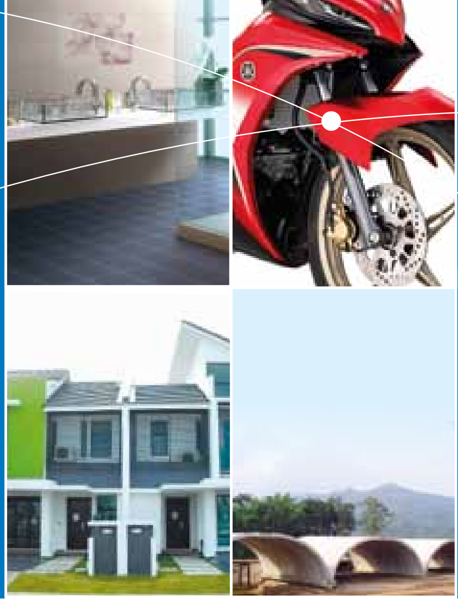
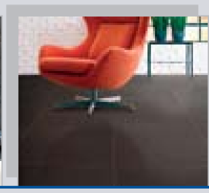
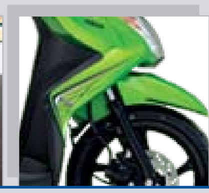


annual report **2011**

Hong Leong Industries Berhad (5486-P)

A Member of the Hong Leong Group

Contents

Hong Leong Industries Berhad (5486-P)

Company Profile

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

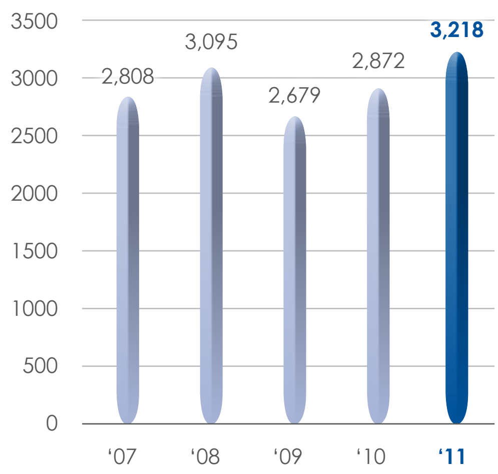
Following the completion of the capital distribution of 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI Shares") to the shareholders of the Company and the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd during the financial year, the Group is engaged in the manufacture and assembly of motorcycles, scooters and related parts and products, distribution of motorcycles and motorcycle components, and manufacturing and sale of ceramic tiles, fibre cement products and concrete products.

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.

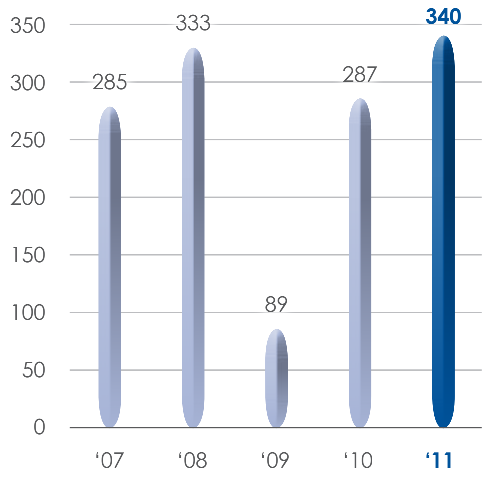
Group Financial Highlights

(RM'mil)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenue	2,808	3,095	2,679	2,872	**3,218**
Profit Before Taxation	285	333	89	287	**340**
Profit Attributable to Equity Holders of the Company	129	178	75	194	**219**
Net Earnings Per Share (sen)	53	68	29	74	**71**
Net Dividend Per Share (sen)	7	11	10	17	**20**
Total Equity	1,686	1,848	1,859	2,026	**1,212**
Total Assets	3,263	3,345	3,089	3,306	**2,034**
Capital Expenditure	233	300	179	296	**298**

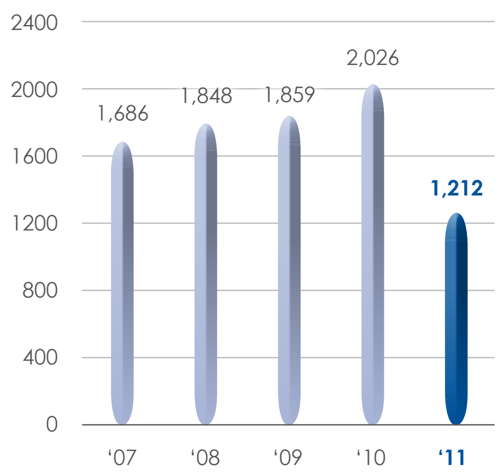
REVENUE (RM'MIL)



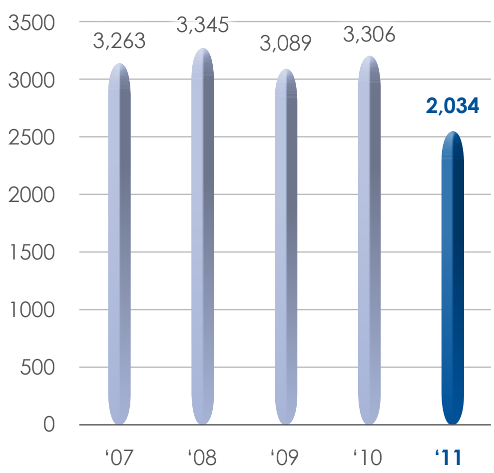
PROFIT BEFORE TAXATION (RM'MIL)



TOTAL EQUITY (RM'MIL)



TOTAL ASSETS (RM'MIL)



Corporate Information

DIRECTORS

YBhg Tan Sri Quek Leng Chan
Executive Chairman

YBhg Datuk Kwek Leng San
President & Chief Executive Officer

YBhg Dato' Yau Kok Seng
Group Managing Director

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

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Mr Chuah Chuan Thye

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 : 03-4042 3288
Fax : 03-4042 0149

REGISTRAR

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

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-eighth Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 18 October 2011 at 11.45 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 financial year ended 30 June 2011.

2. To approve the payment of Director fees of RM360,000/- for the financial year ended 30 June 2011 (2010 : RM290,000/-), to be divided amongst the Directors in such manner as the Directors may determine. (Resolution 1)

3. To re-elect the following retiring Directors:

   (a) YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar (Resolution 2)
   (b) Mr Chuah Chuan Thye (Resolution 3)
   (c) YBhg Dato' Yau Kok Seng. (Resolution 4)

4. To pass the following motion as an Ordinary Resolution:

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

5. To appoint Auditors and to authorise the Directors to fix their remuneration.

   Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as "Annexure" in the Annual Report, has been received by the Company for the nomination of Messrs KPMG, who have given their consent to act, as Auditors of the Company and of the intention to propose the following Ordinary Resolution:

   " **THAT** Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ling Kam Hoong & Co, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." (Resolution 6)

SPECIAL BUSINESS

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

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

   " **THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." (Resolution 7)

7. **Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And Persons Connected With HLCM**

   " **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) of the Circular to Shareholders dated 26 September 2011 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that:

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

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

   AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 8)

Notice of Annual General Meeting
(cont'd)

8. **Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") And Hong Bee Motors Sdn Bhd ("Hong Bee Motors")**

   " **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Circular to Shareholders dated 26 September 2011 with Hong Bee Hardware and Hong Bee Motors provided that:

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

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

   AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 9)

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

   " **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Circular to Shareholders dated 26 September 2011 with Sykt Motor Singa and Sing Heng Motor provided that:

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

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

   AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 10)

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

    " **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Circular to Shareholders dated 26 September 2011 with YMC and its subsidiaries ("YMC Group") provided that:

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

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

    AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 11)

Notice of Annual General Meeting
(cont'd)

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

" **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Circular to Shareholders dated 26 September 2011 with HLIH and persons connected with HLIH ("HLIH Group") provided that:

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

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

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 12)

12.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
26 September 2011

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 forty-eight hours before the time of the meeting or adjourned meeting.*

Explanatory Notes On Special Business

1. *Authority To Directors To Issue Shares*

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 14 October 2010 and which will lapse at the conclusion of the Forty-eighth Annual General Meeting.

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

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

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

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 26 September 2011 which is despatched together with the Company's Annual Report.

Statement Accompanying Notice of Annual General Meeting
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- Details of individuals who are standing for election as Directors

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

Annexure A ~ Notice of Nomination of Auditors

Hong Leong Manufacturing Group
A Member of the Hong Leong Group

2 September 2011

The Board of Directors
Hong Leong Industries Berhad
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

Dear Sirs

NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, Hong Leong Manufacturing Group Sdn Bhd, being a shareholder of Hong Leong Industries Berhad ("HLI"), hereby give notice of our intention to nominate Messrs KPMG for appointment as Auditors of HLI in place of the retiring Auditors, Messrs Ling Kam Hoong & Co, at the forthcoming Annual General Meeting ("AGM") of HLI.

Accordingly, we propose that the following ordinary resolution be tabled at the forthcoming AGM of HLI:

" **THAT** Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs Ling Kam Hoong & Co, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully
For and on behalf of
Hong Leong Manufacturing Group Sdn Bhd
(formerly known as Spectrum Arrangement Sdn Bhd)

DATUK KWEK LENG SAN
President & Chief Executive Officer

Hong Leong Manufacturing Group Sdn Bhd (747140-U)
(formerly known as Spectrum Arrangement Sdn Bhd)
Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Tel: 03-2164 2631 Fax: 03-2164 2514 (Legal & Secretarial) / 03-2715 4808 (Finance) / 03-2164 2593 (Human Resources)
www.hongleong.com.my

Directors' Profile

YBHG TAN SRI QUEK LENG CHAN

Executive Chairman/Non-Independent

Tan Sri Quek Leng Chan, aged 68, 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 Directors ("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"), a public company, Executive Chairman of Narra Industries Berhad ("Narra") and GuocoLand (Malaysia) Berhad, Chairman of Hong Leong Financial Group Berhad, Hong Leong Bank Berhad ("HLB") and Hong Leong Capital Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), Chairman of Hong Leong Assurance Berhad, Hong Leong Islamic Bank Berhad and Hong Leong Foundation ("HLF"), and a member of the Board of Trustees of The Community Chest, all public companies.

YBHG DATUK KWEK LENG SAN

President & Chief Executive Officer/Non-Independent

Datuk Kwek Leng San, aged 56, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of HLI on 1 September 1990 before assuming his present position as the President & Chief Executive Officer on 16 August 1993. He does not sit on any committee of HLI.

He is the Executive Chairman of Malaysian Pacific Industries Berhad, Managing Director of Narra, Chairman of Southern Steel Berhad ("SSB") and a Director of HLB, companies listed on the Main Market of Bursa Securities. He is also a Director of HLCM, Hong Leong Marketing Co Berhad and HLF, all public companies.

YBHG DATO' YAU KOK SENG

Group Managing Director/Non-Independent

Dato' Yau Kok Seng, aged 51, a Malaysian, is a Chartered Accountant with more than 25 years of experience in auditing, corporate finance and general management. Dato' Yau started his career with Ernst & Young from 1980 to 1992 before joining the Sunway Group as Head of Corporate Finance in 1992. He was promoted as Group Finance Director in 1995 and subsequently as the Managing Director of Sunway Holdings Berhad in 2001.

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

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

YAM TUNKU DARA TUNKU TAN SRI NAQUIAH BT ALMARHUM TUANKU JA'AFAR

Non-Executive Director/Independent

YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar, aged 66, 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.

Directors' Profile
(cont'd)

YBHG DATO' AHMAD JOHARI BIN TUN ABDUL RAZAK
Non-Executive Director/Independent

Dato' Ahmad Johari bin Tun Abdul Razak, aged 56, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in Law and qualified as a Barrister-at-Law from Lincoln's Inn. Presently, he is a Partner of a law firm in Kuala Lumpur. He was previously the Executive Chairman of Ancom Berhad ("Ancom").

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

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

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM
Non-Executive Director/Independent

YM Raja Dato' Seri Abdul Aziz bin Raja Salim, aged 72, a Malaysian, is a Honorary Fellow of the Malaysian Institute of Taxation, Fellow of the Chartered Association of Certified Accountants, United Kingdom, Fellow of the Chartered Institute Of Management Accountants ("CIMA"), United Kingdom and a Chartered Accountant (Malaysia). He served as Director-General of Inland Revenue Malaysia from 1980 to 1990 and Accountant-General Malaysia from 1990 to 1995. YM Raja Dato' Seri Abdul Aziz was the President of CIMA, Malaysia from 1976 to 1993 and a Council Member of CIMA, United Kingdom from 1990 to 1996. He was awarded the CIMA Gold Medal in recognition of his outstanding service to the accounting profession.

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

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

MR CHUAH CHUAN THYE
Non-Executive Director/Non-Independent

Mr Chuah Chuan Thye, aged 55, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 30 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Company, Sdn Berhad ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

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

Notes

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye, a major shareholder of HLI, are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLI.

2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with HLI.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences within the past 10 years.

4. ***Attendance of Directors***
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance and Internal Control in the Annual Report.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2011.

OPERATING ENVIRONMENT

The global economy continues on its uncertain recovery post the global financial crisis during the financial year under review. Despite various fiscal and monetary stimulus packages being implemented, global economic growth remains fragile and the recent economic developments in the Euro zone and the United States had highlighted the fragility of global growth.

Notwithstanding the lackluster global economic recovery, Malaysia and other developing economies had performed relatively well. Malaysia's growth had sustained through this period by various government initiatives and the continued expansion of domestic demand with improved consumer confidence, higher external intra-Asian demand and commodity exports.

SIGNIFICANT CORPORATE DEVELOPMENT

During the financial year ended 30 June 2011 ("FY 2011"), the Group had undertaken/completed the following corporate proposals:

(a) Hong Leong Industries Berhad ("HLI" or "the Company"):

(i) completed the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB") from Hong Leong Manufacturing Group Sdn Bhd (formerly known as Spectrum Arrangement Sdn Bhd) ("HLMG") for a total purchase consideration of RM235.2 million, satisfied by the issuance of 46,759,443 new ordinary shares of RM0.50 each in HLI ("HLI Shares") ("HIMB Acquisition");

(ii) entered into a conditional subscription agreement with Hume Cement Sdn Bhd ("Hume Cement") and HLMG for the subscription of up to 175 million 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each ("ICPS") at par value of RM1.00 each in Hume Cement for a total cash subscription of up to RM175 million. As at 30 June 2011, HLI had subscribed for 161 million ICPS in Hume Cement for a total cash subscription of RM161 million;

(iii) effected a rights issue of 159,736,405 new HLI Shares ("Rights Shares") on the basis of 1 Rights Share for every 2 HLI Shares held after the HIMB Acquisition, at an issue price of RM1.45 per Rights Share ("Rights Issue"); and

(iv) distributed 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI") ("MPI Shares") to the shareholders of HLI on the basis of 75 MPI Shares for every 300 HLI Shares held after the Rights Issue, via a capital distribution involving a reduction of share capital and share premium reserve of the Company. Following this, MPI had ceased to be a subsidiary of HLI ("MPI Demerger").

(b) Guocera Holdings Sdn Bhd ("GHSB"), a wholly-owned subsidiary of the Company, entered into a joint venture ("JV") contract with Infrastructure Development And Construction Corporation to form a JV company known as Guocera Tile Industries (Vietnam) Co., Ltd ("GTI(V)"). GTI(V) was incorporated in Dong Nai Province, Vietnam and is currently involved in manufacturing and sales of ceramic tiles.

Chairman's Statement
(cont'd)



SIGNIFICANT CORPORATE DEVELOPMENT (cont'd)

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

(d) The Company completed the disposal of its entire 100% equity interest in HLMG Management Co Sdn Bhd (formerly known as HLI-HUME Management Co Sdn Bhd) to HLMG for a cash consideration of RM2.4 million.

FINANCIAL REVIEW

MPI ceased to be a subsidiary of the Group following the distribution of MPI Shares to the shareholders of HLI during FY 2011.

The Group's continued operation recorded higher revenue of RM1,803.2 million as compared with RM1,485.6 million recorded in the previous financial year ended 30 June 2010 ("FY 2010"). The profit before tax ("PBT") for FY 2011 was higher at RM256.5 million as compared with a PBT of RM201.9 million recorded in FY 2010.

The revenue and PBT improvement as compared with FY 2010 were mainly attributable to the higher sales recorded by the consumer products businesses and the additional contributions from the industrial products businesses acquired in FY 2011. PBT for FY 2011 included a gain of RM46.7 million arising from the disposal of a property and negative goodwill on the HIMB Acquisition.

FUTURE AND PROSPECTS

Following the completion of the MPI Demerger in FY 2011 and the acquisition of the businesses of HIMB, the Company is now focusing on the industrial building products and consumer products businesses.

Notwithstanding the challenging operating environment ahead, barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory in the financial year ending 30 June 2012.

DIVIDEND

The Company declared and paid a first and a second interim dividend totalling 1.5 sen per share less tax and 19.0 sen per share tax exempt for FY 2011. The Board does not recommend a final dividend for FY 2011.

