendment to FRS 119²⁰⁰⁴, Amendment to FRS 121 and IC Interpretations 1, 2, 5, 6, 7 and 8 do not have any significant financial impact on the financial statements of the Company and Group.

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land are classified as prepaid lease payments and are amortised on a straight line-basis over the remaining lease term of the land. Where the leasehold land has been previously revalued, the unamortised revalued amount of leasehold land is retained as surrogate carrying amount of the prepaid lease payments as allowed by the transitional provisions of FRS 117. Prior to 1 July 2007, leasehold lands were classified as property, plant and equipment and were stated at cost/valuation less accumulated depreciation and accumulated impairment.

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 2007	As Previously Reported RM'000	Adoption of FRS 117 RM'000	As Restated RM'000
Balance Sheet			
Property, plant and equipment	1,390,809	(37,679)	1,353,130
Prepaid lease prepayments	-	37,679	37,679
Income Statement			
Depreciation of property, plant and equipment	265,948	(497)	265,451
Amortisation of prepaid lease payments	-	497	497

The Malaysian Accounting Standards Board announced that FRS 139, Financial Instruments: Recognition and Measurement will be effective for annual periods beginning on or after January 2010. Hence, the Group and the Company plans to adopt FRS 139 for the financial year ending 30 June 2011.

The effects resulting from the adoption of FRS 139 upon first adoption of this 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 exemption given in the standard.

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
		2008 %	2007 %	
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
• Guocera Tile Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of ceramic tiles.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of ceramic tiles.
* 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	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.

Notes to the Financial Statements (cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2008 %	2007 %	
Subsidiary Companies (cont'd)				
♦ Skylight Services Limited (formerly known as 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	Investment holding.
*Stableview Sdn Bhd (formerly known as MZ Motorrad Sdn Bhd)	Malaysia	100.0	100.0	Ceased operation during the financial year.
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 trade marks 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 ("USA")	100.0	100.0	Dormant.
* MZ Engineering GmbH	Germany	100.0	100.0	In member's voluntary liquidation.
* MZ Motorrad (Thailand) Company Limited	Thailand	100.0	100.0	Dormant.
*Malaysian Pacific Industries Berhad	Malaysia	61.4	57.8	Investment holding.
* Carsem (M) Sdn Bhd	Malaysia	43.0	40.5	Manufacturing and testing of semiconductor devices and electronic components.
* Carsem Semiconductor Sdn Bhd	Malaysia	43.0	40.5	Dormant.
♦ Carsem Holdings Limited	Bermuda	61.4	57.8	Investment holding.
* @Carsem Semiconductor (Suzhou) Co., Ltd	The People's Republic of China	61.4	57.8	Manufacturing and testing of semiconductor devices and electronic components.
* Carter Realty Sdn Bhd	Malaysia	43.0	40.5	Investment holding.
♦ Carsem Inc	USA	43.0	40.5	Semiconductor devices' and electronic components' marketing agent.
* Dynacraft Industries Sdn Bhd	Malaysia	61.4	57.8	Manufacturing and sale of leadframes.
♦ Advance Dyna, Inc. (formerly known as Dyna-Craft Industries, Inc)	USA	61.4	57.8	Dormant.
* MPI (BVI) Limited	British Virgin Islands	61.4	57.8	Investment holding and trading in securities.
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.

Notes to the Financial Statements (cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2008 %	2007 %	
Subsidiary Companies (cont'd)				
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	In member's voluntary liquidation.
RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Investment holding.
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.
Associated companies				
*Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	Malaysia	30.0	30.0	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	34.0	34.0	Provision of research and development services.
*Yamaha Motor Vietnam Co., Ltd	Vietnam	24.0	24.0	Manufacture and assemble motorcycles, spare parts and components and provision of maintenance and repair service for motorcycles.
*Malaysian Newsprint Industries Sdn Bhd	Malaysia	33.7	33.7	Manufacture and sale of newsprint and related paper products.
*Laras Perkasa Sdn Bhd	Malaysia	30.0	30.0	Dormant.

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

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

Notes:

- Sub-subsidiary companies.
- * The financial statements of these subsidiary and associated companies are not audited by the auditors 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 2007. 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.

Notes to the Financial Statements (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land RM'000	Freehold Buildings RM'000	Leasehold Land RM'000	Leasehold Buildings RM'000	Plant & equipment & Motor Vehicles RM'000	Capital Work-In- Progress RM'000	Total RM'000
Net book value							
At 1 July 2007							
- As previously reported	41,147	106,915	37,679	213,453	952,912	38,703	1,390,809
- Adoption of FRS 117	-	-	(37,679)	-	-	-	(37,679)
- As restated	41,147	106,915	-	213,453	952,912	38,703	1,353,130
Translation differences	18	410	-	1,198	4,421	-	6,047
Additions	3,280	7,484	-	4,061	249,041	35,972	299,838
Reclassification	-	-	-	4,745	31,142	(35,887)	-
Disposals	-	-	-	-	(3,109)	-	(3,109)
Write off	-	-	-	-	(2,576)	-	(2,576)
Impairment	-	-	-	-	(7,787)	-	(7,787)
Depreciation	-	(4,432)	-	(15,975)	(235,931)	-	(256,338)
At 30 June 2008	44,445	110,377	-	207,482	988,113	38,788	1,389,205
At 30 June 2008							
Cost	43,030	152,981	-	317,206	3,258,820	38,788	3,810,825
Valuation	1,415	-	-	8,530	5,378	-	15,323
Accumulated depreciation and impairment	-	(42,604)	-	(118,254)	(2,276,085)	-	(2,436,943)
Net book value	44,445	110,377	-	207,482	988,113	38,788	1,389,205
At 30 June 2007 (Restated)							
Cost	39,732	144,740	-	307,013	3,060,641	38,703	3,590,829
Valuation	1,415	-	-	8,530	5,378	-	15,323
Accumulated depreciation and impairment	-	(37,825)	-	(102,090)	(2,113,107)	-	(2,253,022)
Net book value	41,147	106,915	-	213,453	952,912	38,703	1,353,130

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 RM243,000 (2007: RM1,137,000).