APPRECIATION

On behalf of the Board, I would like to extend my appreciation to our valued customers, business associates, shareholders, financiers 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

Malaysian Pacific Industries Berhad ("MPI") ceased to be a subsidiary of Hong Leong Industries Berhad ("HLI") following the distribution of MPI shares to the shareholders of HLI during the financial year ended 30 June 2011.

With the completion of the MPI Demerger and the acquisition of Hume Industries (Malaysia) Sdn Bhd, the Group is now involved in the manufacturing and sale of consumer products and industrial building products.

For the financial year ended 30 June 2011 ("FY 2011"), the Group recorded higher revenue of RM1,810 million for its continued operations as compared with RM1,486 million recorded in the previous financial year ended 30 June 2010 ("FY 2010"). The pre-tax profit for FY 2011 was higher at RM254 million as compared with RM202 million in FY 2010.

The improved Group's results for FY 2011 was mainly attributable to the better performance of the consumer products business as well as the additional contribution from the industrial products business acquired during the financial year under review.

CONSUMER PRODUCTS

The consumer products sector performed well during the financial year under review with improving consumer confidence on the back of a positive economic recovery in the region.

Motorcycles

The motorcycle industry grew at a steady pace of 6% over the preceding financial year to chalk up an annual registration volume of 511,000 units. Demand was encouraging in line with the moderate recovery in the Malaysian economy fuelled by high commodity prices and robust employment market.

For FY 2011, Hong Leong Yamaha Motor Sdn Bhd ("HLYM") achieved a record domestic sales volume of 195,845 units, representing an increase of 15% over the same period in FY 2010. HLYM's market share increased from 36% in FY 2010 to 37% in FY 2011, maintaining its leading position in the domestic motorcycle industry.

Three new models were introduced during the financial year to further strengthen HLYM's model line-up. The Ego LC (Liquid Cool) 125cc model was launched in November 2010 to replace the Nouvo S 115 model. The popular 135LC was replaced in March 2011 by a new 135LC Hand Clutch model in the 4-stroke moped segment featuring 5-speed transmission, rear disk brake and a wider rear tyre. Finally, the model line-up was complemented with the introduction of a 600cc model in the medium sports segment in June 2011, namely XJ6 Diversion, making this the flagship model for Yamaha in Malaysia.

HLYM's mid-term capacity expansion plan saw the completion of several new facilities; a new plastic painting line equipped with dust-free controls, and new assembly and inspection line to cater for the assembly and evaluation of large capacity motorcycles.

During FY 2011, HLYM also implemented "Zenshu Ryohin" or Perfect Quality Assurance Programme in its manufacturing processes to improve its quality indices and supplier performance.

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

CONSUMER PRODUCTS (cont'd)

Motorcycles (cont'd)

Our associate, Yamaha Motor Vietnam Co., Ltd, outperformed the industry to record an impressive year-on-year growth of 22% on sales volume of 857,986 units as compared with 702,077 units in FY 2010. The improvement was mainly contributed by the strong demand for its Sirius model and the continuing effort to strengthen Yamaha's brand image through various marketing and promotional activities.

Ceramic Tiles

For FY 2011, Guocera tiles business ("Guocera") maintained its volume turnover and revenue growth despite intense competition in the domestic market with the influx of imports of porcelain and ceramic tiles from China and the Asean countries. However, the volatility in the export markets, in particular the Middle East, and the weakening of the United States ("US") Dollar had added pressure on export margins and selling prices. Guocera will continue its focus on adding value to maintain its dominant position in the industry, such as its commitment to better design and also in improving production efficiency, reducing cost, and in expanding its distribution network to reach its customers.

During FY 2011, Guocera Holdings Sdn Bhd had established Guocera Tile Industries (Vietnam) Co., Ltd ("GTI(V)"), a joint venture with Infrastructure Development And Construction Corporation, to expand its manufacturing and distribution of ceramic tiles in Vietnam. Guocera will introduce increased automation and its quality standards to GTI(V) and to promote Guocera's range of tiles and brand image in Vietnam.

Going forward, Guocera foresees the tile industry to remain challenging and highly competitive. The escalating energy cost and its consequent spill-over to increased labour and operating costs, remain a major challenge. However, Guocera expects a stable outlook and will continue to pursue avenues to increase sales and reduce cost to maintain its leadership in the industry.

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

INDUSTRIAL PRODUCTS

For FY 2011, in tandem with the uncertain economic recovery in the region, the industrial building products business performed satisfactorily despite the delay in the full take-off of the Economic Transformation Programme ("ETP"). The performance of the sector was however affected by the escalation in material costs and the weakening of the US Dollar.

Fibre Cement Products

This year, the performance of the fibre cement products division was affected by higher input costs and the weakening of the US Dollar. Despite this, Hume Cemboard Industries Sdn Bhd ("HCI") posted an improvement in sales revenue and managed to sustain its profits compared with FY 2010. HCI continued to operate on full capacity utilisation in its manufacturing facilities in Ipoh and Petaling Jaya. Plant cost reduction initiatives and austerity measures were given great emphasis in achieving the year's performance and maintained HCI's competitive position in the market.

HCI's continued focus on driving fibre cement products growth in the Malaysian market by promoting new applications and introducing innovative fibre cement based products, diversifying away from its dependence on the ceiling market segment, has yielded positive results. It has also expanded aggressively in its geographical coverage to the East Malaysia market to push for higher sales in this potentially growing fibre cement products market.

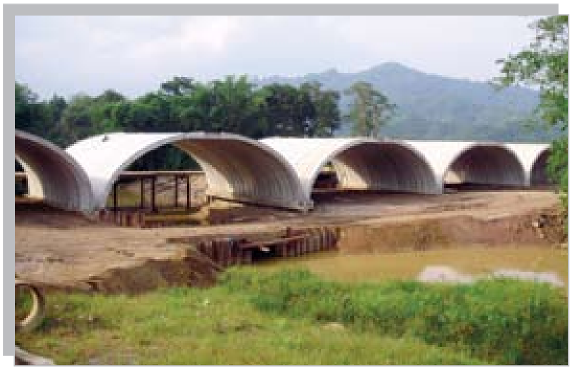
On the export front, price adjustments were initiated to mitigate cost pressures. The export strategy in moving away from the relatively lower priced markets to higher selling price countries like Australia, South Pacific Islands and the United Arab Emirates has yielded positive results in achieving a better market mix in terms of export pricing.

With the measures initiated in FY 2011, HCI is well positioned to address the challenges in the coming year. HCI will continue to deploy advance manufacturing techniques in its production lines and promote innovative products to the market.

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

INDUSTRIAL PRODUCTS (cont'd)

Concrete



The pre-cast concrete business remained profitable despite the lethargic pace of business in the major infrastructure market pending the full take-off of the ETP. To sustain profitability, the concrete division has embarked on a longer term plan to restructure its cost base, improve asset utilisation and raise productivity. In parallel with this plan, the division is embracing the Government's effort in promoting standardised pre-built modular concrete product systems by investing in research and development in those products and introducing concrete product systems to the market.

The concrete roofing tiles business maintained the same revenue level as that of FY 2010. The concrete roofing tiles business will continue to focus on gaining market share with on-going programmes to enhance product quality and variety through investments in a new profile line. With the on-going Government initiatives to increase housing, the concrete roofing tile business is expected to continue to grow.

OUTLOOK

The recent downgrade of the US sovereign debt rating and the continuing debt crisis in the Euro zone have cast significant doubts over the global economic health and may stall the already fragile global economic recovery.

With this backdrop, the Group will exercise caution. However, it will continue to focus its strategies in gaining market share, improving operating and cost efficiencies, engaging in research and the development of new products, as well as exploring new business opportunities and markets to enhance shareholder value.

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 already well on its journey. Corporate Social Responsibility (CSR) for the Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, our customers, our employees and our stakeholders.

ECONOMIC SUSTAINABILITY

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

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

Corporate Social Responsibility
(cont'd)

SOCIAL SUSTAINABILITY

Employee Development and Welfare

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

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

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

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

Diversity and Inclusion

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

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

Environmental Preservation

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

Our newsprint arm has successfully commissioned its biomass plant in January 2009. The standards of the plant are governed by the requirements of the Kyoto Protocol adopted by the relevant parties to the United Nations Framework Convention on Climate Change. The biomass plant uses biomass fuel, mainly empty fruit bunches and fibre as fuel in substitution for medium fuel oil. With the replacement of medium fuel oil with biomass fuel, we are able to reduce the generation of certain greenhouse gases.

Corporate Social Responsibility
(cont'd)

SOCIAL SUSTAINABILITY (cont'd)

Environmental Preservation *(cont'd)*

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

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

Early this year, Guocera Tile Industries (Meru) Sdn Bhd ("Guocera Meru") participated in the "Majlis Pelancaran Zon Bersih Kawasan Pekan Meru" which was organised by the Majlis Perbandaran Klang. Besides, we also attended the "Mesyuarat Membincangkan Program Rakyat – Corporate Social Responsibility (CSR) bagi Kawasan Meru". Together with the other representatives from nearby factories, we raised our concern on the illegal food stalls operated by foreigners, security issues for both local and foreign workers and flooding problems etc.

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

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

We conduct regular occupational safety and awareness programmes for our employees. HLYM continued to play its role in creating a high level of road safety awareness and education through its highly successful annual Balik Kampung Road Safety Campaign, the Yamaha Safety Riding Science project targeting students and factory workers, and the new Safety Awareness Week programme for motorcycle users. HLYM also collaborated with the Junior Football League in promoting grass-root football by sponsoring the inaugural "Yamaha Cup 2011" under-14 league, with twenty-nine competing national teams.

Earth Hour, a global event where households and businesses are encouraged to turn off non-essential lights and other electrical appliances for one hour to raise awareness towards the need to take action on climate change, was observed by the Group.

Organised by the World Wildlife Fund, Earth Hour was conceived in Sydney in 2007. Since then, many other cities around the world have adopted the event which is held on the last Saturday of March annually. By doing its part, the Group supported this global effort to help make a difference.

Corporate Social Responsibility
(cont'd)

COMMUNITY INVESTMENT

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

Scholarship

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

Over RM2 million is allocated each year for diploma and undergraduate studies at local universities and selected institutions of higher learning within Malaysia. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience. In this regard, certain Group companies provide on-the-job industrial training for students of various technical institutes, colleges and universities to expose them to real life industrial scenarios and impart to them with relevant skills and knowledge. Selected students are given a two to six-month attachment programme with our factory operation, undergoing various training according to the technical syllabus developed in collaboration with the technical institutes, colleges and universities. The main objective of the programme is to produce skilled labour that is equipped with employable knowledge and industrial know-how.

A separate fund has also been set aside for scholarship grants to deserving children of Group employees.

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

After School Care Programme

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

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

School Building Fund

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

Corporate Social Responsibility
(cont'd)

COMMUNITY INVESTMENT (cont'd)

Community Welfare

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

For this financial year, contributions amounting to about RM2 million were made, amongst others, to Pertubuhan Keluarga Orang Orang Bermasalah Pembelajaran Wilayah Persekutuan dan Selangor, Perak Association for Intellectually Disabled, Vinashini Home Seremban, Women's Aid Organisation, Home For the Aged (CWS) Simee and Sabah Cheshire Home.

Guocera Tile Industries Sdn Bhd ("Guocera") recently held a Majlis Berbuka Puasa Bersama Anak-Anak Yatim at the Rumah Anak-Anak Yatim Kluang. Thirty-three of our Guocera staff joined in the event to celebrate with sixty orphans. Activities included Tazkirah Ramadan, prayers, buka puasa and distribution of duit raya to the orphans.

In addition, Guocera Meru also participated in the "Rakan Cop" programme organised by the "Ibu Pejabat Polis Daerah Klang Utara" in 2011 which was aimed at improving safety within our communities.

Community Partner Programme

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

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.

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

AWARDS AND RECOGNITION

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

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

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

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

Corporate Governance and Internal Control

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

~ Finance Committee on Corporate Governance

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

A. DIRECTORS

I The Board

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

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

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

II Board Balance

The Board of Directors comprises seven (7) directors, four (4) of whom are non-executive. Of the non-executive directors, three (3) 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 ("President") and Group Managing Director ("GMD"), are responsible for the vision and strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas and strategic developments.

The President's main responsibility is to develop strategic business plans, focus on creating value through deployment of the assets in the Group and seek optimal use of the capital resources available to him.

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

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

III Board Meetings

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

Corporate Governance and Internal Control
(cont'd)

A. DIRECTORS (cont'd)

III Board Meetings (cont'd)

The Board met four (4) times during the financial year ended 30 June 2011 ("FY"). Details of attendance of each director are as follows:

Directors	Attendance
YBhg Tan Sri Quek Leng Chan	4/4
YBhg Datuk Kwek Leng San	4/4
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	4/4
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	4/4
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	3/4
Mr Chuah Chuan Thye	4/4

YBhg Dato' Yau Kok Seng was appointed to the Board after the close of the FY and as such did not attend any of the Board meetings held during the FY.

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

IV Supply of Information

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

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

V Appointments to the Board

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

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

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

Corporate Governance and Internal Control
(cont'd)

A. DIRECTORS (cont'd)

VI Re-appointment and Re-election

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

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

VII Training and Education

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

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

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

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

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

During the FY, the directors of the Company, including members of the Board Audit & Risk Management Committee, attended the following training programmes, seminars, briefings and/or workshops:

- Corporate Governance - The Holistic Board
- The Competition Act 2010
- Goods & Services Tax – Introduction, Rationale, Issues And The Way Forward
- Macroeconomic Outlook – Challenges Persist But Growth Remains On Track
- Sustainable Palm Oil – The Issues, Challenges And Opportunities
- Protocol In The Business World
- An Introduction To Kenanga Investment Bank Berhad's Business And Risk
- Risk Management Programme
- Investing In Bonds
- Corporate Problems
- How The Board Can Input To Strategy Development And Implementation
- Directors' Continuing Education Programme 2010.

B. DIRECTORS' REMUNERATION

I Level and make-up of Remuneration

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

Corporate Governance and Internal Control
(cont'd)

B. DIRECTORS' REMUNERATION (cont'd)

I Level and Make-Up of Remuneration (cont'd)

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

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

II Procedure

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

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

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

III Disclosure

The aggregate remuneration of directors (including remuneration of a director who has resigned after the FY, and remuneration earned as executive directors of subsidiaries) for the FY is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	230,000	2,784,100	3,014,100
Non-Executive Directors	280,000	2,799,843	3,079,843

The number of directors whose remuneration (including a director who has resigned after the FY) falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	-	-
50,001 – 100,000	1	3
100,001 – 150,000	-	1
150,001 – 2,650,000	-	-
2,650,001 – 2,700,000	-	1
2,700,001 – 2,900,000	-	-
2,900,001 – 2,950,000	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 release, financial information, products information and investor relations.

Corporate Governance and Internal Control
(cont'd)

C. SHAREHOLDERS (cont'd)

I Dialogue between Companies and Investors (cont'd)

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

Queries may be conveyed to the following person:

Name : Mr Chan Chee Keong
Tel No : 03 - 2164 2631
Fax No : 03 - 2715 4808
E-mail Address : IRelations@hli.com.my

II AGM

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

D. ACCOUNTABILITY AND AUDIT

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

The Committee met five (5) times during the FY. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 31 of the Annual Report. The head of finance, head of internal audit, risk manager, President, GMD and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

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

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

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.

Corporate Governance and Internal Control
(cont'd)

D. ACCOUNTABILITY AND AUDIT (cont'd)

III Relationship with Auditors

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

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

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

E. STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

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

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 Main Market 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 the financial performance and cash flows of the Group and of the Company for the financial year.

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

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

Board Audit & Risk Management Committee Report

CONSTITUTION

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

COMPOSITION

YBhg Dato' Ahmad Johari bin Tun Abdul Razak
Chairman, Independent Non-Executive Director

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

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

SECRETARY

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

TERMS OF REFERENCE

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

Board Audit & Risk Management Committee Report
(cont'd)

AUTHORITY

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

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

MEETINGS

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

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

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

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

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

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

ACTIVITIES

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

During the financial year ended 30 June 2011, five (5) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	5/5
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	5/5
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	4/5

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

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

Board Audit & Risk Management Committee Report
(cont'd)

ACTIVITIES (cont'd)

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

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

INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HMMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"), the holding company of HLI. The provision of the IA services is part of the shared services of companies within the HLMG Group. The total cost incurred by the IA Department of HMMC for the financial year ended 30 June 2011 amounted to RM975,071.

The IA Department reports to the Committee of HLI. The IA function is performed with impartiality, proficiency and due professional care. The IA Department supports the Committee of HLI in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. This is accomplished by the periodic assessment and internal audits conducted to ensure compliance with systems and standard operating procedures of the Group.

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

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

Financial Statements



Hong Leong Industries Berhad (5486-P)

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 2011.

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 except for the activities arising from the corporate exercises as stated in Note 35 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	219,379	72,260
Non-controlling interests	82,475	-
	301,854	72,260

DIVIDENDS

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

(i) a first interim dividend of 10 sen per share tax exempt amounting to RM27,271,337 in respect of the financial year ended 30 June 2011 on 22 December 2010; and

(ii) a second interim dividend of 1.5 sen per share less tax and 9 sen per share tax exempt amounting to RM48,519,928 in respect of the financial year ended 30 June 2011 on 10 June 2011.

The Directors do not recommend a final dividend for the financial year ended 30 June 2011.

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)
YBhg Datuk Kwek Leng San (President & Chief Executive Officer)
YBhg Dato' Yau Kok Seng (Group Managing Director) (Appointed on 5-9-2011)
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar
YBhg Dato' Ahmad Johari bin Tun Abdul Razak
YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Mr Chuah Chuan Thye
Mr Peter Nigel Yates (Resigned on 1-8-2011)

Directors' Report
(cont'd)

DIRECTORS OF THE COMPANY (cont'd)

In accordance with Article 115 of the Company's Articles of Association, YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and Mr Chuah Chuan Thye retire by rotation from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, YBhg Dato' Yau Kok Seng retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2011 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/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/ convertible bonds			
	Nominal value per share RM	**At 1-7-2010**	**Acquired**	**Sold**	**At 30-6-2011**
Shareholdings in which Directors have direct interests					
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	1,056,325	-	-	1,056,325
GuocoLand Limited	∞	10,000,000	3,333,333≈	-	13,333,333
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	US$0.20	735,000	-	-	735,000
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	1,260,000≈	1,260,000®	2,520,000
Malaysian Pacific Industries Berhad	0.50	315,000	945,000+	-	1,260,000
Hong Leong Capital Berhad (formerly known as 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
Interests of YBhg Dato' Ahmad Johari bin Tun Abdul Razak in:					
Hong Leong Industries Berhad	0.50	17,600	8,800≈	8,800®	17,600
Malaysian Pacific Industries Berhad	0.50	-	6,600+	-	6,600
Interest of Mr Peter Nigel Yates in:					
Malaysian Pacific Industries Berhad	0.50	-	54,900	-	54,900
	-	250,000*	-	-	250,000*

Directors' Report
(cont'd)

DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/ convertible bonds At 1-7-2010	Acquired	Sold	At 30-6-2011
Shareholdings in which Directors have indirect interests					
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,019,100	50,000	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	300,000@@ß	-	824,737,300@@
	-	2,125,000*@@	-	300,000*@@ß	1,825,000*@@
Hong Leong Capital Berhad (formerly known as HLG Capital Berhad)	1.00	195,263,227	-	-	195,263,227
Hong Leong Bank Berhad	1.00	967,739,600	603,200	126,700	968,216,100
Hong Leong MSIG Takaful Berhad (formerly known as Hong Leong Tokio Marine Takaful Berhad)	1.00	65,000,000	35,000,000	35,000,000	65,000,000
Hong Leong Assurance Berhad	1.00	200,000,000	-	60,000,000	140,000,000є
Hong Leong Industries Berhad	0.50	198,269,837@@	170,935,068@@Φ	123,068,302@@®	246,136,603@@
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	-	6,941##	-	6,941##
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	7,934,247	-	-	7,934,247
Guocera Tile Industries (Vietnam) Co., Ltd	•	-	5,286,500	-	5,286,500
Malaysian Pacific Industries Berhad	0.50	133,601,009	92,301,226+@@	23,400	110,245,457@@
			4,168,925Ø	119,802,303<<	
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##
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Guoco Group Limited	US$0.50	235,798,529	-	-	235,798,529
GuocoLand Limited	∞	614,133,274@@	205,111,089Φ@@	-	819,244,363@@
	-	8,461,946*	-	94,625*	8,724,438*▲
First Garden Development Pte Ltd	∞	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd	∞	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	^	150,000,000	-	-	150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
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
Belmeth Pte Ltd	∞	-	40,000,000	-	40,000,000
Guston Pte Ltd	∞	-	8,000,000	-	8,000,000
Perfect Eagle Pte Ltd	∞	1	23,999,999	-	24,000,000є

Directors' Report
(cont'd)

DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/ convertible bonds — At 1-7-2010	Acquired	Sold	At 30-6-2011
Shareholdings in which Directors have indirect interests (cont'd)					
Interests of YBhg Tan Sri Quek Leng Chan in: (cont'd)					
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
M.C. Packaging Offshore Limited	HK$0.01	812,695	-	-	812,695
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	466,555,616@@	-	10,500,000@@	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000##	-	-	68,594,000##
GuocoLeisure Limited	US$0.20	907,809,425	10,692,000	-	918,501,425
Bondway Properties Limited	GBP1.00	1,134,215□	-	1,134,215□λ	-
(In members' voluntary liquidation)		10,332□□	-	10,332□□λ	
The Rank Group Plc	GBP13$^{8/9}$p	220,225,312»	45,819,079∆	-	266,044,391
Park House Hotel Limited	GBP10p	2,883,440»	-	-	2,883,440
Interests of Mr Chuah Chuan Thye in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	9,347,949	-	-	9,347,949
Hong Leong Industries Berhad	0.50	2,297,848	1,149,206≈	1,149,018®	2,298,036
Narra Industries Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	140,000	-	-	140,000
GuocoLand (Malaysia) Berhad	0.50	2,785,485	-	500,000	2,285,485
GuocoLeisure Limited	US$0.20	2,036,775	-	-	2,036,775
Malaysian Pacific Industries Berhad	0.50	-	861,764+	-	861,764

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$.
- Ω Capital contribution in HK$.
- • Capital contribution in VND.
- @@ Inclusive of shares held pursuant to Section 134 (12)(c) of the Companies Act, 1965.
- € Became a non wholly-owned subsidiary during the financial year.
- ## Redeemable preference shares.
- □ Ordinary - Voting shares.
- □□ Ordinary - Non voting shares.
- + Entitlement to Malaysian Pacific Industries Berhad shares pursuant to capital distribution by Hong Leong Industries Berhad ("HLI") to entitled shareholders of HLI via a reduction of the share capital and cancellation of the share premium reserve of HLI.
- << Capital distribution by HLI to entitled shareholders of HLI.
- ® Cancellation pursuant to a reduction of share capital.
- Ø Acquired from trusts set up for an approved executive share option scheme.
- Φ Inclusive of shares acquired from rights issue.
- ▲ After adjustment of the conversion price of the convertible bonds.
- » Shareholding as at 7 June 2011 as the corporation became a related corporation.
- ∆ Acceptances received for shares in respect of mandatory cash offer.
- ß Exercise of share options.
- λ Dissolved during the financial year.
- ≈ Shares acquired from rights issue.

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: (a) YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties, and/or 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 interests; (b) 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 interests; and (c) YBhg Dato' Ahmad Johari bin Tun Abdul Razak who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between the Company or its related corporations and a firm in which YBhg Dato' Ahmad Johari bin Tun Abdul Razak has interests.

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

EXECUTIVE SHARE OPTION SCHEME ("ESOS" 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 have 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 the HLI Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS ("ESOS Trust"); or a combination of both new shares and existing shares.

Directors' Report
(cont'd)

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

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, HLYM vested the HLI Options over 2,000,000 ordinary shares of RM0.50 each in the Company ("Vested HLI Options") to the Option Holders in the financial year ended 30 June 2009. During the previous financial years, 1,600,000 Vested HLI Options have lapsed.

During the financial year, 36,000 Vested HLI Options were exercised by an Option Holder at an exercise price of RM5.51 per share, satisfied by the transfer of 36,000 existing HLI Shares held by the ESOS Trust to the Option Holder pursuant to the ESOS. The remaining 364,000 Vested HLI Options lapsed during the financial year.

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company has undertaken the following share issuance and capital distribution:

(a) issuance of 46,759,443 new ordinary shares of RM0.50 each as consideration for the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB") at an issue price of RM5.03 per share;

(b) renounceable rights issue of 159,736,405 new ordinary shares of RM0.50 each ("Rights Share") on the basis of 1 Rights share for every 2 existing ordinary shares held in the Company at an issue price of RM1.45 per Rights Share; and

(c) capital distribution of 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI"), to the shareholders of the Company on the basis of 75 MPI shares for every 300 ordinary shares held in the Company, by way of a reduction in the share capital of the Company, on the basis of 100 ordinary shares of the Company cancelled for every 300 ordinary shares held in the Company and the reduction in the share premium reserve of the Company pursuant to Section 64 of the Companies Act, 1965.

All the new ordinary shares issued ranked pari passu with the existing ordinary shares of the Company. As at 30 June 2011, the issued and paid-up share capital of the Company, before adjusting for the treasury shares of 8,432,500 held, was RM163,952,655.00 comprising 327,905,310 ordinary shares of RM0.50 each. The treasury shares were held in accordance with the requirement of Section 67A of the Companies Act, 1965.

The Company has not issued any debenture during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

OTHER STATUTORY INFORMATION

Before the statement of comprehensive income and statement of financial position 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.

Directors' Report
(cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2011 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 that they do not wish to seek for re-appointment.

On behalf of the Board

Datuk Kwek Leng San

Dato' Ahmad Johari bin Tun Abdul Razak

Kuala Lumpur
5 September 2011

Statements of Financial Position

as at 30 June 2011

	Note	Group 30-6-2011 RM'000	Group 30-6-2010 RM'000 (Restated)	Group 1-7-2009 RM'000 (Restated)	Company 30-6-2011 RM'000	Company 30-6-2010 RM'000
ASSETS						
Property, plant and equipment	4	**451,009**	1,318,992	1,337,219	**752**	-
Prepaid lease payments	5	**-**	-	-	**-**	-
Investment properties	6	**17,231**	-	-	**-**	-
Investments in subsidiary companies	7	**-**	-	-	**428,772**	845,084
Investments in associated companies	8	**374,985**	382,946	387,084	**265,073**	265,073
Available-for-sale financial assets	9	**172,993**	60	56	**171,983**	10
Intangible assets	10	**12,179**	447,328	482,732	**-**	-
Other assets	11	**-**	-	-	**-**	37,702
Deferred tax assets	12	**8,960**	-	877	**-**	-
TOTAL NON-CURRENT ASSETS		**1,037,357**	2,149,326	2,207,968	**866,580**	1,147,869
Inventories	13	**196,082**	190,225	177,236	**-**	-
Trade and other receivables	14	**403,108**	516,685	425,983	**33,561**	1,058
Tax recoverable		**21,433**	11,529	17,148	**8,560**	10,585
Short term investments		**-**	-	4	**-**	-
Derivative financial assets	15	**228**	-		**92**	-
Assets held for sale	16	**-**	9,342	-	**-**	-
Cash and cash equivalents	17	**376,155**	429,160	261,008	**100,917**	16,812
TOTAL CURRENT ASSETS		**997,006**	1,156,941	881,379	**143,130**	28,455
TOTAL ASSETS		**2,034,363**	3,306,267	3,089,347	**1,009,710**	1,176,324

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Financial Position
as at 30 June 2011
(cont'd)

	Note	Group 30-6-2011 RM'000	Group 30-6-2010 RM'000 (Restated)	Group 1-7-2009 RM'000 (Restated)	Company 30-6-2011 RM'000	Company 30-6-2010 RM'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital	18	**163,953**	140,573	140,573	**163,953**	140,573
Reserves	19	**997,110**	1,311,096	1,191,539	**403,079**	633,438
Treasury shares - at cost	20	**(63,318)**	(63,318)	(63,309)	**(63,318)**	(63,318)
		1,097,745	1,388,351	1,268,803	**503,714**	710,693
NON-CONTROLLING INTERESTS		**114,157**	638,094	590,410	**-**	-
TOTAL EQUITY		**1,211,902**	2,026,445	1,859,213	**503,714**	710,693
LIABILITIES						
Borrowings (unsecured)	21	**120,000**	371,768	377,117	**120,000**	220,000
Deferred tax liabilities	12	**13,253**	23,043	65,198	**-**	-
Employee benefits	22(a)	**15,779**	12,967	12,369	**333**	333
TOTAL NON-CURRENT LIABILITIES		**149,032**	407,778	454,684	**120,333**	220,333
Trade and other payables	23	**314,025**	469,788	350,775	**149,663**	11,298
Borrowings (unsecured)	21	**344,846**	387,504	413,207	**236,000**	234,000
Tax payable		**14,558**	14,752	11,468	**-**	-
TOTAL CURRENT LIABILITIES		**673,429**	872,044	775,450	**385,663**	245,298
TOTAL LIABILITIES		**822,461**	1,279,822	1,230,134	**505,996**	465,631
TOTAL EQUITY AND LIABILITIES		**2,034,363**	3,306,267	3,089,347	**1,009,710**	1,176,324

The notes on pages 50 to 107 are an integral part of these financial statements.

Income Statements
for the financial year ended 30 June 2011

Continuing operations	Note	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Revenue					
Sales of goods and services		**1,803,233**	1,485,576	**-**	-
Dividend income		**-**	-	**72,230**	91,857
		1,803,233	1,485,576	**72,230**	91,857
Cost of sales		**(1,475,742)**	(1,209,362)	**-**	-
Gross profit		**327,491**	276,214	**72,230**	91,857
Distribution costs		**(88,149)**	(65,257)	**-**	-
Administration expenses		**(59,500)**	(45,751)	**(7,863)**	(4,897)
Other operating expenses		**(16,882)**	(39,472)	**(3,282)**	(33,175)
Other operating income		**75,355**	38,773	**28,497**	16,651
Operating profit		**238,315**	164,507	**89,582**	70,436
Interest income		**2,992**	1,780	**404**	265
Finance costs		**(21,310)**	(18,603)	**(16,626)**	(16,577)
Share of profit in associated companies		**36,549**	54,256	**-**	-
Profit before taxation		**256,546**	201,940	**73,360**	54,124
Taxation	25	**(29,690)**	(34,270)	**(1,100)**	(1,995)
Profit from continuing operations		**226,856**	167,670	**72,260**	52,129
Discontinued operations					
Profit from discontinued operations, net of tax	26	**74,998**	125,886	**-**	-
Profit for the year	24	**301,854**	293,556	**72,260**	52,129
Profit attributable to:					
Owners of the Company		**219,379**	194,278	**72,260**	52,129
Non-controlling interests		**82,475**	99,278	**-**	-
		301,854	293,556	**72,260**	52,129

	Note	Group 2011	Group 2010
Basic earnings per ordinary share (sen)			
- Continuing operations		**59.01**	49.55
- Discontinued operations		**11.61**	24.72
	27	**70.62**	74.27
Dividend per ordinary share - Net (Sen)	28	**20.13**	17.00

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 30 June 2011

	Group		Company	
Continuing operations	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Profit for the year	**301,854**	293,556	**72,260**	52,129
Other comprehensive income				
- Foreign currency translation differences for foreign operations	**(47,258)**	(33,894)	**-**	-
- Loss on fair value adjustments	**(1,925)**	-	**(1,924)**	-
Total comprehensive income for the year	**252,671**	259,662	**70,336**	52,129
Total comprehensive income attributable to:				
Owners of the Company	**172,282**	165,513	**70,336**	52,129
Non-controlling interests	**80,389**	94,149	**-**	-
	252,671	259,662	**70,336**	52,129

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 30 June 2011

	← Attributable to owners of the Company									→		
	Share Capital RM'000	Share Premium* RM'000	Exchange Equalisation Reserve* RM'000	Fair Value Reserve* RM'000	Other Reserves* RM'000	Reserve For Own Shares* RM'000	Share Option Reserve* RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group												
At 1 July 2009	140,573	586,926	(27,525)	-	(954)	(54,374)	1,068	(63,309)	686,398	1,268,803	590,410	1,859,213
Profit for the year	-	-	-	-	-	-	-	-	194,278	194,278	99,278	293,556
Other comprehensive income												
- Foreign currency translation differences	-	-	(28,765)	-	-	-	-	-	-	(28,765)	(5,129)	(33,894)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	194,278	165,513	94,149	259,662
Dividends (Note 28)	-	-	-	-	-	-	-	-	(44,467)	(44,467)	(44,803)	(89,270)
Purchase of treasury shares	-	-	-	-	-	-	-	(9)	-	(9)	-	(9)
Share-based payments	-	-	-	-	(1,613)	-	(626)	-	750	(1,489)	(1,657)	(3,146)
Total distribution to owners	-	-	-	-	(1,613)	-	(626)	(9)	(43,717)	(45,965)	(1,657)	(92,425)
Change in equity in a subsidiary company	-	-	-	-	-	-	-	-	-	-	(5)	(5)
Transfer to capital redemption reserve	-	-	-	-	209	-	-	-	(209)	-	-	-
Transfer to capital reserves	-	-	-	-	900	-	-	-	(900)	-	-	-
At 30 June 2010	140,573	586,926	(56,290)	-	(1,458)	(54,374)	442	(63,318)	835,850	1,388,351	638,094	2,026,445
Adoption of FRS 139	-	-	-	4	-	-	-	-	(398)	(394)	(135)	(529)
	140,573	586,926	(56,290)	4	(1,458)	(54,374)	442	(63,318)	835,452	1,387,957	637,959	2,025,916
Profit for the year	-	-	-	-	-	-	-	-	219,379	219,379	82,475	301,854
Other comprehensive income												
- Foreign currency translation differences	-	-	(45,172)	-	-	-	-	-	-	(45,172)	(2,086)	(47,258)
- Loss on fair value adjustments	-	-	-	(1,925)	-	-	-	-	-	(1,925)	-	(1,925)
Total comprehensive income for the year	-	-	(45,172)	(1,925)	-	-	-	-	219,379	172,282	80,389	252,671