Certain buildings of a sub-subsidary company is situated on land held under operating leases (Note 29).

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.

Notes to the Financial Statements (cont'd)

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

Details of independent professional valuations of property, plant and equipment of the Group at 30 June 2008 are as follows:-

Year of valuation	Description of property	Land & buildings RM'000	Plant & equipment RM'000
1990	Long leasehold buildings	4,362	-
	Plant and equipment	-	5,378
1983	Long leasehold buildings	4,168	
1982	Freehold land	1,415	-
		9,945	5,378

The valuation were made on the open market value basis.

5. PREPAID LEASE PAYMENTS

	2008 RM'000	Group Restated 2007 RM'000
Net book value		
At 1 July		
- As previously reported	-	-
- Adoption of FRS 117	37,679	38,234
- As restated	37,679	38,234
Translation differences	123	(58)
Amortisation charges	(508)	(497)
At 30 June	37,294	37,679
At 30 June		
Cost	37,652	37,516
*Valuation	9,284	9,284
	46,936	46,800
Accumulated amortisation	(9,642)	(9,121)
Net book value	37,294	37,679
Analysed by:-		
Unexpired lease period more than 50 years	26,671	31,041
Unexpired lease period less than 50 years	10,623	6,638

* The leasehold land of the Group was revalued by the Directors in 1983 and 1990 based on professional appraisals by an independent valuer on the open market value basis. As allowed by the transitional provisions of International Accounting Standards 16 (Revised), Property, Plant and Equipment, issued by the Malaysian Accounting Standards Board, these assets have continued to be stated on the basis of the 1983 and 1990 valuations.

Notes to the Financial Statements (cont'd)

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2008 RM'000	2007 RM'000
At cost:		
- Malaysian quoted shares	601,077	601,077
- Unquoted shares	595,149	595,149
	1,196,226	1,196,226
Less: Impairment in value		
- Unquoted shares	(343,908)	(341,908)
	852,318	854,318
Market value:		
- Malaysian quoted shares	804,991	1,138,487

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.

7. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At cost/written down value:				
- Unquoted shares	267,300	267,300	266,892	266,892
- Unquoted redeemable preference shares	85,908	85,908	96,120	96,120
	353,208	353,208	363,012	363,012
Share of capital reserves	(12,388)	(4,409)	-	-
Share of profits	62,877	46,431	-	-
Less: Impairment in value	-	-	(71,959)	(71,959)
	403,697	395,230	291,053	291,053

Investments in associated companies are represented by:-

	Group	
	2008 RM'000	2007 RM'000
Share of net assets other than goodwill of the associated companies	403,416	394,949
Premium on acquisition	281	281
Carrying value	403,697	395,230

Notes to the Financial Statements (cont'd)

7. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

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

	Group	
	2008 RM'000	2007 RM'000
Assets and liabilities		
Total assets	2,273,971	2,280,462
Total liabilities	1,177,812	1,224,437
Results		
Revenue	2,635,077	2,339,378
Profit for the financial year	201,275	244,292

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.

8. OTHER INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At cost:				
Unquoted shares	556	556	259	259
Unquoted convertible preference stocks and loan stocks	795	795	398	398
	1,351	1,351	657	657

9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development expenditure RM'000	Total RM'000
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	455,205	2,987	458,192
Change in equity in a subsidiary company	24,084	-	24,084
Additions	-	1,588	1,588
Amortisation	-	(1,387)	(1,387)
At 30 June 2008	479,289	3,188	482,477

Notes to the Financial Statements (cont'd)

9. INTANGIBLE ASSETS (cont'd)

Impairment testing for cash-generating units containing goodwill

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

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the recent financial projections approved by the management. These projections cover a period of ten years, using projected growth rate of between 5% to 10% for the first 5 years and no further growth between 6 to 10 years and discounted by the Group's weighted average cost of capital. The cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

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

10. 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.

11. INVENTORIES

	Group	
	2008 RM'000	2007 RM'000
Raw materials and consumables	103,217	106,303
Work-in-progress	19,900	24,032
Finished goods	89,922	97,758
	213,039	228,093

Inventories amounting to RM2,560,857,000 (2007: RM2,330,226,000) are recognised as cost of sales.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade receivables	509,140	449,588	-	-
Less: Allowance for doubtful debts	(20,442)	(19,270)	-	-
	488,698	430,318	-	-
Amounts due from:				
- Subsidiary companies	-	-	52,899	12,146
- Related companies	99	12	-	-
Other receivables, deposits and prepayments	36,429	30,723	1,017	1,262
	525,226	461,053	53,916	13,408

Notes to the Financial Statements (cont'd)

12. TRADE AND OTHER RECEIVABLES (cont'd)

Group

Included in trade receivables are amounts due from related companies of RM2,680,022 (2007: RM2,629,000).

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.

13. SHORT TERM INVESTMENTS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At cost				
Quoted in Malaysia - Loan stocks	27	27	-	-
Less: Impairment in value	(20)	-	-	-
	7	27	-	-
Market value	7	27	-	-

14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with:				
- Licensed financial institutions	130,442	120,360	1,963	787
- Other corporations	54,775	104,910	54,775	94,910
Cash and bank balances	82,806	71,130	46	116
	268,023	296,400	56,784	95,813

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposits with licensed financial institutions	25,451	1,622	-	-
Cash and bank balances	38,342	66,707	26	62

Cash and bank balances amounting to RM9,483,880 (2007: RM14,179,912) and RM789,000 (2007: RM1,602,000) are denominated in US Dollar and Euro respectively.

Notes to the Financial Statements (cont'd)

15. SHARE CAPITAL

Ordinary share of RM0.50 each	Group and Company			
	2008		2007	
	No. of Shares '000	RM'000	No. of Share '000	RM'000
Authorised:-				
At 1 July/30 June	600,000	300,000	600,000	300,000
Issued and fully paid:-				
At 1 July	281,146	140,573	225,989	112,995
Issued of shares arising from the conversion of ICULS	-	-	32,712	16,356
Issued of shares arising from the conversion of ECB	-	-	22,445	11,222
At 30 June	281,146	140,573	281,146	140,573

The number of ordinary shares issued after deducting treasury shares of 8,428,500 (2007: 8,426,500) ordinary shares held at the end of the financial year was 272,717,367 (2007: 272,719,367) ordinary shares of RM0.50 each.

16. RESERVES

	Note	Group		Company	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Reserves consist of:-					
Share premium		586,926	586,926	586,926	586,926
Revaluation reserve	a	948	948	-	-
Exchange equalisation reserve		(36,500)	(33,261)	-	-
Others	b	(9,777)	(11,572)	3,943	3,943
Reserve for own shares	c	(52,255)	(49,763)	-	-
Share option reserve	d	1,788	626	-	-
Retained profits/(Accumulated losses)		644,216	496,745	32,581	(28,494)
		1,135,346	990,649	623,450	562,375

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 Trust Shares purchased by the ESOS Trust as disclosed in Note 2.1(o)(iv).

During the financial year, the trustee has repurchased 610,900 (2007: 6,170,300) Trust Shares from the open market. As at 30 June 2008, the total number of Trust Shares purchased by the trustee was 10,610,900 (2007: 10,000,000) ordinary shares of RM0.50 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

Ordinary shares of RM0.50 each	Group and Company			
	2008		2007	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
At 1 July	8,426	63,294	8,424	63,283
Shares bought back	2	8	2	11
At 30 June	8,428	63,302	8,426	63,294

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 RM4.17 per ordinary share. The share buy back transactions were financed by internally generated fund. As at 30 June 2008, the total number of shares bought back was 8,428,500 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 ("ICULS")

	Group and Company	
	2008 RM'000	2007 RM'000
At 1 July	-	202,817
Conversion of ICULS	-	(202,817)
At 30 June	-	-

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

19. BORROWINGS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current (unsecured)				
Bank term loans	248,377	199,560	82,000	20,000
Commercial papers	30,000	207,000	30,000	207,000
Bankers acceptances	115,975	119,933	-	-
Bank overdrafts	48	633	-	-
	394,400	527,126	112,000	227,000
Non-current (unsecured)				
Medium term notes	100,000	-	100,000	-
Bank term loans	230,166	294,810	108,000	148,000
	330,166	294,810	208,000	148,000
Total	724,566	821,936	320,000	375,000

The non-current borrowings are payable as follows:-

- One to two years	230,166	224,674	108,000	148,000
- Two to five years	100,000	70,136	100,000	-
	330,166	294,810	208,000	148,000

Notes to the Financial Statements (cont'd)

19. BORROWINGS (cont'd)

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

	Group		Company	
	2008	2007	2008	2007
Bank term loans	3.2% to 6.3%	4.1% to 6.4%	4.0% to 4.5%	4.1% to 4.2%
Bankers acceptances	3.6% to 8.5%	3.6% to 4.2%	-	-
Bank overdrafts	8.0%	8.0%	-	-

- (ii) During the financial year, the Company entered into a 7-year RM500 million Commercial Paper ("CPs") and Medium Term Notes ("MTNs") Programme which are constituted by a Trust Deed between the Company and AmTrustee Berhad as trustee.

The CPs are issued at discounts ranging from 3.6% to 3.7% (2007: 3.5% to 3.6%) which are determined based on the Rules of Fully Automated System for Tendering of private debt securities ("FAST") and rules issued by Bank Negara Malaysia. The CPs have a maturity period of not less than 1 month to not more than 12 months.

The MTNs are issued at par to face value and have a maturity period of not less than 12 months and not more than 84 months. The interest rates are determined on issuance and calculated based on FAST rules and carry interest rates ranging from 4.9% to 5.1% per annum.