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Changes in Equity
for the financial year ended 30 June 2011
(cont'd)

	Attributable to owners of the Company											
	Share Capital RM'000	Share Premium* RM'000	Exchange Equalisation Reserve* RM'000	Fair Value Reserve* RM'000	Other Reserves* RM'000	Reserve For Own Shares* RM'000	Share Option Reserve* RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
Group												
Dividends (Note 28)	-	-	-	-	-	-		-	(72,989)	(72,989)	(94,116)	(167,105)
Share-based payments	-	-	-	-	(4,182)	-	(442)	-	442	(4,182)	(3,014)	(7,196)
Issue of shares	23,380	211,820	-	-	-	-	-	-		235,200	-	235,200
Renounceable rights issue	79,868	151,749	-	-	-	-	-	-	-	231,617	-	231,617
Capital reduction	(79,868)	(562,151)	-	-	-	-	-	-	-	(642,019)	-	(642,019)
Share issue expenses	-	(1,248)	-	-	-	-	-	-	-	(1,248)	-	(1,248)
Demerger of a subsidiary	-	-	(2,881)	-	24,690	-	-	-	(243,502)	(221,693)	(506,968)	(728,661)
Trust shares												
- Purchased	-	-	-	-	-	(7,995)	-	-	-	(7,995)	-	(7,995)
- Cancelled	-	-	-	-	-	20,730	-	-	-	20,730	-	20,730
- Exercise of options	-	-	-	-	-	180	-	-	-	180	-	180
Total distribution to owners	23,380	(199,830)	(2,881)	-	20,508	12,915	(442)	-	(316,049)	(462,399)	(604,098)	(1,066,497)
Change in equity in a subsidiary	-	-	-	-	-	-	-	-	-	-	(628)	(628)
Transfer of capital reserves	-	-	-	-	883	-	-	-	(883)	-	-	-
Transfer to capital redemption reserve	-	-	-	-	494	-	-	-	(494)	-	-	-
Other reserve movements	-	-	-	-	(95)	-	-	-	-	(95)	-	(95)
Shares issued by a subsidiary	-	-	-	-	-	-	-	-	-	-	535	535
At 30 June 2011	**163,953**	**387,096**	**(104,343)**	**(1,921)**	**20,332**	**(41,459)**	**-**	**(63,318)**	**737,405**	**1,097,745**	**114,157**	**1,211,902**
	(Note 18)							(Note 20)				

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Changes in Equity
for the financial year ended 30 June 2011
(cont'd)

	Attributable to owners of the Company							
	Share Capital RM'000	Share Premium* RM'000	Fair Value Reserve* RM'000	Other Reserves* RM'000	Reserve For Own Shares* RM'000	Treasury Shares RM'000	Retained Profits RM'000	Total Equity RM'000
Company								
At 1 July 2009	140,573	586,926	-	3,943	-	(63,309)	36,801	704,934
Profit/total comprehensive income for the year	-	-	-	-	-	-	52,129	52,129
Dividends (Note 28)	-	-	-	-	-	-	(46,361)	(46,361)
Purchase of treasury shares	-	-	-	-	-	(9)	-	(9)
Total distribution to owners	-	-	-	-	-	(9)	(46,361)	(46,370)
At 30 June 2010	140,573	586,926	-	3,943	-	(63,318)	42,569	710,693
Adoption of FRS 139	-	-	-	-	(44,337)	-	6,617	(37,720)
	140,573	586,926	-	3,943	(44,337)	(63,318)	49,186	672,973
Profit for the year	-	-	-	-	-	-	72,260	72,260
Other comprehensive income								
- Foreign currency translation differences	-	-	(1,924)	-	-	-	-	(1,924)
Total comprehensive income for the year	-	-	(1,924)	-	-	-	72,260	70,336
Dividends (Note 28)	-	-	-	-	-	-	(73,487)	(73,487)
Issue of shares	23,380	211,820	-	-	-	-	-	235,200
Renounceable rights issue	79,868	151,749	-	-	-	-	-	231,617
Capital reduction	(79,868)	(562,151)	-	-	-	-	-	(642,019)
Share issue expenses	-	(1,248)	-	-	-	-	-	(1,248)
Trust shares								
- Purchased	-	-	-	-	(6,655)	-	-	(6,655)
- Cancelled	-	-	-	-	16,997	-	-	16,997
Total distribution to owners	23,380	(199,830)	-	-	10,342	-	(73,487)	(239,595)
At 30 June 2011	**163,953**	**387,096**	**(1,924)**	**3,943**	**(33,995)**	**(63,318)**	**47,959**	**503,714**
	(Note 18)					(Note 20)		

* Non distributable

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Cash Flows
for the financial year ended 30 June 2011

	Group		Company	
	2011 RM'000	2010 RM'000 (Restated)	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation				
- From continuing operations	**256,546**	201,940	**73,360**	54,124
- From discontinued operations	**83,658**	84,984	**-**	-
	340,204	286,924	**73,360**	54,124
Adjustments for:-				
Share of profit of associated companies	**(36,549)**	(54,256)	**-**	-
Amortisation of intangible assets				
- Computer software	**342**	244	**-**	-
- Development expenditure	**1,414**	1,455	**-**	-
Depreciation of property, plant and equipment	**232,707**	235,194	**68**	-
Dividend income	**(6,137)**	(2,067)	**(72,230)**	(91,857)
Fair value gain on derivative financial assets	**(1,547)**	-	**(92)**	-
Gain on disposal of property, plant and equipment	**(27,812)**	(11,156)	**-**	-
Gain on disposal of assets held for sale	**(11,350)**	-	**-**	-
Property, plant and equipment written off	**177**	5,702	**-**	-
Impairment of property, plant and equipment	**2,712**	45,257	**-**	-
Retirement benefits	**1,108**	1,125	**-**	6
Unrealised (gain)/loss on foreign exchange	**(2,540)**	12,072	**(1)**	-
Interest income	**(4,726)**	(3,212)	**(404)**	(265)
Finance costs	**27,748**	24,546	**16,626**	16,577
Gain on liquidation of subsidiary companies	**-**	(39)	**-**	-
Impairment of value in				
- Investment in subsidiary companies	**9,780**	36,000	**(27,000)**	29,353
Share-based payments	**(228)**	(3,145)	**-**	-
Loss on disposal of other investments	**1,994**	-	**1,605**	-
Loss on capital reduction of subsidiary	**-**	-	**1,621**	-
(Gain)/loss on disposal of subsidiary	**59**	-	**(800)**	-
Negative goodwill on acquisition of a subsidiary	**(20,658)**	-	**-**	-
Other non-cash items	**(95)**	135	**-**	-
Operating profit/(loss) before working capital changes	**506,603**	574,779	**(7,247)**	7,938
Changes in working capital:				
Inventories	**(34,771)**	(22,053)	**-**	-
Trade and other receivables	**4,652**	(146,799)	**(18,551)**	49,324
Trade and other payables	**(12,015)**	169,429	**138,347**	(14,945)
Cash generated from operations	**464,469**	575,356	**112,549**	42,317
Taxation (paid)/refund	**(39,536)**	(25,671)	**5,791**	7,444
Interest income received	**4,726**	3,212	**404**	265
Finance costs paid	**(27,748)**	(24,546)	**(16,626)**	(16,577)
Dividends received from				
- Subsidiary companies	**-**	-	**44,213**	48,302
- Associated companies	**21,423**	38,461	**21,423**	38,461
- Other investments	**6,137**	2,067	**2,255**	305
Retirement benefits paid	**(390)**	(527)	**-**	(1)
Net cash generated from operating activities	**429,081**	568,352	**170,009**	120,516

The notes on pages 50 to 107 are an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 30 June 2011 (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000 (Restated)	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of a subsidiary company	**2,122**	-	**2,380**	-
Issue of RPS by a subsidiary company to non controlling shareholder	**3**	-	**-**	-
Issue of shares by a subsidiary company to non controlling shareholders	**535**	-	**-**	-
Cash distribution from capital reduction of subsidiary company	**-**	-	**2,400**	-
Acquisition of a subsidiary, net of cash and cash equivalent acquired	**42,761**	-	**-**	-
Addition of development expenditure	**(1,348)**	(2,027)	**-**	-
Addition of computer software	**(250)**	(260)	**-**	-
Demerger of discontinued operations				
- Net cash and cash equivalent disposed	**(69,543)**	-	**-**	-
Purchase of property, plant and equipment	**(297,895)**	(294,315)	**(820)**	-
Proceeds from disposal of property, plant and equipment	**42,906**	12,431	**-**	-
Proceeds from disposal of assets held for sale	**20,692**	-	**-**	-
Proceeds from redemption of redeemable preference shares in a subsidiary company	**-**	-	**73,000**	-
Additional investment in subsidiary companies	**-**	-	**(54,091)**	(46,000)
Addition in available-for-sale financial assets	**(162,003)**	-	**(161,000)**	-
Net cash used in investing activities	**(422,020)**	(284,171)	**(138,131)**	(46,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Renounceable rights issue	**223,538**	-	**224,962**	-
Dividends paid to				
- Owners of the Company	**(72,989)**	(44,467)	**(73,487)**	(46,361)
- Non-controlling shareholder of subsidiaries	**(94,116)**	(44,803)	**-**	-
Exercise of Trusts shares	**198**	-	**-**	-
Repayment of borrowings	**(654,946)**	(598,517)	**(184,000)**	(283,000)
Drawdown of borrowings	**547,086**	574,385	**86,000**	255,000
Purchase of treasury shares	**-**	(21)	**-**	(9)
Purchase of Trust Shares	**(6,650)**	-	**-**	-
Share issue expenses	**(1,248)**	-	**(1,248)**	-
Net cash (used in)/generated from financing activities	**(59,127)**	(113,423)	**52,227**	(74,370)
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(52,066)**	170,758	**84,105**	146
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	**429,160**	261,008	**16,812**	16,666
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS	**(939)**	(2,606)	**-**	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	**376,155**	429,160	**100,917**	16,812
CASH AND CASH EQUIVALENTS COMPRISE:-				
Deposits with licensed financial institutions	**286,841**	288,374	**99,393**	9,572
Cash and bank balances	**89,314**	130,447	**1,524**	7,240
Unquoted fund	**-**	10,339	**-**	-
	376,155	429,160	**100,917**	16,812

The notes on pages 50 to 107 are an integral part of these financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

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

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

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

The 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 18 August 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Summary of Significant Accounting Policies

(a) Basis of preparation

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

The consolidated financial statements as at and for the financial year ended 30 June 2011 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 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 7, 8 and 10 for measurement of the recoverable amounts of cash-generating units.

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

(b) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the audited financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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)

(i) Subsidiaries (cont'd)

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Company elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Company's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 2.1(e)(i). In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

(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 Trusts set up as mentioned in Note 2.1(n)(iv) are consolidated in the Consolidated Financial Statements.

(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.

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.

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 (cont'd)

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

(iv) Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owner's ownership interest in subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(c) Property, plant and equipment

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 profit or loss. 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.

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 (cont'd)

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

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

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:-

Leasehold land	Over period of lease
Buildings	2% - 10%
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 reporting date.

(d) Leased assets

(i) Finance lease

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(d) Leased assets (cont'd)

(ii) Operating leases

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both is classified as investment property.

In the previous years, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land that was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group has adopted the amendment made to FRS 117, Leases on 1 July 2010 in relation to the reclassification of leasehold land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

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

(e) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates.

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 profit or loss.

(ii) Development expenditure

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

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 (cont'd)

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years.

(f) Inventories

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

Prior to 1 July 2010, receivables were initially recognised at their cost and subsequently stated at cost less allowance for doubtful debts.

Following the adoption of FRS 139, trade and other receivables are categorised and measured as loans and receivables accordingly.

(h) Impairment

(i) Financial assets

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

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

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

(ii) Non-financial assets

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(h) Impairment (cont'd)

(ii) Non-financial assets (cont'd)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit (groups of units) on a pro-rata basis.

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

(i) Assets held for sale

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

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

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

(j) 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.

(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 repurchased, 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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(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) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plan

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

(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 ("ESOS").

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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(n) Employee benefits (cont'd)

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

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

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

(o) Foreign currency

(i) Foreign currency transactions

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

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

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

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 reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2006 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year. 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 other comprehensive income.

On disposal, accumulated translation differences are recognised in profit or loss 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 profit or loss. Such exchange differences are reclassified to equity in the consolidated financial statements. Deferred exchange differences are released to the profit or loss upon disposal of the investment.

(p) Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 July 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 July 2010, different accounting policies were applied.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(p) Financial instruments (cont'd)

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument. A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Company categorises financial instruments as follows:-

Financial assets

(i) Financial assets at fair value through profit or loss

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

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost. Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(ii) Loans and receivables

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

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

(iii) Available for sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(p) Financial instruments (cont'd)

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

Financial assets (cont'd)

(iii) Available for sale financial assets (cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

Regular way purchase or sale of financial assets

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

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

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

Financial liabilities

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

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

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

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

Derecognition

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(p) Financial instruments (cont'd)

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

Derecognition (cont'd)

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

(q) Revenue

(i) Goods sold and services rendered

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

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

(ii) Dividend income

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

(iii) Interest and rental income

Interest and rental income are recognised in profit or loss on accrual basis.

(r) Borrowings costs

All borrowings costs are recognised in profit or loss 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 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.

(s) Taxation

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(s) Taxation (cont'd)

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred 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 or 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 end of the reporting period.

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 the end of 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 treated as tax base of assets and are recognised as a reduction of tax expense as and when they are utilised.

(t) 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.

(u) Dividends

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

(v) Operating segments

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

(w) Investment properties

(i) Investment property carried at fair value

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Summary of Significant Accounting Policies (cont'd)

(w) Investment properties (cont'd)

(i) Investment property carried at fair value (cont'd)

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

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

(ii) Reclassification to/from investment property

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

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

(iii) Determination of fair value

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

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

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs

2.2.1 FRS Issued and Effective

FRSs, Amendment to FRSs and Interpretations effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements
  - Puttable Financial Instruments and Obligations Arising on Liquidation

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)

2.2.1 FRS Issued and Effective (cont'd)

FRSs, Amendment to FRSs and Interpretations effective for annual periods beginning on or after 1 January 2010 (cont'd)

- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Reclassification of Financial Assets
  - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation
  - Classification of Rights Issues

FRSs, amendment to FRSs and Interpretations effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

On 1 July 2010, the Group and the Company has adopted those FRSs, Amendments to FRSs and Interpretations that were effective for annual periods beginning on or after 1 January 2010, 1 March 2010 and 1 July 2010, except for FRS 4, which is not applicable to the Group and the Company.

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)

2.2.1 FRS Issued and Effective (cont'd)

Adoption of new FRSs

The adoption of the abovementioned FRSs and IC Interpretations have no material impact on the financial statements of the Group and of the Company except for the following:-

- **FRS 101 (revised) "Presentation of Financial Statements"**

  The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group and the Company have elected to present the statement of comprehensive income in two statements while all owner changes in equity have been presented in the statement of changes in equity. Certain comparative figures have been reclassified to conform with the current year's presentation. There is no impact on profits for the year since these changes affect only the presentation of items of income and expenses.

- **FRS 7 "Financial Instruments: Disclosures"**

  Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 "Financial Instruments: Disclosure and Presentation". FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

  The Group and the Company have applied FRS 7 prospectively in accordance with the transition provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 30 June 2011.

- **FRS 139 "Financial Instruments: Recognition and Measurement"**

  The Group and the Company have adopted FRS 139 prospectively on 1 July 2010 in accordance with the transition provisions and the comparatives as at 30 June 2010 are not restated. On that date, financial assets were classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. Financial liabilities were either classified as financial liabilities at fair value through profit or loss or other financial liabilities.

  Upon adoption of FRS 139, all derivative financial instruments held by the Group and the Company were recognised in the statement of financial position as financial assets or financial liabilities through profit or loss at the date the contracts were entered into.

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)

2.2.1 FRS Issued and Effective (cont'd)

- **FRS 139 "Financial Instruments: Recognition and Measurement"** (cont'd)

The effects of the changes on 1 July 2010 have been accounted for by adjusting the opening balances of the Group and the Company as follows:-

	As Previously Reported RM'000	Effects of Adopting FRS 139 RM'000	After Effects of Adopting FRS 139 RM'000
Group			
Statement of Financial Position			
Non-current assets			
Investment in associated companies	382,946	(92)	382,854
Available-for-sale financial assets	60	4	64
Current liabilities			
Derivative financial liabilities	-	(441)	(441)
Equity			
Reserves	1,311,096	(394)	1,310,702
Non-controlling interests	638,094	(135)	637,959
Statement of Changes in Equity			
Fair value reserve	-	4	4
Retained profits	835,850	(398)	835,452
Company			
Statement of Financial Position			
Non-current assets			
Other assets	37,702	(37,702)	-
Current liabilities			
Trade and other payables	(469,788)	(18)	(469,806)
Equity			
Reserves	633,438	(37,720)	595,718
Statement of Changes in Equity			
Reserve for own shares	-	(44,337)	(44,337)
Retained profits	42,569	6,617	49,186

- **Amendment to FRS 117 "Leases"**

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating leases. The considerations paid were classified and presented as prepaid lease payments in the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. Accordingly, the Group has reclassified its leasehold land to property, plant and equipment. This change in classification has no effect on the results of the Group. The reclassification has been accounted retrospectively in accordance with the transitional provision and certain comparative balances have been restated.

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)

2.2.1 FRS Issued and Effective (cont'd)

- **Amendment to FRS 117 "Leases"** (cont'd)

The effects of the reclassification to the Group following the adoption of the Amendment to FRS 117 are as follows:-

	As Previously Reported RM'000	Effects of Adopting Amendment to FRS 117 RM'000	As Restated RM'000
Group			
Statement of Financial Position			
As at 30 June 2010			
Prepaid lease payments	35,291	(35,291)	-
Property, plant and equipment	1,283,701	35,291	1,318,992
As at 1 July 2009			
Prepaid lease payments	36,977	(36,977)	-
Property, plant and equipment	1,300,242	36,977	1,337,219
Income Statement			
Year ended 30 June 2010			
Amortisation of prepaid lease payments	510	(510)	-
Depreciation of property, plant and equipment	234,684	510	235,194
Statement of Cash Flows			
Year ended 30 June 2010			
Adjustments for:			
Amortisation of prepaid lease payments	510	(510)	-
Depreciation of property, plant and equipment	234,684	510	235,194
Gain on disposal of prepaid lease payments	(9,274)	9,274	-
Gain on disposal of property, plant and equipment	(1,882)	(9,274)	(11,156)
Proceeds from disposal of prepaid lease payments	10,017	(10,017)	-
Proceeds from disposal of property, plant and equipment	2,414	10,017	12,431

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)

2.2.2 FRSs, Amendment to FRSs and Interpretations issued but not yet effective

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment: Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains Lease
- IC Interpretation 18, Transfers of Assets from Customers
- Improvements to FRSs (2010)

FRSs, Amendments to FRSs and Interpretations effective for annual periods beginning on or after 1 July 2011

- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement
- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

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

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate

The Group and the Company plan to apply the abovementioned Amendments to FRSs and Interpretations that will be effective for annual periods beginning on or after 1 January 2011 and 1 July 2011.

The initial application of the aforesaid Amendments or Interpretations are not expected to have any significant financial impact on the financial positions on the results of the Group and the Company upon their first adoption.

Those standards and interpretations that are effective from 1 January 2012 need not be adopted by the Group and the Company because following the announcement by the Malaysian Accounting Standards Board on 1 August 2008, the Group's and Company's financial statements will be prepared in accordance with the International Financial Reporting Standards ("IFRS") framework for annual periods beginning on 1 July 2012. The management has yet to assess the impact of the adoption of the IFRS framework on the financial position and performance of the Group and the Company.

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 2011 %	Effective Interest 2010 %	Principal Activities
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.

Notes to the Financial Statements
(cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest 2011 %	Effective Interest 2010 %	Principal Activities
Subsidiary Companies				
•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	Ceased operation.
•Guocera Tile Industries (Vietnam) Co., Ltd	Vietnam	**97.0**	-	Manufacture and sale of ceramic tiles.
•Guocera Marketing Sdn Bhd	Malaysia	**100.0**	100.0	General trading in ceramic tiles and investment holding.
•Guocera Marketing Singapore Pte Ltd*	Singapore	**100.0**	100.0	General trading in ceramic tiles.
•Ceramic Research Company Sdn Bhd	Malaysia	**100.0**	100.0	Research and development of ceramic tiles and related products.
•Guocera Marketing (International) Sdn Bhd	Malaysia	**100.0**	100.0	Procurement and sale of raw materials, parts and components, and finished products of ceramic tiles for the local and export markets.
Hong Leong Marketing Co Berhad	Malaysia	**100.0**	100.0	Distribution of building materials.
Hume Marketing Sdn Bhd (formerly known as Hong Leong Marketing (EM) Sdn Bhd)	Malaysia	**100.0**	100.0	Distribution of building materials.
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	**69.4**	69.4	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.
Hume Industries (Malaysia) Sdn Bhd*	Malaysia	**100.0**	-	Manufacture of concrete products and investment holding.
•Hume Concrete (EM) Sdn Bhd*	Malaysia	**100.0**	-	Manufacture and sale of concrete and related products.
•Hume Concrete Marketing Sdn Bhd*	Malaysia	**100.0**	-	Marketing of concrete and related products.
•Hume Concrete Products Research Centre Sdn Bhd*	Malaysia	**100.0**	-	Research and development of concrete products.
•Hume Cemboard Industries Sdn Bhd*	Malaysia	**100.0**	-	Manufacture and sale of fibre cement products and investment holding.
•Malex Industrial Products Sdn Bhd*	Malaysia	**100.0**	-	Manufacture and sale of fibre cement products and investment holding.
•Hume Cemboard Marketing Sdn Bhd*	Malaysia	**100.0**	-	Sale and distribution of fibre cement products.
•Hume Roofing Products Sdn Bhd*	Malaysia	**100.0**	-	Manufacture and sale of concrete roofing tiles.
•Hume Fibreboard Sdn Bhd*	Malaysia	**100.0**	-	Investment trading.

Notes to the Financial Statements
(cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest 2011 %	Effective Interest 2010 %	Principal Activities
Subsidiary Companies				
MZ Motorrad- und Zweiradwerk GmbH♦	Germany	**100.0**	100.0	Ceased operation.
MZ Holdings Limited*	Hong Kong	**100.0**	100.0	Investment holding.
MZ Motorrad Group Limited♦	Bermuda	**100.0**	100.0	Investment holding.
•MZ Engineering GmbH	Germany	**100.0**	100.0	In member's voluntary liquidation.
Stableview Sdn Bhd	Malaysia	**100.0**	100.0	Investment holding.
Prester Sdn Bhd	Malaysia	**100.0**	100.0	Dormant.
Maxider Sdn Bhd	Malaysia	**100.0**	100.0	Investment holding.
Megah Court Condominium Development Sdn Bhd	Malaysia	**100.0**	100.0	Property management.
Taman Terang Sdn Bhd	Malaysia	**100.0**	100.0	Investment holding.
•Kilatas Sdn Bhd	Malaysia	**-**	100.0	Wound up.
HLMG Management Co Sdn Bhd (formerly known as HLI-HUME Management Co Sdn Bhd)	Malaysia	**-**	51.0	Provision of management services.
HLI Trading Limited*	Hong Kong	**100.0**	100.0	Investment trading.
•Avenues Zone Inc	Malaysia	**100.0**	-	Investment holding.
HLI Overseas Limited♦	Jersey, Channel Islands	**100.0**	100.0	Dormant.
RZA Logistics Sdn Bhd	Malaysia	**59.1**	59.1	Investment holding.
Guotrade (Malaysia) Sdn Bhd	Malaysia	**100.0**	100.0	In member's voluntary liquidation.
Varinet Sdn Bhd	Malaysia	**60.0**	60.0	In members' voluntary liquidation.
Hong Leong Maruken Sdn Bhd	Malaysia	**70.0**	70.0	In members' voluntary liquidation.
Malaysian Pacific Industries Berhad*	Malaysia	**-**	61.4	Investment holding.
•Carsem (M) Sdn Bhd*	Malaysia	**-**	43.0	Manufacturing and testing of semiconductor devices and electronic components.
•Recams Sdn Bhd*	Malaysia	**-**	43.0	Dormant.
•Carsem Holdings Limted♦	Bermuda	**-**	61.4	Investment holding.
•Carsem Semiconductor (Suzhou) Co., Ltd*	The People's Republic of China	**-**	61.4	Manufacturing and testing of semiconductor devices and electronic components.
•Carter Realty Sdn Bhd*	Malaysia	**-**	43.0	Investment holding.
•Carsem Inc.♦	The United States of America ("USA")	**-**	43.0	Semiconductor devices' and electronic components' marketing agent.
•Dynacraft Industries Sdn Bhd*	Malaysia	**-**	61.4	Manufacturing and sale of leadframes.
•Carsem Holdings (HK) Limited*	Hong Kong	**-**	61.4	Intended to be an investment holding company.

Notes to the Financial Statements
(cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest 2011 %	Effective Interest 2010 %	Principal Activities
Associated Companies				
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd*	Malaysia	**30.0**	30.0	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	**34.0**	34.0	Provision of research and development services.
Yamaha Motor Vietnam Co., Ltd*	Vietnam	**24.0**	24.0	Procure and assemble motorcycles, motorcycle spare parts and components and provision of maintenance and repair service for motorcycles.
Malaysian Newsprint Industries Sdn Bhd*	Malaysia	**33.7**	33.7	Manufacture and sale of newsprint and related paper products.
Laras Perkasa Sdn Bhd*	Malaysia	**30.0**	30.0	Dormant.

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

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

Notes:
- • Sub-subsidiary companies.
- * The financial statements of these subsidiary and associated companies are not audited by the auditors of the Company.
- ♦ These sub-subsidiary companies are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.
- + Group's share of profit is based on the latest audited financial statements and latest management financial statements available.

Notes to the Financial Statements
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM'000	Freehold Buildings RM'000	Leasehold Land RM'000	Leasehold Buildings RM'000	Plant & Equipment & Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Total RM'000
Group							
Net book value							
At 1 July 2010							
- As previously reported	38,241	135,637	-	199,621	870,592	39,610	1,283,701
- Effect of adopting the Amendments to FRS 117	-	-	35,291	-	-	-	35,291
As restated	38,241	135,637	35,291	199,621	870,592	39,610	1,318,992
Translation differences	306	-	(63)	(565)	(4,922)	144	(5,100)
Additions	-	3,014	-	6,037	225,351	63,493	297,895
Acquisition of subsidiary	8,973	10,063	33,883	18,466	39,545	1,596	112,526
Reclassification	-	378	-	690	82,376	(83,000)	444
Disposals	-	(10)	(5,780)	(8,979)	(643)	-	(15,412)
Disposal of subsidiary	-	-	-	-	(2,393)	-	(2,393)
Write off	-	-	-	-	(177)	-	(177)
Impairment	-	-	-	-	(2,712)	-	(2,712)
Depreciation	-	(3,994)	(730)	(15,633)	(212,350)	-	(232,707)
Demerger of subsidiary	-	-	(19,337)	(178,534)	(801,022)	(21,454)	(1,020,347)
At 30 June 2011	**47,520**	**145,088**	**43,264**	**21,103**	**193,645**	**389**	**451,009**
At 30 June 2011							
Cost	47,520	189,110	64,425	356,099	858,156	5,050	1,520,360
Accumulated depreciation and impairment	-	(44,022)	(21,161)	(334,996)	(664,511)	(4,661)	(1,069,351)
Net book value	**47,520**	**145,088**	**43,264**	**21,103**	**193,645**	**389**	**451,009**

Notes to the Financial Statements
(cont'd)

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

	Freehold Land RM'000	Freehold Buildings RM'000	Leasehold Land RM'000	Leasehold Buildings RM'000	Plant & Equipment & Motor Vehicles RM'000	Capital Work-In-Progress RM'000	Total RM'000
Group							
At 30 June 2010 - Restated							
Cost							
- As previously reported	38,241	175,667	-	341,681	3,328,981	39,610	3,924,180
- Effect of adopting the Amendments to FRS 117	-	-	37,245	-	-	-	37,245
As restated	38,241	175,667	37,245	341,681	3,328,981	39,610	3,961,425
Valuation							
- As previously reported	-	-	-	4,168	-	-	4,168
- Effect of adopting the Amendments to FRS 117	-	-	8,246	-	-	-	8,246
As restated	-	-	8,246	4,168	-	-	12,414
Accumulated depreciation and impairment							
- As previously reported	-	(40,030)	-	(146,228)	(2,458,389)	-	(2,644,647)
- Effect of adopting the Amendments to FRS 117	-	-	(10,200)	-	-	-	(10,200)
- As retated	-	(40,030)	(10,200)	(146,228)	(2,458,389)	-	(2,654,847)
Net book value	38,241	135,637	35,291	199,621	870,592	39,610	1,318,992
Company							
Net book value							
At 1 July 2010	-	-	-	-	-	-	-
Addition	-	-	-	-	820	-	820
Depreciation	-	-	-	-	(68)	-	(68)
At 30 June 2011	**-**	**-**	**-**	**-**	**752**	**-**	**752**
At 30 June 2011							
Cost	-	-	-	-	820	-	820
Accumulated depreciation	-	-	-	-	(68)	-	(68)
Net book value	**-**	**-**	**-**	**-**	**752**	**-**	**752**

Leasehold land are analysed by:-

	Group 2011 RM'000	Group 2010 RM'000 (Restated)
Unexpired lease period more than 50 years	**37,804**	29,933
Unexpired lease period less than 50 years	**5,460**	5,358
	43,264	35,291

Notes to the Financial Statements
(cont'd)

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

In the previous year, certain buildings of a sub-subsidiary company was situated on land held under operating leases (Note 31).

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

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

		Group	
		2011	**2010**
Year of valuation	**Description of property**	**RM'000**	**RM'000**
1983	Long leasehold land and buildings	**-**	12,414

The valuation was made on the open market value basis.

5. PREPAID LEASE PAYMENTS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Net book value		
At 1 July		
- As previously stated	**35,291**	36,977
- Effect of adopting the Amendment to FRS 117 (Note 4)	**(35,291)**	(36,977)
At 30 June	**-**	-

6. INVESTMENT PROPERTIES

	Group	
	2011	**2010**
	RM'000	**RM'000**
At 1 July	**-**	-
Acquisition of a subsidiary	**17,231**	-
At 30 June	**17,231**	-
Included in the above are:		
At fair value		
Leasehold land with unexpired lease period of more than 50 years	**14,231**	-
Buildings	**3,000**	-
	17,231	-

Investment properties comprise a commercial property that are leased to a third party. No contingent rents are charged.

All the investment properties are determined by the Directors with reference to professional valuations on the open market value basis.

Notes to the Financial Statements
(cont'd)

6. INVESTMENT PROPERTIES (cont'd)

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

	Group	
	2011 RM'000	2010 RM'000
Rental income	**180**	-
Direct operating expenses	**(69)**	-

7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2011 RM'000	2010 RM'000
At cost:		
- Malaysian quoted shares	**-**	601,077
- Unquoted shares	**776,427**	618,661
	776,427	1,219,738
Less: Impairment in value		
- Unquoted shares	**(347,655)**	(374,654)
	428,772	845,084
Market value:		
- Malaysian quoted shares	**-**	710,692

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

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

8. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At cost/written down value:				
- Unquoted shares	**267,300**	267,300	**266,892**	266,892
- Unquoted redeemable preference shares	**36,429**	36,429	**70,140**	70,140
	303,729	303,729	**337,032**	337,032
Share of capital reserves	**(47,507)**	(24,512)	**-**	-
Share of profits	**118,763**	103,729	**-**	-
Less: Impairment in value	**-**	-	**(71,959)**	(71,959)
	374,985	382,946	**265,073**	265,073

Notes to the Financial Statements
(cont'd)

8. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

Investments in associated companies are represented by:-

	Group	
	2011	**2010**
	RM'000	**RM'000**
Share of net assets other than goodwill of the associated companies	**374,704**	382,665
Premium on acquisition	**281**	281
Carrying value	**374,985**	382,946

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

	Group	
	2011	**2010**
	RM'000	**RM'000**
Assets and liabilities		
Total assets	**2,185,133**	2,199,827
Total liabilities	**1,041,626**	1,015,749
Results		
Revenue	**3,438,704**	2,488,429
Profit for the financial year	**144,787**	217,743

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

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

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares	**161,010**	56	**161,010**	10
Shares quoted in Malaysia	**10,980**	4	**10,973**	-
Shares quoted outside Malaysia	**1,003**	-	**-**	-
	172,993	60	**171,983**	10
Market value				
Shares quoted in Malaysia	**10,980**	7	**10,973**	-
Shares quoted outside Malaysia	**1,003**	-	**-**	-

Notes to the Financial Statements
(cont'd)

10. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development expenditure RM'000	Computer Software RM'000	Total RM'000
Net book value				
At 1 July 2009	479,296	2,470	966	482,732
Change in equity in a subsidiary company	8	-	-	8
Additions	-	2,027	260	2,287
Impairment	(36,000)	-	-	(36,000)
Amortisation	-	(1,455)	(244)	(1,699)
At 30 June 2010	443,304	3,042	982	447,328
Additions	-	1,348	250	1,598
Acquisition of subsidiary	-	-	704	704
Demerger of subsidiary	(425,915)	-	-	(425,915)
Impairment	(9,780)	-	-	(9,780)
Amortisation	-	(1,414)	(342)	(1,756)
At 30 June 2011	**7,609**	**2,976**	**1,594**	**12,179**

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.

11. OTHER ASSETS

In the previous year, other assets of the Company comprised advances (loan receivable) given to the trustee to purchase the Trust Shares as disclosed in Note 2.1(n)(iv).