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

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
USD loan	94,842	110,544	-	-
Euro loan	6,533	8,821	-	-
RMB loan	-	9,072	-	-
	101,375	128,437	-	-

20. REDEEMABLE BONDS

	Group and Company	
	2008 RM'000	2007 RM'000
Islamic Bonds 2001/2008	250,000	250,000

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

Notes to the Financial Statements (cont'd)

21. DEFERRED TAXATION

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

	2008 RM'000	Group 2007 RM'000
Deferred tax assets		
At 1 July	461	5,886
Transfer (to)/from income statement	666	(5,425)
At 30 June	1,127	461
Deferred tax liabilities		
At 1 July	55,051	33,848
Transfer to income statement	6,732	21,203
At 30 June	61,783	55,051

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:-

	At 1-7-2007 RM'000	Recognised in income statements RM'000	At 30-6-2008 RM'000
Group			
Accelerated capital allowances	(61,555)	(8,754)	(70,309)
Allowances	6,963	2,690	9,653
Unabsorbed capital allowances	2	(2)	-
	(54,590)	(6,066)	(60,656)

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

	2008 Temporary differences RM'000	Tax effect RM'000	2007 Temporary differences RM'000	Tax effect RM'000
Group				
Accelerated capital allowances	(616)	(154)	(615)	(160)
Allowances	17,780	4,445	15,823	4,114
Unabsorbed capital allowances	19,648	4,912	20,192	5,250
Unutilised tax losses	422,400	105,600	425,323	110,584
	459,212	114,803	460,723	119,788
Company				
Unabsorbed capital allowances	1,553	388	1,553	404
Unutilised tax losses	9,361	2,340	9,361	2,434
	10,914	2,728	10,914	2,838

Notes to the Financial Statements (cont'd)

21. 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.

The corporate tax rates are at 27% for year of assessment 2007, 26% for year of assessment 2008 and 25% for the subsequent year of assessment. Consequently deferred tax assets and liabilities are measured using these tax rates.

22. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At 1 July	10,962	12,435	311	351
Provision/(reversal)	1,057	(902)	25	(31)
Payments	(307)	(571)	(1)	(9)
At 30 June	11,712	10,962	335	311

(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 be in force for a period of ten (10) years.

In 2007, Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, has 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 eligible executives of HLYM ("Option Holders").

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

There is no movement in the number and weighted average exercise price ("WAEP") of the options during the financial year. The number of HLI Options outstanding at the end of the current financial year of 2,000,000 units have a WAEP of RM5.51.

No HLI Options were vested during the current financial year. The weighted average share price for the financial year was RM4.34.

At the end of the option performance period, the Option Holders fulfilled the performance criteria and accordingly, on 15 August 2008, HLYM vested the HLI Options over 2,000,000 ordinary shares in the Company to the Option Holders. The vested HLI Options will be satisfied by existing HLI shares held by the ESOS Trust set up for HLI Options.

Notes to the Financial Statements (cont'd)

22. 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 assumptions

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

(ii) Malaysia 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.

In 2006, MPI has 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. In 2007, Carsem (M) Sdn Bhd ("Carsem M") and Dynacraft Industries Sdn Bhd ("DCI"), both subsidiaries of MPI, have 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 eligible executives of Carsem 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.

There is no movement in the number and weighted average exercise price ("WAEP") of the options during the year. The number of MPI Options outstanding as at end of the current financial year of 3,650,000 units have a WAEP of RM10.61 and are exercisable from 1 July 2009 to 31 December 2011, if vested.

No MPI Options were vested during the current financial year. The weighted average share price for the year was RM8.95.

Notes to the Financial Statements (cont'd)

22. EMPLOYEE BENEFITS (cont'd)

(b) Share-based payments (cont'd)

(ii) Malaysia Pacific Industries Berhad's 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.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Trade payables	207,785	197,444	-	-
Amounts due to				
- Subsidiary companies	-	-	31,171	46,704
- Related companies	279	726	119	-
Other payables	93,880	30,434	20	-
Accrued liabilities	129,580	198,853	11,917	7,540
	431,524	427,457	43,227	54,244

Group

Included in trade payables are amounts due to related and associated companies of RM26,813,000 (2007: RM30,023,000).

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)

24. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2008 RM'000	Restated 2007 RM'000	2008 RM'000	2007 RM'000
Profit before taxation is arrived at after (crediting)/charging:-				
Gross dividend income				
- Malaysian quoted shares	-	(44)	-	(44)
- Malaysian unquoted associated companies	-	-	(1,350)	(1,575)
- Unquoted associated company outside Malaysia	-	-	(29,864)	(24,784)
- Subsidiary company quoted in Malaysia	-	-	(42,550)	(45,930)
- Unquoted subsidiary companies	-	-	(53,577)	(66,946)
Interest income				
- ESOS Trust	-	-	(1,245)	(657)
- Others	(6,141)	(6,169)	(695)	(651)
Rental income	(237)	(993)	-	-
(Gain)/loss on disposal/liquidation of:				
- Subsidiary companies	(157)	514	(157)	10,634
- Other investments	-	(555)	-	(555)
Auditors' remuneration				
- Statutory audits	421	383	65	58
- Other services	52	45	-	-
Depreciation of property, plant and equipment	256,338	265,451	-	-
Rental of plant and equipment	2,536	2,391	-	-
Rental of premises				
- Related companies	601	200	125	123
- Others	7,001	6,226	-	-
Employee Benefits Expense				
- Directors remuneration				
- Fees	423	405	270	250
- Other emoluments	3,396	3,839	1,155	1,075
- Contributions to Employees Provident Fund	397	459	131	121
- Benefit in kind	110	156	23	23
- Share-based payments	496	279	-	-
	4,822	5,138	1,579	1,469
- Staff costs				
- Staff salaries and other expenses	405,197	394,871	260	300
- Contribution to Employees Provident Fund	38,376	32,891	-	-
- Share-based payments	1,864	1,036	-	-
- Retirement benefits	1,057	(902)	25	(31)
Bad and doubtful debts	3,191	3,880	-	-
Property, plant and equipment written off	2,576	5,674	-	-
Gain on disposal of property, plant and equipment	(1,991)	(1,850)	-	-
Impairment on property, plant and equipment	7,787	18,932	-	-
Inventories written down	3,292	32,275	-	-
Gain on bonus/redemption of redeemable preference shares in an associated company	-	(15,768)	-	(25,980)