Upon first adoption of FRS 139, Financial Instruments: Recognition and Measurement, this was reclassified to equity on account of its holding of ordinary shares of the Company.

Notes to the Financial Statements
(cont'd)

12. DEFERRED TAXATION

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

	Group 2011 RM'000	2010 RM'000
Deferred tax assets		
At 1 July	**-**	877
Transfer to profit or loss	**(1,324)**	(877)
Acquisition of subsidiary	**10,284**	-
At 30 June	**8,960**	-
Deferred tax liabilities		
At 1 July	**23,043**	65,198
Transfer to profit or loss	**7,430**	(42,155)
Demerger of subsidiary	**(21,145)**	-
Acquisition of subsidiary	**3,988**	-
Disposal of subsidiary	**(63)**	-
At 30 June	**13,253**	23,043

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 1-7-2010 RM'000	Recognised in Income Statements Continuing Operations RM'000	Recognised in Income Statements Discontinued Operations RM'000	Acquisition of Subsidiary RM'000	Demerger of Subsidiary RM'000	Disposal of Subsidiary RM'000	At 30-6-2011 RM'000
Group							
Accelerated capital allowances	(40,400)	(2,951)	(5,261)	(9,895)	28,212	89	**(30,206)**
Allowances	17,357	711	(739)	6,460	(7,067)	(26)	**16,696**
Unabsorbed tax losses	-	(514)	-	9,731	-	-	**9,217**
	(23,043)	(2,754)	(6,000)	6,296	21,145	63	**(4,293)**

Notes to the Financial Statements
(cont'd)

12. DEFERRED TAXATION (cont'd)

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

	2011		2010	
	Temporary differences RM'000	Tax effect RM'000	Temporary differences RM'000	Tax effect RM'000
Group				
Accelerated capital allowances	**(1,137)**	**(284)**	(944)	(236)
Allowances	**13,586**	**3,396**	13,920	3,480
Unabsorbed capital allowances	**20,055**	**5,014**	36,860	9,215
Unutilised tax losses	**56,889**	**14,222**	54,300	13,575
	89,393	**22,348**	104,136	26,034
Company				
Unabsorbed capital allowances	**1,553**	**388**	1,553	388
Unutilised tax losses	**9,361**	**2,340**	9,361	2,340
	10,914	**2,728**	10,914	2,728

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

13. INVENTORIES

	Group	
	2011 RM'000	2010 RM'000
Raw materials and consumables	**39,593**	90,487
Work-in-progress	**9,147**	19,133
Finished goods	**147,342**	80,605
	196,082	190,225

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables	**382,554**	474,896	**-**	-
Less: Allowance for doubtful debts	**(24,605)**	(17,462)	**-**	-
	357,949	457,434	**-**	-
Amounts due from:				
- Subsidiary companies	**-**	-	**18,010**	-
- Related companies	**12**	35	**-**	448
Other receivables, deposits and prepayments	**45,147**	59,216	**15,551**	610
	403,108	516,685	**33,561**	1,058

Notes to the Financial Statements
(cont'd)

14. TRADE AND OTHER RECEIVABLES (cont'd)

Group

Included in trade receivables are amounts due from related companies of RM4,450,000 (2010: RM3,607,000).

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

Trade receivables denominated in currencies other than the functional currencies comprise:-

	2011 RM'000	2010 RM'000
US Dollar	**29,038**	225,662
Euro	**6,821**	8,850
Singapore Dollar	**2,135**	6,103
Others	**576**	-

Company

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

15. DERIVATIVE FINANCIAL ASSETS

	Group			Company		
	2011		2010	2011		2010
	Contract/ Notional Amount RM'000	Fair Value RM'000	RM'000	Contract/ Notional Amount RM'000	Fair Value RM'000	RM'000
Financial assets at fair value through profit or loss						
Interest rate swap contract	**80,000**	**92**	-	**80,000**	**92**	-
Foreign exchange forward contracts	**29,941**	**136**	-	**-**	**-**	-
	109,941	**228**	-	**80,000**	**92**	-

The above derivative instruments are not designated as hedge instruments and are contracted to manage some of the foreign currency and interest rate exposures of the Group and the Company.

Notes to the Financial Statements
(cont'd)

16. ASSETS HELD FOR SALE

Assets held for sale in the previous year comprised the following:-

	Group	
	2011 **RM'000**	**2010** **RM'000**
Freehold land and building		
Cost	-	18,128
Accumulated depreciation	-	(9,034)
	-	9,094
Short term leasehold land		
Cost	-	109
Valuation	-	265
Accumulated amortisation	-	(126)
	-	248
	-	9,342

Disposals of the above assets were completed during the financial year.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 **RM'000**	**2010** **RM'000**	**2011** **RM'000**	**2010** **RM'000**
Deposits with licensed financial institutions	**286,686**	288,374	**99,393**	9,572
Cash and bank balances	**89,469**	130,447	**1,524**	7,240
Unquoted fund	**-**	10,339	**-**	-
	376,155	429,160	**100,917**	16,812

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

	Group		Company	
	2011 **RM'000**	**2010** **RM'000**	**2011** **RM'000**	**2010** **RM'000**
Deposits with licensed financial institutions	**26,648**	14,245	**-**	-
Cash and bank balances	**11,420**	7,696	**1,192**	33
Unquoted fund	**-**	10,339	**-**	-

Cash and bank balances of the Group amounting to RM43,428,000 (2010: RM46,179,000) and RM Nil (2010: RM29,761,000) are denominated in US Dollar and Renminbi respectively.

Notes to the Financial Statements
(cont'd)

18. SHARE CAPITAL

	Group and Company			
	2011		2010	
Ordinary shares of RM0.50 each	**No. of Shares '000**	**Amount RM'000**	**No. of Shares '000**	**Amount RM'000**
Authorised:-				
At 1 July/30 June	**600,000**	**300,000**	600,000	300,000
Issued and fully paid:-				
At 1 July	**281,145**	**140,573**	281,145	140,573
Consideration shares for the acquisition of the entire interest in Hume Industries (Malaysia) Sdn Bhd	**46,760**	**23,380**	-	-
Renounceable rights issue	**159,736**	**79,868**	-	-
Capital reduction	**(159,736)**	**(79,868)**	-	-
At 30 June	**327,905**	**163,953**	281,145	140,573

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

(a) issuance of 46,759,443 new ordinary shares of RM0.50 each as consideration for the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB") at an issue price of RM5.03 per share;

(b) renounceable rights issue of 159,736,405 new ordinary shares of RM0.50 each ("Rights Share") on the basis of 1 Rights Share for every 2 existing ordinary shares held in the Company at an issue price of RM1.45 per Rights Share; and

(c) capital distribution of 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI"), to the shareholders of the Company on the basis of 75 MPI shares for every 300 ordinary shares held in the Company, by way of a reduction in the share capital of the Company, on the basis of 100 ordinary shares of the Company cancelled for every 300 ordinary shares held in the Company and the reduction in the share premium reserve of the Company pursuant to Section 64 of the Companies Act, 1965 ("MPI Demerger").

All the new ordinary shares issued ranked pari passu with the existing ordinary shares of the Company. As at 30 June 2011, the issued and paid-up share capital of the Company, before adjusting for the treasury shares of 8,432,500 held, was RM163,952,655.00 comprising 327,905,310 ordinary shares of RM0.50 each. The treasury shares were held in accordance with the requirement of Section 67A of the Companies Act, 1965.

19. RESERVES

		Group		Company	
	Note	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Reserves consist of:-					
Share premium		**387,096**	586,926	**387,096**	586,926
Exchange equalisation reserve		**(104,343)**	(56,290)	**-**	-
Fair value reserve		**(1,921)**	-	**(1,924)**	-
Other reserves	a	**20,332**	(1,458)	**3,943**	3,943
Reserve for own shares	b	**(41,459)**	(54,374)	**(33,995)**	-
Share option reserve	c	**-**	442	**-**	-
Retained profits		**737,405**	835,850	**47,959**	42,569
		997,110	1,311,096	**403,079**	633,438

Notes to the Financial Statements
(cont'd)

19. RESERVES (cont'd)

Note a

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

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

Note b

Reserve for own shares represents Trust Shares purchased by the ESOS Trust as disclosed in Note 2.1(n)(iv).

During the financial year,

(i) 36,000 existing HLI Shares held by the ESOS Trust were transferred to an Option Holder arising from the exercise of 36,000 Vested Options at an exercise price of RM5.51 per HLI Share pursuant to the ESOS (see Note 22(b)(i));

(ii) 5,571,900 new HLI Shares were issued and allotted to the ESOS Trust pursuant to the Rights Issue (see Note 18(b)); and

(iii) Pursuant to the MPI Demerger (see Note 18(c)), 5,558,567 HLI Shares held by the ESOS Trust were cancelled and 4,168,925 new ordinary shares of RM0.50 each in MPI ("MPI Entitlements") were received by the ESOS Trust. On 30 June 2011, the MPI Entitlements were disposed of to the Company and Hong Leong Manufacturing Group Sdn Bhd.

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

Note c

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

20. TREASURY SHARES - AT COST

	Group and Company			
	2011		2010	
Ordinary shares of RM0.50 each	**No. of Shares '000**	**Amount RM'000**	**No. of Shares '000**	**Amount RM'000**
At 1 July	**8,432**	**63,318**	8,430	63,309
Shares bought back	**-**	**-**	2	9
At 30 June	**8,432**	**63,318**	8,432	63,318

During the previous financial year, the Company repurchased 2,000 ordinary shares of its issued share capital from the open market. The average price for the shares bought back was RM4.35 per ordinary share. The share buy back transactions were financed by internally generated fund.

As at 30 June 2011, the total number of shares bought back was 8,432,500 ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

Notes to the Financial Statements
(cont'd)

21. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
Non-current (unsecured)				
Medium term notes	**-**	50,000	**-**	50,000
Bank term loans	**120,000**	321,768	**120,000**	170,000
	120,000	371,768	**120,000**	220,000
Current (unsecured)				
Bank term loans	**257,000**	271,033	**186,000**	149,000
Medium term notes	**50,000**	50,000	**50,000**	50,000
Commercial papers	**-**	35,000	**-**	35,000
Bankers acceptances	**37,846**	31,471	**-**	-
	344,846	387,504	**236,000**	234,000
Total	**464,846**	759,272	**356,000**	454,000

The non-current borrowings are payable as follows:-

	Group		Company	
	2011	2010	**2011**	2010
	RM'000	RM'000	**RM'000**	RM'000
One to two years	**110,000**	213,183	**110,000**	150,000
Two to five years	**10,000**	158,585	**10,000**	70,000
	120,000	371,768	**120,000**	220,000

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

	Group		Company	
	2011	2010	**2011**	2010
	%	%	**%**	%
Bank term loans	**3.3 to 4.4**	1.0 to 3.8	**3.5 to 4.3**	3.4 to 3.7
Bankers acceptances	**3.2 to 3.8**	2.2 to 3.2	**-**	-

(ii) In the previous financial year, the Commercial papers ("CPs") were issued at discounts ranging from 2.6% to 2.7% which were 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 had a maturity period of not less than 1 month to not more than 12 months.

(iii) The Medium term notes are issued at par to face value and have a maturity period of not less than 12 months and not more than 84 months. The interest rates are determined on issuance and calculated based on FAST rules and carry interest rates ranging from 4.9% to 5.1% (2010: 4.9% to 5.1%) per annum.

Notes to the Financial Statements
(cont'd)

21. BORROWINGS (cont'd)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
USD loan	**60,000**	91,366	**60,000**	60,000

22. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 July	**12,967**	12,369	**333**	328
Provision	**1,108**	1,125	**-**	6
Payments	**(390)**	(527)	**-**	(1)
Acquisition of subsidiaries	**2,618**	-	**-**	-
Disposal of subsidiary	**(102)**	-	**-**	-
Demerger of subsidiaries	**(422)**	-	**-**	-
At 30 June	**15,779**	12,967	**333**	333

(b) Share-based payments

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

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

Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, had granted conditional incentive share options ("HLI Options") over 2,000,000 ordinary shares of RM0.50 each in the Company, at an exercise price of RM5.51 per share to eligible executives of HLYM ("Option Holders"). The HLI Options granted were 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, HLYM vested the HLI Options over 2,000,000 ordinary shares of RM0.50 each in the Company ("Vested HLI Options") to the Option Holders in the financial year ended 30 June 2009. During the previous financial years, 1,600,000 Vested HLI Options have lapsed.

During the financial year, 36,000 Vested HLI Options were exercised by an Option Holder at an exercise price of RM5.51 per share, satisfied by the transfer of 36,000 existing HLI Shares held by the ESOS Trust to the Option Holder pursuant to the ESOS. The remaining 364,000 Vested HLI Options lapsed during the financial year.

Notes to the Financial Statements
(cont'd)

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Trade payables	**176,850**	207,576	**-**	-
Amounts due to				
- Subsidiary companies	**-**	-	**146,915**	9,299
- Related companies	**928**	10,160	**914**	-
Other payables	**41,034**	134,811	**-**	-
Accrued liabilities	**95,213**	117,241	**1,834**	1,999
	314,025	469,788	**149,663**	11,298

Group

Included in trade payables are amounts due to related and associated companies of RM43,818,000 (2010: RM11,813,000).

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

Trade payables denominated in currencies other than the functional currencies comprise:

	2011 RM'000	2010 RM'000
US Dollar	**26,781**	96,912
Euro	**2,447**	3,391
Vietnam Dong	**2,645**	-
Others	**64**	-

Company

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

24. PROFIT BEFORE TAXATION

	Group		Company	
	2011 RM'000	2010 RM'000	**2011 RM'000**	2010 RM'000
Continuing operations				
Profit before taxation is arrived at after (crediting)/ charging:-				
Gross dividend income				
- Malaysian unquoted associated companies	**-**	-	**(21,423)**	(450)
- Unquoted associated company outside Malaysia	**-**	-	**-**	(38,123)
- Subsidiary company quoted in Malaysia	**-**	-	**(23,704)**	(28,750)
- Unquoted subsidiary companies	**-**	-	**(24,848)**	(24,229)
- Short term investments	**(5,766)**	(2,067)	**(2,255)**	(305)
Interest income				
- Others	**(2,992)**	(1,780)	**(404)**	(265)
Rental income	**(871)**	(1,431)	**-**	-
Gain on liquidation of subsidiary companies	**-**	(39)	**-**	-
Loss on disposal of other investments	**1,994**	-	**1,605**	-

Notes to the Financial Statements
(cont'd)

24. PROFIT BEFORE TAXATION (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Continuing operations (cont'd)				
Profit before taxation is arrived at after (crediting)/ charging:-(cont'd)				
Loss on capital reduction in subsidiary	-	-	1,621	-
Auditors' remuneration				
- Holding company's auditors				
- Statutory audits	310	293	67	65
- Other services	27	23	27	21
- Other auditors				
- Statutory audits	126	61	-	-
Depreciation of property, plant and equipment	38,793	21,525	68	-
Rental of plant and equipment	5,994	2,563	-	-
Rental of premises				
- Related companies	708	663	252	172
- Others	1,868	3,345	-	-
Employee benefits expense				
- Directors remuneration				
- Executive Directors of the Company				
- Fees[N1]	120	110	80	70
- Salaries and bonuses	2,095	1,195	2,095	1,195
- Contributions to Employees Provident Fund	251	143	251	143
	2,466	1,448	2,426	1,408
- Non-Executive Directors of the Company				
- Fees	280	220	280	220
- Other emoluments	100	80	100	80
	380	300	380	300
- Staff costs				
- Staff salaries and other expenses	134,702	108,465	2,888	1,898
- Contribution to Employees Provident Fund	12,228	9,414	388	282
- Share-based payments	-	180	-	-
- Retirement benefits	1,108	1,125	-	6
Bad and doubtful debts	(938)	(38)	-	-
Property, plant and equipment written off	177	66	-	-
Gain on disposal of property, plant and equipment	(26,773)	(10,984)	-	-
Gain on disposal of assets held for sale	(11,350)	-	-	-
Inventories written down/(back)	3,486	(1,227)	-	-
Loss/(gain) on disposal of subsidiary company	59	-	(800)	-
(Gain)/loss on foreign exchange				
- Realised	(1,174)	(663)	55	(182)
- Unrealised	(1,152)	34	(1)	-
Provision/(reversal) of impairment of value in investment in subsidiaries	9,780	36,000	(27,000)	29,353
Amortisation of intangible assets				
- Computer software	342	244	-	-
- Development expenditure	1,414	1,455	-	-
Finance costs				
- Bank overdrafts	4	-	2	-
- Term loans	12,854	10,847	11,203	10,524
- Others	8,452	7,756	5,421	6,053
Research and development expenditure	1,550	477	-	-
Subsidiaries' balances written off	-	-	-	3,822
Fair value gain on derivative financial assets	(669)	-	-	-
Negative goodwill	(20,658)	-	-	-

Notes to the Financial Statements
(cont'd)

24. PROFIT BEFORE TAXATION (cont'd)

	Group 2011 RM'000	Group 2010 RM'000
Discontinued operations		
Profit is arrived at after (crediting)/charging:-		
Gross dividend income	**(371)**	-
Interest income		
- Others	**(1,734)**	(1,432)
Rental income	**(20)**	(120)
Auditors' remuneration		
- Other auditors		
- Statutory audits	**150**	150
- Other services	**38**	33
Depreciation of property, plant and equipment	**193,914**	213,669
Rental of premises		
- Others	**3,560**	3,110
Employee benefits expense		
- Directors' remuneration		
- Executive Directors of the Company		
- Fee[N1]	**110**	110
- Salaries and bonus	**350**	200
- Contributions to Employees Provident Fund	**42**	24
	502	334
- Non-Executive Directors of the Company		
- Salaries and bonus	**2,508**	2,450
- Share-based payment	**-**	60
	2,508	2,510
- Staff costs		
- Staff salaries and other expenses	**290,421**	262,802
- Contribution to Employees Provident Fund	**25,772**	23,585
- Share-based payments	**(228)**	(3,385)
Bad and doubtful debts	**878**	1,156
Property, plant and equipment written off	**-**	5,636
Gain on disposal of property, plant and equipment	**(1,039)**	(172)
Impairment of property, plant and equipment	**2,712**	45,257
Inventories written down	**2,442**	753
(Gain)/loss on foreign exchange		
- Realised	**(3,960)**	(14,415)
- Unrealised	**(1,388)**	12,038
Finance costs		
- Term loan	**2,548**	4,479
- Others	**3,890**	1,464
Research and development expenditure	**20,819**	15,761
Fair value gain on derivative instruments	**(878)**	-

[N1] These fees have been assigned in favour of the companies where the Directors are employed.