Notes to the Financial Statements (cont'd)

24. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

	Group		Company	
	2008 RM'000	Restated 2007 RM'000	2008 RM'000	2007 RM'000
(Gain)/loss on foreign exchange				
- Realised	(1,901)	(5,822)	37	(7,372)
- Unrealised	70	540	-	-
Impairment of value of investment in:				
- Subsidiary companies	-	-	2,000	246,908
- Others	20	-	-	-
Amortisation of development expenditure	1,387	1,172	-	-
Development expenditure written off	-	4,162	-	-
Finance costs				
- Bank overdrafts	76	1,629	60	-
- Term loans	22,483	27,068	9,215	10,410
- Others	29,068	38,743	19,716	29,887
Research and development expenditure	14,929	19,549	-	-
Amortisation of prepaid lease payment	508	497	-	-
Loss on consigned materials	9,739	-	-	-

25. TAXATION

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Current taxation				
Malaysian				
- Current	34,052	17,212	-	(292)
- Prior years	(3,188)	(1,828)	3	(71)
Overseas				
- Current	823	912	-	-
- Prior years	-	(22)	-	-
	31,687	16,274	3	(363)
Deferred taxation				
Malaysian				
- Current	8,511	26,354	-	-
- Prior years	(2,445)	274	-	-
	6,066	26,628	-	-
	37,753	42,902	3	(363)

Notes to the Financial Statements (cont'd)

25. TAXATION (cont'd)

The reconciliation of income tax applicable to profit 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	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit/(loss) before taxation	332,695	285,171	91,350	(126,384)
Taxation at Malaysian statutory tax rates of 26% (2007: 27%)	86,501	76,996	23,751	(34,124)
Tax effect in respect of:				
Difference of tax rates in foreign jurisdictions	(1,932)	1,045	-	-
Non allowable expenses	10,466	8,646	1,762	67,963
Non taxable income	(46,818)	(59,330)	(25,513)	(32,156)
Difference attributable to associated companies	(12,310)	(14,334)	-	-
Effect of temporary differences reversing in pioneer period	14,672	25,001	-	-
Addition of temporary differences not recognised	1,421	23,497	-	-
Tax incentive	(5,166)	(11,556)	-	-
Reduction on ICULS interest	-	(1,975)	-	(1,975)
Deferred tax recognised at different tax rate	(3,448)	(3,512)	-	-
	43,386	44,478	-	(292)
(Over)/under provision in prior years	(5,633)	(1,576)	3	(71)
Taxation	37,753	42,902	3	(363)

26. 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 RM177,702,000 (2007: RM129,278,000) by the weighted average number of ordinary shares outstanding during the financial year of 262,635,000 (2007: 242,836,000) calculated as follows:-

Weighted average number of ordinary shares (basic)

	Group	
	2008 '000	2007 '000
Issued ordinary shares at beginning of the financial year	281,145	225,989
Less:		
Treasury shares held at beginning of the financial year	(8,426)	(8,424)
Trust Shares held at beginning of the financial year	(10,000)	(3,830)
	262,719	213,735
Effect on mandatory conversion of ICULS into ordinary shares	-	32,712
Effect on conversion of ECB into ordinary shares	-	123
Effect on purchase of treasury shares	(1)	(1)
Effect on purchase of Trust Shares	(83)	(3,733)
Weighted average number of ordinary shares (basic)	262,635	242,836

Notes to the Financial Statements (cont'd)

26. EARNINGS PER ORDINARY SHARE (cont'd)

Diluted earnings per ordinary share

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

27. DIVIDENDS

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
First interim				
5 sen per share less tax (2007: 5 sen per share less tax)	9,721	7,759	10,091	7,946
Second interim				
10 sen per share less tax (2007: 5 sen per share less tax)	19,408	7,776	20,181	8,141
	29,129	15,535	30,272	16,087

Dividend received by the ESOS Trust amounting to RM1,143,000 (2007: RM552,000) are eliminated against the dividend expense of the Company upon consolidation of the ESOS Trust as disclosed in Note 2.1(o)(iv).

28. 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.

Notes to the Financial Statements (cont'd)

28. SEGMENTAL REPORT (cont'd)

	Semiconductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Consolidated RM'000
2008					
Revenue					
External sales	1,539,126	874,211	679,378	1,898	3,094,613
Results					
Segment results	169,661	139,151	38,881	(6,018)	341,675
Unallocated corporate expense					(10,841)
Operating profit					330,834
Interest income					6,141
Finance costs					(51,627)
Share of profit of associated companies					47,347
Profit before taxation					332,695
Taxation					(37,753)
Profit for the financial year					294,942
Consolidated assets					
Segment assets	1,935,504	271,022	429,266	2,728	2,638,520
Investments in associated companies					403,706
Unallocated corporate assets					302,418
					3,344,644
Consolidated liabilities					
Segment liabilities	278,985	114,993	151,542	13,652	559,172
Unallocated corporate liabilities					937,410
					1,496,582
Other information					
Capital expenditure	267,412	17,429	15,676	909	301,426
Depreciation and amortisation	235,560	10,644	11,541	488	258,233
Non-cash expenses other than depreciation and amortisation	22,020	2,834	3,615	30,282	58,751

Notes to the Financial Statements (cont'd)

28. SEGMENTAL REPORT (cont'd)

	Semiconductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Consolidated RM'000
2007					
Revenue					
External sales	1,485,329	730,270	590,449	1,857	2,807,905
Result					
Segment results	207,824	29,731	19,511	25,819	282,885
Unallocated corporate income					257
Operating profit					283,142
Interest income					6,169
Finance costs					(67,440)
Share of profit of associated companies					63,300
Profit before taxation					285,171
Taxation					(42,902)
Profit for the financial year					242,269
Consolidated assets					
Segment assets	1,872,349	253,407	398,532	5,007	2,529,295
Investments in associated companies					395,230
Unallocated corporate assets					338,024
					3,262,549
Consolidated liabilities					
Segment liabilities	283,387	113,893	152,258	8,723	558,261
Unallocated corporate liabilities					1,018,225
					1,576,486
Other information					
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

29. COMMITMENTS

	Group 2008 RM'000	2007 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised and contracted for	290,483	84,882
Authorised but not contracted for	27,858	83,406
Operating lease commitments:		
Expiring within one year	906	906
Expiring between one to five years	5,846	5,574
Expiring after five years	37,495	38,673
	44,247	45,153

Notes to the Financial Statements (cont'd)

29. COMMITMENTS (cont'd)

The Group has lease commitments of RM906,000 (2007: RM906,000) per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and lease will expire on 30 August 2031. The Group has an option to purchase outright from the third party at market value. The remaining lease tenure of the land is exercisable in any of the calendar years 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

30. DISPOSAL OF SUBSIDIARY COMPANY

Effects of disposal

The effects of the disposal of a subsidiary company in the previous financial year were as follows:-

	2007 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

31. 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 is a director and a major shareholder of the Company and HLCM. Mr Kwek Leng San is a director and a shareholder of the Company and HLCM. Mr Quek Leng Chye is a major shareholder of the Company and HLCM. Mr Kwek Leng Beng is a director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected with YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;
- (iii) Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Chuah Chuan Thye, a Director of the Company, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee;

Notes to the Financial Statements (cont'd)

31. RELATED PARTIES (cont'd)

- (iv) Syarikat Motor Singa Sdn Bhd ("Syarikat Motor Singa") and Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor") are persons connected with Mr Ng Choong Hai, a Director of certain subsidiaries of the Company; and
- (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").

Significant transactions with related parties are as follows:-

Transaction	Related Party	Group	
		2008 RM'000	2007 RM'000
(a) Sales of goods and services	Subsidiary and associated companies of HLCM	23,267	7,995
	Hong Bee Hardware and Hong Bee Motors	33,061	28,844
	YMC Group	3,796	5,590
	Syarikat Motor Singa and Sing Heng Motor	11,836	9,833
(b) Purchase of goods and services	Subsidiary and associated companies of HLCM	320,637	187,027
	YMC Group	224,053	215,070
	Tasek	22,587	22,492
(c) Rental of properties	Subsidiary and associated companies of HLCM	821	831
	YMC Group	148	148
(d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	1,995	1,760
(e) Receipt of services	Subsidiary and associated companies of HLCM	2,937	3,696
(f) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	9,526	9,157
(g) Payment for usage of the Hong Leong logo and trade mark	HLCM	21	27
(h) Payment of royalties and technical fees for usage of Yamaha trade mark and technical support	YMC	8,960	6,787
(i) Receipt of research and development services	YMC	1,692	2,411

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 party than those generally available to and/or from the public and are not detrimental to the minority shareholders.

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

Notes to the Financial Statements (cont'd)

32. 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 part of its overall prudent liquidity management, the Group and the Company maintain 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
Group				
2008				
Fixed rate instruments				
Deposits with licensed financial institutions and other corporations	3.40	185,217	185,217	-
Borrowings	4.96	100,000	-	100,000
Redeemable bonds				
- Islamic Bonds 2001/2008	6.35	250,000	250,000	-
		535,217	435,217	100,000
Floating rate instruments				
Borrowings	4.25	624,566	394,400	230,166

Notes to the Financial Statements (cont'd)

32. FINANCIAL INSTRUMENTS (cont'd)

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000
Group				
2007				
Fixed rate instruments				
Deposits with licensed financial institutions and other corporations	3.33	225,270	225,270	-
Borrowings	5.82	9,072	9,072	-
Redeemable bonds				
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000
		484,342	234,342	250,000
Floating rate instruments				
Borrowings	4.34	812,864	664,864	148,000
Company				
2008				
Fixed rate instruments				
Deposits with licensed financial institutions and other corporations	3.43	56,738	56,738	-
Borrowings	4.96	100,000	-	100,000
Redeemable bonds				
- Islamic Bonds 2001/2008	6.35	250,000	250,000	-
		406,738	306,138	100,000
Floating rate instruments				
Borrowings	4.12	220,000	112,000	108,000
2007				
Fixed rate instruments				
Deposits with licensed financial institutions and other corporations	3.40	95,697	95,697	-
Redeemable bonds				
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000
		345,697	95,697	250,000
Floating rate instruments				
Borrowings	3.84	375,000	227,000	148,000

Foreign currency risk

The Group and the Company incurs foreign currency risk on sales and purchases that are denominated in the currency other than Ringgit Malaysia. The currencies giving rise to this risk 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)

32. 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	2008		2007	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Financial assets				
Long term investment - quoted shares	601,077	804,991	601,077	1,138,487
Other assets	37,137	34,616	34,645	40,000

Unrecognised financial instruments

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

	Group	
	2008 RM'000	2007 RM'000
Forward foreign exchange contracts	398,435	173,227

All the above forward foreign exchange contracts mature within 1 year. The fair value of the above contracts is not material.