Notes to the Financial Statements
(cont'd)

24. PROFIT BEFORE TAXATION (cont'd)

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

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Continuing operations				
Executive Directors	**46**	23	**46**	23
Discontinued operations				
Non-Executive Directors	**192**	177	**-**	-

25. TAXATION

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Continuing operations				
Current taxation				
Malaysian				
- Current year	**28,042**	26,741	**1,100**	-
- Prior years	**(1,106)**	1,094	**-**	1,995
Overseas - current	**-**	219	**-**	-
	26,936	28,054	**1,100**	1,995
Deferred taxation				
Malaysian				
- Current year	**2,974**	5,839	**-**	-
- Prior years	**(220)**	377	**-**	-
	2,754	6,216	**-**	-
Income tax attributable to continuing operations	**29,690**	34,270	**1,100**	1,995
Current taxation				
Malaysian				
- Current year	**496**	925	**-**	-
- Prior years	**(32)**	2,285	**-**	-
Overseas - current	**2,196**	3,382	**-**	-
	2,660	6,592	**-**	-
Deferred taxation				
Malaysian				
- Current year	**6,000**	(45,369)	**-**	-
- Prior years	**-**	(2,125)	**-**	-
	6,000	(47,494)	**-**	-
Income tax attributable to discontinued operations (Note 26)	**8,660**	(40,902)	**-**	-
Total taxation	**38,350**	(6,632)	**1,100**	1,995

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 at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Profit before tax from continuing operations	**256,546**	201,940	**73,360**	54,124
Profit before tax from discontinuing operations	**83,658**	84,984	**-**	-
	340,204	286,924	**73,360**	54,124
Taxation at Malaysian statutory tax rates of 25%	**85,051**	71,731	**18,340**	13,531
Tax effect in respect of:				
Difference of tax rates in foreign jurisdictions	**(2,867)**	(4,779)	**-**	-
Non allowable expenses	**15,680**	12,848	**3,578**	8,766
Non taxable income	**(43,331)**	(26,826)	**(20,818)**	(22,297)
Difference attributable to associated companies	**(9,003)**	(13,565)	**-**	-
Effect of temporary differences reversing in pioneer period	**(611)**	(33,867)	**-**	-
Utilisation of temporary differences not recognised	**(1,615)**	(5,332)	**-**	-
Tax incentive	**(3,596)**	(8,473)	**-**	-
	39,708	(8,263)	**1,100**	-
(Over)/under provision in prior years	**(1,358)**	1,631	**-**	1,995
Taxation	**38,350**	(6,632)	**1,100**	1,995

26. DISCONTINUED OPERATIONS

During the financial year, the Company demerged the semiconductor business pursuant to the MPI Demerger whereby Malaysian Pacific Industries Berhad ceased to be a subsidiary of the Group (see Note 18(c)).

Income Statement disclosures

The results of MPI Group:-

	2011 RM'000	**2010 RM'000**
Revenue	**1,415,247**	1,386,202
Cost of sales	**(1,288,422)**	(1,202,524)
Gross profit	**126,825**	183,678
Distribution expenses	**(19,731)**	(18,340)
Administrative expenses	**(34,579)**	(39,983)
Other operating expenses	**(3,742)**	(48,186)
Other operating income	**19,589**	12,326
Other operating profit	**88,362**	89,495
Finance income	**1,734**	1,432
Finance costs	**(6,438)**	(5,943)
Profit before taxation	**83,658**	84,984
Taxation	**(8,660)**	40,902
Profit from discontinued operations, net of tax	**74,998**	125,886

Notes to the Financial Statements
(cont'd)

26. DISCONTINUED OPERATIONS (cont'd)

The effect of the demerger on the financial position is as follows:-

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

	2011 RM'000	2010 RM'000
Statement of Cash Flows disclosures		
The cash flows attributable to MPI Group are as follows:-		
Operating	269,003	352,641
Investing	(239,858)	(189,206)
Financing	(87,334)	(110,603)
Net cash (outflows)/inflows	**(58,189)**	52,832

Notes to the Financial Statements
(cont'd)

27. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM219,379,000 (2010: RM194,278,000) by the weighted average number of ordinary shares outstanding during the financial year of 310,634,000 (2010: 261,574,000) calculated as follows:-

Weighted average number of ordinary shares (basic)

	2011 '000	2010 '000
Issued ordinary shares at beginning of the financial year	**281,145**	281,145
Less:		
Treasury shares held at beginning of the financial year	**(8,432)**	(8,430)
Trust Shares held at beginning of the financial year	**(11,140)**	(11,140)
	261,573	261,575
Effect on increase of ordinary shares - HIMB Acquisition	**16,526**	-
Effect on issuance of rights shares	**40,262**	-
Effect on ESOS Trusts' subscription of rights shares	**(1,404)**	-
Effect on capital reduction	**(6,564)**	-
Effect on exercise of ESOS and cancellation of Trust Shares	**241**	-
Effect on purchase of treasury shares	**-**	(1)
Weighted average number of ordinary shares (basic)	**310,634**	261,574

Diluted earnings per ordinary share

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

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

28. DIVIDENDS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
First interim				
10 sen per share tax exempt				
(2010: 7 sen per share tax exempt)	**26,157**	18,310	**26,357**	19,090
Second interim				
1.5 sen per share less tax and 9 sen per share tax				
exempt (2010: 10 sen per share tax exempt)	**46,832**	26,157	**47,130**	27,271
	72,989	44,467	**73,487**	46,361

Dividends received by the ESOS Trusts amounting to RM2,802,000 and RM2,304,000 (2010: RM1,894,000 and RM Nil) for the Group and the Company are eliminated against the dividend expense of the Company upon consolidation of the ESOS Trusts as disclosed in Note 2.1(n)(iv).

Notes to the Financial Statements
(cont'd)

29. ACQUISITION OF SUBSIDIARY AND DISPOSAL OF SUBSIDIARY

(a) Acquisition of subsidiary

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

The effect of the acquisition of the said subsidiary on the financial position is as follows:-

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

(b) Disposal of subsidiary

During the financial year, the Group disposed of a subsidiary namely, HLMG Management Co Sdn Bhd (formerly known as HLI-Hume Management Co Sdn Bhd).

The effect of the disposal of the said subsidiary on the financial position is as follows:-

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

Notes to the Financial Statements
(cont'd)

30. OPERATING SEGMENTS

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

The Group's reportable segments are as follows:-

(a) Consumer products - Manufacture and sale of consumer products comprising motorcycles and ceramic tiles.

(b) Industrial products - Manufacture and sale of industrial products comprising fibre cement products and concrete products.

(c) Semiconductor - Assembly and test of semiconductor products (Discontinued operations)

Segment profit

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

Segment assets

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

Segment liabilities

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

	Consumer Products		Industrial Products		Discontinued Operations Semiconductor		Total	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Segment profit	**178,079**	178,721	**28,920**	-	**83,658**	89,496	**290,657**	268,217
Included in the measure of segment profit are:								
Revenue from external customers	**1,344,873**	1,483,322	**454,966**	-	**1,415,247**	1,386,202	**3,215,086**	2,869,523
Depreciation and amortisation	**34,739**	22,736	**5,152**	-	**193,914**	213,669	**233,805**	236,405
Impairment of property, plant and equipment	**-**	-	**-**	-	**2,712**	45,257	**2,712**	45,257
Property, plant and equipment written off	**2**	66	**175**	-	**-**	5,636	**177**	5,702

Reconciliation of reportable segment profit

	2011 RM'000	2010 RM'000
Profit		
Reportable segment	**290,657**	268,217
Non-reportable segment	**31,316**	(14,215)
Profit on discontinued operations	**(83,658)**	(89,495)
Interest income	**2,992**	1,780
Finance costs	**(21,310)**	(18,603)
Share of profit of associated companies	**36,549**	54,256
Consolidated profit before taxation - Continuing operations	**256,546**	201,940

Notes to the Financial Statements
(cont'd)

30. OPERATING SEGMENTS (cont'd)

	External Revenue RM'000	Depreciation & Amortisation RM'000
2011		
Reportable segments	**3,215,086**	**233,805**
Non-reportable segments	**3,394**	**658**
Discontinued operations	**(1,415,247)**	**(193,914)**
Total	**1,803,233**	**40,549**
2010		
Reportable segments	2,869,524	236,405
Non-reportable segments	2,254	488
Discontinued operations	(1,386,202)	(213,669)
Total	1,485,576	23,224

Geographical segments

Revenue of the Group by geographical location of the customer are as follows:-

	Revenue	
	2011 RM'000	2010 RM'000
Malaysia	**1,797,901**	1,507,682
USA	**329,905**	307,323
Singapore	**274,470**	255,050
Others	**816,204**	801,723
Discontinued operations	**(1,415,247)**	(1,386,202)
	1,803,233	1,485,576

Non-current assets of the Group by geographical location of the assets are as follows:-

	Non-Current Assets	
	2011 RM'000	2010 RM'000
Malaysia	**465,072**	1,550,213
The People's Republic of China	**-**	216,026
Others	**15,347**	81
	480,419	1,766,320

Major customer

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

Notes to the Financial Statements
(cont'd)

31. COMMITMENTS

	Group	
	2011	**2010**
	RM'000	**RM'000**
Capital commitments:		
Authorised and contracted for		
- Property, plant and equipment	**7,705**	127,744
- Investment	**-**	16,017
Authorised but not contracted for		
- Property, plant and equipment	**10,552**	82,576
Operating lease commitments:		
Expiring within one year	**-**	1,178
Expiring between one to five years	**-**	6,541
Expiring after five years	**-**	34,489
	-	42,208

In the previous year, the Group had lease commitments of RM1,178,000 per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot would increase by 30% every five years and lease would expire on 30 August 2031. The Group had an option to purchase outright from the third party at market value. The remaining lease tenure of the land was exercisable in any of the calendar years 2014, 2019, 2024 and 2029. None of the leases included contingent rental.

32. RELATED PARTIES

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

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

(i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a director and a major shareholder of the Company and HLCM. YBhg Datuk Kwek Leng San is a director and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

(ii) Tasek Corporation Berhad ("Tasek") is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

(iii) Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Chuah Chuan Thye, a Director of the Company, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

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

(v) Yamaha Motor Co., Ltd ("YMC") is a major shareholder of a subsidiary of the Company. Yamaha Motor Asia Pte Ltd ("YMA") and Yamaha Motor Distribution Singapore Pte Ltd ("YDS") are persons connected with YMC (YMC, YMA and YDS are collectively referred to as "YMC Group").

Notes to the Financial Statements
(cont'd)

32. RELATED PARTIES (cont'd)

Significant transactions with related parties are as follows:-

	Transaction	Related Party	Group 2011 RM'000	Group 2010 RM'000
(a)	Sales of goods and services	Subsidiary and associated companies of HLCM	**15,679**	24,882
		Hong Bee Hardware and Hong Bee Motors	**34,244**	32,133
		Syarikat Motor Singa and Sing Heng Motor	**13,477**	11,728
		YMC Group	**718**	1,034
(b)	Purchase of goods and services	Subsidiary and associated companies of HLCM	**348,285**	332,082
		YMC Group	**201,319**	164,527
		Tasek and a subsidiary company of Tasek	**35,601**	32,550
(c)	Rental of properties	Subsidiary and associated companies of HLCM	**922**	905
		YMC Group	**148**	148
(d)	Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	**1,494**	4,727
(e)	Receipt of services	Subsidiary and associated companies of HLCM	**786**	988
(f)	Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	**11,089**	7,257
(g)	Payment for usage of the Hong Leong logo and trade mark	A subsidiary company of HLCM	**36**	38
(h)	Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support	YMC	**11,082**	10,067
(i)	Receipt of research, development, advertising and promotional services	YMC	**1,417**	2,475

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

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

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS

Certain comparative figures have not been presented for 30 June 2010 by virtue of the exemption given in paragraph 44AA of FRS 7.

33.1 Categories of financial instruments

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

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

	Carrying Amount RM'000	L&R/(OL) RM'000	FVTPL-HFT RM'000	AFS RM'000
2011				
Group				
Financial assets				
Available-for-sale financial assets	172,993	-	-	172,993
Trade and other receivables	389,081	389,081	-	-
Derivative financial assets	228	-	228	-
Cash and cash equivalents	376,155	376,155	-	-
	938,457	765,236	228	172,993
Company				
Financial assets				
Available-for-sale financial assets	171,983	-	-	171,983
Trade and other receivables	33,509	33,509	-	-
Derivative financial assets	92	-	92	-
Cash and cash equivalents	100,917	100,917	-	-
	306,501	134,426	92	171,983
Group				
Financial liabilities				
Loans and borrowings	(464,846)	(464,846)	-	-
Trade and other payables	(314,025)	(314,025)	-	-
	(778,871)	(778,871)	-	-
Company				
Financial liabilities				
Loans and borrowings	(356,000)	(356,000)	-	-
Trade and other payables	(149,663)	(149,663)	-	-
	(505,663)	(505,663)	-	-

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Net gains and losses arising from financial instruments

	Group 2011 RM'000	Company 2011 RM'000
Net (gains)/losses arising from:		
Fair value through profit or loss		
- Held for trading	(1,106)	(92)
Available-for-sale financial assets		
- Recognised in other comprehensive income	1,925	1,924
Loans and receivables	(26,345)	(404)
Other liabilities	41,693	16,244
	16,167	17,672

33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

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

Exposure to credit risk and credit quality

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

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

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk and credit quality (cont'd)

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

	Group 2011 RM'000
Malaysia	316,230
Europe	12,118
USA	1,145
Others	28,456
	357,949

Impairment losses

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

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
2011				
Not past due	264,053	(1,950)	(4,755)	257,348
Past due 1 - 30 days	57,377	(762)	(940)	55,675
Past due 31 - 120 days	46,044	(3,656)	(1,060)	41,328
Past due > 120 days	15,080	(8,790)	(2,692)	3,598
	382,554	(15,158)	(9,447)	357,949

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

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

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

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Intercompany balances

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk and credit quality

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

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries were not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries. Nevertheless, these advances have not been overdue for more than a year.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

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

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk and credit quality

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

Impairment losses

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

(b) Liquidity risk

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

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

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

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

	Carrying Amount RM'000	Contractual Cash Flows RM'000	Within 1 Year RM'000	1 to 5 Years RM'000
2011				
Group				
Non-derivative financial liabilities				
Payables and accruals	313,097	313,097	313,097	-
Borrowings	464,846	487,299	356,891	130,408
Amount due to related companies	928	928	928	-
Company				
Non-derivative financial liabilities				
Payables and accruals	1,834	1,834	1,834	-
Borrowings	356,000	376,258	245,850	130,408
Amount due to subsidiary and related companies	147,829	147,829	147,829	-

(c) Market risk

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

(i) Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Exposure to foreign currency risk

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

	USD RM'000
2011	
Group	
Trade and other receivables	**29,051**
Cash and cash equivalents	**43,428**
Trade and other payables	**(33,758)**
Borrowings	**(60,000)**
Net exposure	**(21,279)**
Company	
Cash and cash equivalents	**327**
Borrowings	**(60,000)**
Net exposure	**(59,673)**

Currency risk sensitivity analysis

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

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

(ii) Interest rate risk

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

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Exposure to interest rate risk

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

	Effective Interest Rate %	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
Group				
2011				
Fixed rate instruments				
Deposits with licensed financial institutions	**2.74**	**286,686**	**286,686**	**-**
Borrowings	**4.28**	**90,846**	**90,846**	**-**
Floating rate instruments				
Borrowings	**3.93**	**374,000**	**254,000**	**120,000**
2010				
Fixed rate instruments				
Deposits with licensed financial institutions	2.04	288,374	288,374	-
Borrowings	4.26	166,471	116,471	50,000
Floating rate instruments				
Borrowings	3.16	592,801	422,801	170,000
Company				
2011				
Fixed rate instruments				
Deposits with licensed financial institutions	**3.02**	**99,393**	**99,393**	**-**
Borrowings	**5.05**	**50,000**	**50,000**	**-**
Floating rate instruments				
Borrowings	**3.92**	**306,000**	**186,000**	**120,000**
2010				
Fixed rate instruments				
Deposits with licensed financial institutions	2.21	9,572	9,572	-
Borrowings	4.36	135,000	85,000	50,000
Floating rate instruments				
Borrowings	3.50	319,000	149,000	170,000

Notes to the Financial Statements
(cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

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

Fair value sensitivity analysis for fixed rate instruments

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

(iii) Other price risk

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

Risk management objectives, policies and processes for managing securities

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

Equity price risk sensitivity analysis

This analysis assumes that all other variables remain constant and the Group's equity investments moved in correlation with Bursa Malaysia Securities Berhad ("BMSB") and Hong Kong Stock Exchange ("HKEX").