33. 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 61.36% 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 is granted to the extent that the target date for completion of this 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. Therefore, there is insufficient information to ascertain the outcome or to estimate the amount of any liability thereof.

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 37 to 82 have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2008 and of its financial performance and cash flows for the year then ended.

On behalf of the Board

Kwek Leng San

David Edward Comley

Kuala Lumpur
25 August 2008

Statutory Declaration

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

I, Cheang Kok Kuan, 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 37 to 82 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 Cheang Kok Kuan)	Cheang Kok Kuan
)	
at Kuala Lumpur in the Federal)	
)	
Territory on 25 August 2008)	

Before me
M. NAMASIVAYAM P. P. N
Pesuruhjaya Sumpah
Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

to the Members of Hong Leong Industries Berhad

Report on the Financial Statements

We have audited the financial statements of HONG LEONG INDUSTRIES BERHAD, which comprise the balance sheets as at 30 June 2008, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 82.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and the Company as of 30 June 2008 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

Independent Auditors' Report (cont'd)

to the Members of Hong Leong Industries Berhad

Other Matters

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

LING KAM HOONG & CO
AF: 0106
CHARTERED ACCOUNTANTS

LING KAM HOONG
161/5/10 (J/PH)
Chartered Accountant

Kuala Lumpur
25 August 2008

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2008

Location	Tenure	Existing Use	Year of Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Built-up (Year)	Net Book Value as at 30 June 2008 (RM'000)
Lot 57, Persiaran Bukit Rahman Putra 3, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Office & factory building	1994	1,577,3116	12	49,442
Lot 14/70, Jalan Utas, 40000 Shah Alam, Selangor Darul Ehsan	11 Jun 2071	Office & factory building	1983	456,000	21-27	15,309
PF 70, Alte Marienberger Strasse, 30-35,09401 Zschopau-Hohndorf, Germany	Freehold	Office & factory building	1996	823,338	13-27	4,136
5 1/2 miles, Jalan Kapar, Rantau Panjang, 42100 Klang, Selangor Darul Ehsan	Freehold	Office & factory building	1982	667,513	17-39	17,945
5 1/2 miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Freehold	Office & factory building	1983	435,861	27	25,393
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office & factory building	1985	261,633	23	7,357
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office & factory building	1985	1,061,775	18	5,874
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office & factory building	1985	747,108	15	19,506
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Industrial land	1985	256,187	-	259
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Warehouses	1985	907,790	13	14,555
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Warehouses	2007	418,447	12	10,356
Ranca-Ranca Industrial Estate, Labuan, Federal Territory	31 Dec 2043	Office & factory building	1990	457,790	24	1,628
CL-205228842, Lot 5331 Labuan, Federal Territory	1 Jan 2057	Industrial land	1993	243,936	-	317

Other Information (cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2008 (cont'd)

Location	Tenure	Existing Use	Year of Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Built-up (Year)	Net Book Value as at 30 June 2008 (RM'000)
No 367 A & B, Jalan Melaka Raya, Taman Melaka Raya, 75000 Melaka	4 Oct 2082	3 storey Mid Terrace shop office	1996	1,399	25	172
Jalan Lapangan Terbang, 30720 Ipoh, Perak	20 Apr 2074	Office & factory building	1998	158,297	12-33	24,366
Jalan Lapangan Terbang, 30720 Ipoh, Perak	15 Aug 2081	Office & factory building	1998	64,469	10-20	16,327
Jalan Lapangan Terbang, 30720 Ipoh, Perak	23 May 2082	Office and factory building	1998	19,849	12-20	1,285
Jalan Lapangan Terbang, 30720 Ipoh, Perak	8 May 2039	Industrial land- Factory under construction	1998 & 1999	53,274	-	18,226
Jalan Lapangan Terbang, 30720 Ipoh, Perak	8 May 2039	Office & factory building	1989	45,680	14	3,421
Jalan Lapangan Terbang, 30720 Ipoh, Perak	6 Nov 2063	Office & factory building	2003	66,812	-	7,339
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Office & factory building	1992	1,348,704	17	79,220
Plot 73021 Shenxu Road, Suzhou Industrial Park, The Municipality of Suzhou, Province of Jiangsu, The People's Republic of China	1 Jan 2052	Industrial land	2002	430,550	5	27,329
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Office & factory building	1995	257,000	14	25,360
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Office & factory building	1995	105,000	9	14,824
Plot 15, Bayan Lepas, Pulau Pinang	22 Feb 2065	Office & factory buildings, & store	2005	174,243	-	25,040
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	-	9,903

* These buildings are situated on an operating lease land as disclosed in Note 29 of the financial statements.

Other Information (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2008

Class of Shares : Ordinary share of RM0.50 each

Voting Rights

• On a show of hands : 1 vote

• On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 29 August 2008

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	129	4.61	2,321	0.00
100 - 1,000	958	34.24	802,218	0.29
1,001 - 10,000	1,325	47.36	4,904,282	1.80
10,001 - 100,000	293	10.47	8,065,629	2.96
100,001 - less than 5% of issued shares	89	3.18	124,911,992	45.80
5% and above of issued shares	4	0.14	134,030,925	49.15
	2,798	100.00	272,717,367	100.00

Note:

* Excluding 8,428,500 shares bought back and retained by the Company as treasury shares.