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

33.4 Fair value of financial instruments

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

The carrying amounts of long term borrowings at variable rate of interest are stated at reasonable approximation of fair value.

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

34. CAPITAL MANAGEMENT

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

Notes to the Financial Statements
(cont'd)

34. CAPITAL MANAGEMENT (cont'd)

The debt-to-equity ratios at 30 June 2011 and at 30 June 2010 were as follows:-

	Group	
	2011 RM'000	**2010 RM'000**
Total loans and borrowings	**464,846**	759,272
Less: Cash and cash equivalents	**(376,155)**	(429,160)
Net debt	**88,691**	330,112
Total equity	**1,211,902**	2,026,445
Debt-to-equity ratios	**0.07**	0.16

35. SIGNIFICANT EVENTS

Significant Corporate Development

During the financial year under review,

1. The Company had:-

   (i) entered into a Shares Sale Agreement with Hong Leong Manufacturing Group Sdn Bhd (formerly known as Spectrum Arrangement Sdn Bhd) ("HLMG") for the acquisition of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB"), represented by 182,932,871 ordinary shares of RM1.00 each and 10,000 Class B ordinary shares of RM1.00 each in HIMB, from HLMG for a total purchase consideration of RM235.2 million, satisfied by the issuance of 46,759,443 new ordinary shares of RM0.50 each in HLI at an issue price of RM5.03 per share ("HIMB Acquisition"). The HIMB Acquisition was completed on 24 February 2011;

   (ii) entered into a Subscription Agreement with Hume Cement Sdn Bhd ("HCement") and HLMG for the Company to subscribe up to 175 million 6-year 2% non-cumulative Irredeemable Convertible Preference Shares ("ICPS") at par value of RM1.00 each in HCement for a total cash subscription of up to RM175 million, representing an issue price of RM1.00 per ICPS. As at 30 June 2011, the Company has subscribed 161 million ICPS at par value of RM1.00 each in HCement;

   (iii) issued 159,736,405 new ordinary shares of RM0.50 each ("Rights Shares") on the basis of 1 Rights Share for every 2 existing ordinary shares held in the Company at an issue price of RM1.45 per Rights Share ("Rights Issue"). The Rights Issue was completed on 31 March 2011;

   (iv) distributed 119,802,303 ordinary shares of RM0.50 each in Malaysian Pacific Industries Berhad ("MPI") to the shareholders of the Company, on the basis of 75 MPI shares for every 300 ordinary shares held in the Company, by way of a reduction in the share capital of the Company, on the basis of 100 ordinary shares of the Company cancelled for every 300 ordinary shares held in the Company and the reduction in the share premium reserve of the Company pursuant to Section 64 of the Companies Act, 1965 ("Demerger"). The Demerger was completed on 21 June 2011 and accordingly, MPI ceased to be a subsidiary of the Company.

2. The Company has entered into a Shares Sale Agreement with HLMG for the disposal of 408,000 ordinary shares of RM1.00 each in HLMG Management Co Sdn Bhd (formerly known as HLI-HUME Management Co Sdn Bhd) ("HMMC"), representing the entire equity interest in HMMC to HLMG for cash consideration of RM2,380,700.00 ("HMMC Disposal"). The HMMC Disposal was completed on 30 May 2011.

3. HLI Trading Limited, a wholly-owned subsidiary of the Company, has incorporated a wholly-owned subsidiary known as Avenues Zone Inc. ("AZI") as an investment holding company. AZI was incorporated as a private limited company in the Federal Territory of Labuan.

Notes to the Financial Statements
(cont'd)

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

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Malaysia. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 30 June 2011, into realised and unrealised profits, pursuant to the directive, is as follows:-

	Group 2011 RM'000	Company 2011 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	279,410	47,866
- Unrealised	(9,129)	93
	270,281	47,959
Total share of retained earnings from associated companies		
- Realised	116,251	-
- Unrealised	2,512	-
	118,763	47,959
Add: Consolidation adjustments	348,361	-
Total retained earnings	737,405	47,959

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

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

In the opinion of the Directors, the financial statements set out on pages 41 to 106 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the year then ended.

On behalf of the Board

Datuk Kwek Leng San

Dato' Ahmad Johari bin Tun Abdul Razak

Kuala Lumpur
5 September 2011

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

I, Chan Chee Keong, being the officer primarily responsible for the financial management of HONG LEONG INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 41 to 107 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed Chan Chee Keong	)	**Chan Chee Keong**
at Kuala Lumpur in the Federal	)	
Territory on 5 September 2011	)	

Before me

MOHAN A.S. MANIAM
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 statements of financial position as at 30 June 2011, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows 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 41 to 106.

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 2011 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report
to the members of Hong Leong Industries Berhad
(cont'd)

Other Reporting Responsibilities

The supplementary information set out in Note 36 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities 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

WONG SWEE TYNG
1938/7/13 (J)
Chartered Accountant

Kuala Lumpur
5 September 2011

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2011

Location	Tenure	Existing Use	Year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2011 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	15	51,729
PF 70 Alte Marienberger Strasse 30-35 09401 Zschopau-Hohndorf Germany	Freehold	Office and factory building	1996	823,338	16-30	3,330
5 1/4 miles Jalan Kapar Rantau Panjang, 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	29	737
5 1/2 miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	20-30	24,422
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and Factory building	1985	261,633	26	6,759
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and Factory building	1985	1,061,775	21	5,366
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and Factory building	1985	747,108	18	18,030
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and Factory building	1985	256,187	2	39,349
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	16	14,330
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	15	9,934
KM9, on National Highway No 51 Phuoc Tan Commune Bien Hoa City Long Thanh District Dong Nai Provice, Vietnam	31 Dec 2050	Factory Building	2010	473,487	7	2,792
PT 30238 Mukim Setul, Nilai Industrial Estate Negeri Sembilan Darul Khusus	Leasehold 60 years expiring 2043	Industrial land with office and factory buildings	1983	545,934	14	2,209
Lot PT11979 & 2352 Beranang Industrial Estate Selangor Darul Ehsan	Leasehold 99 years expiring 2085	Industrial land with office and factory buildings	1982	1,928,421	25	8,957
Lot 312490, 127221, 127222 Kawasan Perusahaan Kanthan, Chemor, Perak Darul Ridzuan	Freehold	Industrial land with office and factory buildings	1990	3,159,821	20	15,901

Other Information
(cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2011 (cont'd)

Location	Tenure	Existing Use	Year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2011 (RM'000)
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	36	3,799
Lot 244, Pasir Gudang Industrial Estate, Johor Bahru, Johor Darul Takzim	Leasehold 60 years expiring 2045	Industrial land with office and factory buildings	1985	609,840	26	4,478
Lot 46, Semambu Industrial Estate, Kuantan, Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	36	791
Lot 16280925 and 17514395 Tuaran Road, Kota Kinabalu, Sabah	Leasehold 60 years expiring 2024/2028	Industrial land with office and factory buildings	1982	302,742	43/47	1,592
Lot 1616, Mukim Chembong, Daerah Rembau, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2084	Industrial land with office and factory buildings	2002	731,279	26	1,030
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	51	21,336
Lot 52, Kawasan Perusahaan Bakar Arang, Sungei Petani, Kedah Darul Aman	Leasehold 60 years expiring 2042	Industrial land with office, store and factory buildings	2000	510,000	29	4,584
Lot 565, Mukim Hulu Semenyih District Hulu Langat Selangor Darul Ehsan	Freehold	Industrial land with office, store and factory buildings	2002	290,511	15	3,350
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara Kulai, Johor	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	9	1,756
No 367 A & B Jalan Melaka Raya Taman Melaka Raya 75000 Melaka	4 Oct 2082	3 storey mid terrace shop office	1996	1,399	28	165
Section 7 Phase 1A Pulau Indah Industrial Park West Port Selangor Darul Ehsan	24 Feb 2097	Vacant industrial land	1996	684,720	-	9,572
Lot 5, Bukit Raja Industrial Estate, Klang, Selangor Darul Ehsan	Leasehold 99 years expiring 2088/2096	Industrial land with office and factory buildings	1982	621,506	30	15,000
P.T.531 to 534 & P.T.552 to 560 Taman Panchor Industrial Area, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2096	Vacant land	1998	1,117,627	-	2,231

Other Information
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2011

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

Distribution Schedule of Shareholders As At 2 September 2011

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	528	17.04	11,253	0.00
100 – 1,000	865	27.91	612,480	0.19
1,001 – 10,000	1,370	44.21	5,066,665	1.59
10,001 – 100,000	277	8.94	8,228,835	2.57
100,001 – less than 5% of issued shares	58	1.87	67,336,542	21.08
5% and above of issued shares	1	0.03	238,217,035	74.57
	3,099	100.00	319,472,810	100.00

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

List of Thirty Largest Shareholders As At 2 September 2011

	Name of shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn. Bhd.	238,217,035	74.57
2.	Lembaga Tabung Haji	11,560,800	3.62
3.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (ESOS)	9,153,133	2.87
4.	Mayban Nominees (Tempatan) Sdn Bhd - Public Ittikal Fund	5,473,067	1.71
5.	Mayban Nominees (Tempatan) Sdn Bhd - Public Regular Savings Fund	4,621,400	1.45
6.	Low Poh Weng	4,286,667	1.34
7.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,512,000	0.79
8.	Amanahraya Trustees Berhad - Public Smallcap Fund	2,257,333	0.71
9.	Hong Bee Hardware Company, Sdn. Berhad	2,019,333	0.63
10.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	1,964,000	0.61
11.	HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,800,000	0.56
12.	AIBB Nominees (Tempatan) Sdn Bhd - Low Mei Loon	1,619,733	0.51
13.	Hong Leong Assurance Berhad - As Beneficial Owner	1,612,902	0.51
14.	Citigroup Nominees (Asing) Sdn Bhd - Dimensional Emerging Markets Value Fund	1,225,800	0.38
15.	HLG Nominee (Tempatan) Sdn Bhd - Chut Nyak Isham Bin Nyak Ariff	1,215,600	0.38
16.	RHB Capital Nominees (Tempatan) Sdn Bhd - Poh Soon Sim	1,101,600	0.34

Other Information
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2011 (cont'd)

List of Thirty Largest Shareholders As At 2 September 2011 (cont'd)

	Name of shareholders	No. of Shares	%
17.	Grandeur Holdings Sdn Bhd	1,022,000	0.32
18.	Valuecap Sdn Bhd	959,133	0.30
19.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for UBS AG Singapore (Foreign)	800,000	0.25
20.	Citigroup Nominees (Asing) Sdn Bhd - Lofty Dragon Management Limited	750,000	0.23
21.	JF Apex Nominees (Tempatan) Sdn Bhd - Cheong Chen Yue	747,967	0.23
22.	Amanahraya Trustees Berhad - Public Islamic Select Treasures Fund	740,933	0.23
23.	Kwek Leng San	720,000	0.23
24.	HLG Nominee (Tempatan) Sdn Bhd - Hong Leong Bank Berhad	701,600	0.22
25.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse	641,793	0.20
26.	Citigroup Nominees (Asing) Sdn Bhd - DFA Emerging Markets Small Cap Series	605,900	0.19
27.	HDM Nominees (Asing) Sdn Bhd - Surya Abbas Syauta	450,000	0.14
28.	Syed Abdillah Bin Syed Abas	435,000	0.14
29.	AIBB Nominees (Tempatan) Sdn Bhd - Cheong Chen Yue	420,033	0.13
30.	Sai Yee @ Sia Say Yee	419,533	0.13
		300,054,295	93.92

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 2 September 2011 are as follows:

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

Notes

Held through subsidiaries.
* Held through HLCM.
** Held through HLCM and companies in which YBhg Tan Sri QuekLeng Chan and his children have interests.
^ Held through HLCM and a company in which the substantial shareholder has interest.

Other Information
(cont'd)

3. DIRECTORS' INTERESTS AS AT 2 SEPTEMBER 2011

Subsequent to the financial year end, there is no change, as at 2 September 2011, to the Directors' interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 35 to 37 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 of		
YBhg Tan Sri Quek Leng Chan in:		
GuocoLand Limited ("GLL")	1,059,796*	0.08**
GuocoLeisure Limited	919,572,425	67.22
The Rank Group Plc	291,001,931	74.50

Note

** Based on the enlarged share capital of GLL assuming full conversion of S$352,200,000 nominal value of GLL's convertible bonds as at 2 September 2011.

4 SHARE BUY BACK

The Company did not buy back any of its shares during the financial year ended 30 June 2011.

5. MATERIAL CONTRACTS

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

- Conditional Shares Sale Agreement dated 16 November 2010 entered into between the Company and Hong Leong Manufacturing Group Sdn Bhd (formerly known as Spectrum Arrangement Sdn Bhd) ("HLMG") in relation to the acquisition by the Company of the entire equity interest in Hume Industries (Malaysia) Sdn Bhd ("HIMB") from HLMG for a total cash consideration of RM235.2 million, satisfied by the issuance of 46,759,443 new ordinary shares of RM0.50 each in the Company.

- Conditional Subscription Agreement dated 16 November 2010 entered into between the Company, Hume Cement Sdn Bhd ("HCement") and HLMG in relation to the subscription of up to 175 million 6-year 2% non-cumulative irredeemable convertible preference shares at par value of RM1.00 each in HCement for a total cash subscription of up to RM175 million.

YBhg Tan Sri Quek Leng Chan is a Director of the Company, HLMG and Hong Leong Company (Malaysia) Berhad ("HLCM") and a major shareholder of the Company, HLMG, HLCM, HIMB and HCement.

YBhg Datuk Kwek Leng San, a brother of YBhg Tan Sri Quek Leng Chan, is a Director of the Company, HLMG, HLCM, HIMB and HCement and a shareholder of the Company and HLCM.

HLMG, a wholly-owned subsidiary of HLCM, is a major shareholder of the Company, HIMB and HCement.

6. APPROVED UTILISATION OF FUNDS

Description	Approved Utilisation RM'000	Actual Utilisation RM'000
Renounceable Rights Issue of RM159,736,405 new ordinary shares of RM0.50 ("Rights Share") on the basis of 1 Rights Share for every 2 existing ordinary shares held in the Company at an issue price of RM1.45 per Rights Share	223,538	201,248

This page has been left blank intentionally

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

FORM OF PROXY

I/We ____________________

NRIC/Passport/Company No. ____________________

of ____________________

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

____________________ NRIC/Passport No. ____________________

of ____________________

or failing him/her, ____________________

____________________ NRIC/Passport No. ____________________

of ____________________

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Forty-eighth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 18 October 2011 at 11.45 a.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar as a Director		
3.	To re-elect Mr Chuah Chuan Thye as a Director		
4.	To re-elect YBhg Dato' Yau Kok Seng as a Director		
5.	To re-appoint YM Raja Dato' Seri Abdul Aziz bin Raja Salim as a Director pursuant to Section 129 of the Companies Act, 1965		
6.	To appoint Messrs KPMG as Auditors in place of the retiring Auditors, Messrs Ling Kam Hoong & Co and to authorise the Directors to fix their remuneration		
	Special Business		
7.	To approve the ordinary resolution on authority to Directors to issue shares		
8.	To approve the ordinary resolution on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
9.	To approve the ordinary resolution on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Motors Sdn Bhd		
10.	To approve the ordinary resolution on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Syarikat Motor Singa Sdn Bhd and Sing Heng Motor Trading Sdn Bhd		
11.	To approve the ordinary resolution on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Yamaha Motor Co., Ltd and its subsidiaries		
12.	To approve the ordinary resolution on the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		

Dated this __________ day of ____________________ 2011

____
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 (please see note 7 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
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 forty-eight hours before the time for holding the meeting or adjourned meeting.*
7. *In the event two proxies are appointed, please fill in the ensuing section.*

Name of proxies	% of shareholdings to be represented

Fold This Flap for Sealing

Then Fold Here

Affix
Stamp

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

1st Fold Here

Hong Leong Industries Berhad (5486-P)
Level 9, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

www.hli.com.my