List Of Thirty Largest Shareholders As At 29 August 2008

Names of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	57,030,925	20.91
2. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	32,000,000	11.73
3. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	30,000,000	11.00
4. CIMB Group Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	15,000,000	5.50
5. Malaysia Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	13,000,000	4.77
6. Lembaga Tabung Haji	11,560,800	4.24
7. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (HLIB)	11,139,800	4.08
8. ABB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	10,000,000	3.67
9. Citigroup Nominees (Asing) Sdn Bhd - Citigroup Global Markets Limited	8,672,200	3.18
10. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Bhd	8,000,000	2.93
11. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	7,000,475	2.57

Other Information (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2008 (cont'd)

List Of Thirty Largest Shareholders As At 29 August 2008 (cont'd)

Names of Shareholders	No. of Shares	%
12. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	1.91
13. Mayban Nominees (Tempatan) Sdn Bhd - Public Ittikal Fund	3,106,400	1.14
14. Mayban Nominees (Tempatan) Sdn Bhd - Public Regular Savings Fund	3,016,600	1.10
15. Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,512,000	0.92
16. Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Smallcap Fund	2,422,400	0.89
17. Hong Bee Hardware Company, Sdn. Berhad	2,019,145	0.74
18. Tan Guat Poh	2,014,500	0.74
19. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,800,000	0.66
20. Valuecap Sdn Bhd	1,728,300	0.63
21. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	1,719,100	0.63
22. Hong Leong Assurance Berhad - As Beneficial Owner	1,612,902	0.59
23. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,345,845	0.49
24. HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Foundation	1,332,000	0.49
25. Citigroup Nominees (Asing) Sdn Bhd - DFA Emerging Markets Fund	1,225,800	0.45
26. Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Equity Fund	1,080,500	0.40
27. RHB Capital Nominee (Tempatan) Sdn Bhd - Poh Soon Sim	1,079,700	0.40
28. HLB Nominees (Asing) Sdn Bhd - Low Kang Hai Richard	1,000,000	0.37
29. HLG Nominee (Asing) Sdn Bhd - Maxcellon Capital Assets Ltd	1,000,000	0.37
30. Lembaga Tabung Angkatan Tentera	951,000	0.35
	239,570,392	87.85

Other Information (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2008 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2008 are as follows:

Names of Shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Company (Malaysia) Berhad ("HLCM")	178,133,400	65.32	2,235,192#	0.82#
2. YBhg Tan Sri Quek Leng Chan	-	-	184,899,737**	67.80**
3. HL Holdings Sdn Bhd	-	-	180,368,592*	66.14*
4. Hong Realty (Private) Limited	-	-	182,387,737^	66.88^
5. Hong Leong Investment Holdings Pte Ltd	-	-	182,387,737^	66.88^
6. Kwek Holdings Pte Ltd	-	-	182,387,737^	66.88^
7. Mr Kwek Leng Beng	-	-	182,387,737^	66.88^
8. Mr Kwek Leng Kee	-	-	182,387,737^	66.88^
9. Davos Investment Holdings Private Limited	-	-	182,387,737^	66.88^
10. Mr Quek Leng Chye	-	-	182,387,737^	66.88^

Notes:

Held through subsidiaries.

* Held through HLCM.

** Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan has interest.

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

Other Information (cont'd)

3. DIRECTORS' INTERESTS AS AT 29 AUGUST 2008

Subsequent to the financial year end, there is no change, as at 29 August 2008, to the Directors' interests in the ordinary shares and/or warrants/options/convertible loan stocks/bonds of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 29 to 33 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 or *shares to be issued arising from the conversion of bonds	%
Indirect Interests		
YBhg Tan Sri Quek Leng Chan in:		
Hume Industries (Malaysia) Berhad	120,561,328	65.91
Hong Leong Bank Berhad	961,995,100	64.18
GuocoLand Limited ("GLL")	576,258,320	64.93
	13,619,025*	1.34**
GuocoLeisure Limited ("GL")	743,859,211#	54.37
Mr Chuah Chuan Thye		
GL	2,036,775#	0.15

Notes:

** Based on the enlarged share capital of GLL assuming full conversion of S\$690,000,000 nominal value of GLL's convertible bonds as at 29 August 2008.

Inclusive of GL shares which are credited/transferred to a company in which YBhg Tan Sri Quek Leng Chan or Mr Chuah Chuan Thye has interest on 18 August 2008 pursuant to the capital distribution of shares of GL to the entitled shareholders of Camerlin Group Berhad ("CGB") via a reduction of the share capital and cancellation of CGB's share premium reserve.

4. SHARE BUY BACK SCHEDULE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

Month	No. of Shares Bought Back	Highest Price Paid RM	Lowest Price Paid RM	Average Price Paid* RM	Total Consideration* RM
November 2007	1,000	4.22	4.22	4.25	4,252
May 2008	1,000	4.12	4.12	4.17	4,167

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 21, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad.



Hong Leong Industries Berhad (5486-P)

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

FORM OF PROXY

I/We _____

of _____

being a member 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-fifth 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, 21 October 2008 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 Mr Chuah Chuan Thye as a Director		
3. To re-elect Mr David Edward Comley 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 2008

Number of Shares held

Signature(s) of Member

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.