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

Hong Leong Industries Berhad (5486-P)

Annual Report 2013

# Hong Leong Industries Berhad

A Member of the Hong Leong Group

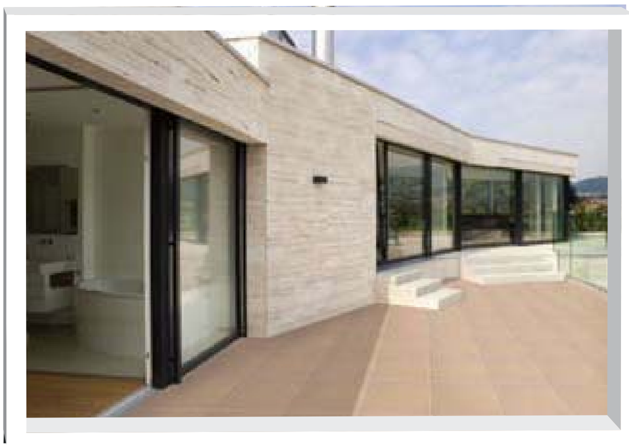
# Annual Report **2013**

***Reaching out to you***

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

# Contents





# Company **Profile**

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

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

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

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

# Corporate **Information**

## DIRECTORS

**YBhg Datuk Kwek Leng San**
*(Chairman)*

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

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

**YM Raja Dato' Seri Abdul Aziz bin Raja Salim**

**Mr Chuah Chuan Thye**

**Dr Zaha Rina binti Zahari**

## COMPANY SECRETARIES

Ms Joanne Leong Wei Yin
Ms Valerie Mak Mew Chan

## AUDITORS

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

## REGISTRAR

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

## REGISTERED OFFICE

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

## COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company,
incorporated and domiciled in Malaysia

# Notice of **Annual General Meeting**

**NOTICE IS HEREBY GIVEN** that the Fiftieth 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 Thursday, 17 October 2013 at 12.00 noon in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2013.

2. To approve the payment of Director fees of RM350,000/- for the financial year ended 30 June 2013 (2012 : RM430,000/-), 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)

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 4)

5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)

**SPECIAL BUSINESS**

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

6. **Ordinary Resolution**
   **- 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 6)

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) of Part A of the Circular to Shareholders dated 25 September 2013 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 7)

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

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 25 September 2013 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 8)

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 25 September 2013 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 9)

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 25 September 2013 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 10)

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of Part A of the Circular to Shareholders dated 25 September 2013 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 11)

12. **Ordinary Resolution**
**- Proposed Establishment Of An Executive Share Grant Scheme**

"**THAT**, subject to the requisite approvals being obtained, the Directors of the Company be and are hereby authorised:

(a) to establish and administer an executive share grant scheme ("Scheme") for the benefit of eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives") under which grants of ordinary shares of RM0.50 each (unless otherwise adjusted) in the Company ("Shares") will be offered to the Eligible Executives without any consideration payable by the Eligible Executives in accordance with the provisions of the bye-laws referred to in Part B of the Circular to Shareholders dated 25 September 2013 ("Bye-Laws");

(b) from time to time to issue and allot such number of new Shares ("New Shares") and/or to transfer existing Shares ("Transferred Shares") to Eligible Executives upon vesting of Shares pursuant to grants under the Scheme, provided that the aggregate number of Shares comprised in any options and/or grants (whether in exercised and/or unexercised options, outstanding and/or completed grants and unexpired offers pending acceptances) under all executive share schemes established by the Company which are still subsisting does not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any point in time during the existence of the Scheme and that the New Shares shall, upon issuance and allotment, rank pari passu in all respects with the existing issued and paid-up ordinary share capital of the Company, except that the New Shares will not rank for any dividend, right, entitlement or distribution ("Rights") in respect of which the record date precedes the allotment date of the New Shares; and for Transferred Shares, such shares shall be transferred together with all Rights in respect of which the record date is on or after the transfer date; and such New Shares and Transferred Shares will be subject to all the provisions of the Articles of Association of the Company relating to transfer, transmission and otherwise;

(c) to make the necessary applications to Bursa Malaysia Securities Berhad and to take whatever necessary actions at the appropriate time or times for permission to deal in and for listing of and quotation for the New Shares which may from time to time be issued and allotted pursuant to the Scheme; and

(d) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Bye-Laws, to assent to any condition, modification, variation and/or amendment that may be required by the relevant authorities, and to do all such acts and enter into all such transactions, arrangements, agreements or undertakings, impose such terms and conditions or delegate such part of their powers as may be necessary or expedient in order to give full effect to the Scheme;

AND THAT the existing executive share option scheme of the Company established on 8 March 2013 ("Existing ESOS"), together with the Scheme be and is forthwith re-named as 'Executive Share Scheme';

AND THAT the bye-laws of the Existing ESOS be and are hereby amended to incorporate the Scheme to form a consolidated bye-laws governing the Executive Share Scheme, as set out in Appendix IV of the Circular to Shareholders dated 25 September 2013." (Resolution 12)

13. **Special Resolution**
**- Proposed Amendments To The Articles Of Association Of The Company**

"**THAT** the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix VI of the Circular to Shareholders dated 25 September 2013 be and are hereby approved." (Resolution 13)

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

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
25 September 2013

**Notes**

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

3. Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

**Explanatory Notes**

1. Resolution 6 - 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 16 October 2012 and which will lapse at the conclusion of the Fiftieth 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. Resolutions 7 to 11 - Proposed Renewal Of Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Renewal Of 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.

3. Resolution 12 - Proposed Establishment Of An Executive Share Grant Scheme ("Proposed ESGS")

   The proposed ordinary resolution, if passed, will allow the Company to establish the Proposed ESGS for eligible executives and/or Directors of the Company and its subsidiaries ("Eligible Executives") and provide the Company with the flexibility to determine the most appropriate instrument or combination of instruments to be granted to the Eligible Executives as part of its efforts to motivate, reward and retain Eligible Executives. Once the Proposed ESGS is approved, the Proposed ESGS together with the existing executive share option scheme of the Company which will expire on 7 March 2023 shall be renamed as Executive Share Scheme ("ESS"). The aggregate maximum number of ordinary shares of RM0.50 each (unless otherwise adjusted) in the Company ("Shares") under the ESS shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time.

4. Resolution 13 - Proposed Amendments To The Articles Of Association Of The Company ("Proposed Amendments")

   The proposed special resolution, if passed, will ensure clarity and enable the Company to align the Articles of Association of the Company with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

5. Re-election Of YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar ("YAM Tunku Dara")

   The Board has undertaken an annual assessment on the Independence of all its Independent Directors including YAM Tunku Dara who is seeking for re-election pursuant to the Articles of Association of the Company at the forthcoming Fiftieth Annual General Meeting. The annual assessment has been disclosed in the Statement on Corporate Governance, Risk Management and Internal Control of the Company's Annual Report.

Detailed information on the Proposed Renewal Of Shareholders' Mandate, Proposed ESGS and Proposed Amendments are set out in the Circular to Shareholders dated 25 September 2013 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 Fiftieth Annual General Meeting of the Company.

# Directors' **Profile**

**YBHG DATUK KWEK LENG SAN**
*Chairman; Non-Executive/Non-Independent*

Datuk Kwek Leng San, aged 58, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Directors ("Board") of Hong Leong Industries Berhad ("HLI") on 1 September 1990 and assumed the position of President & Chief Executive Officer in 1993. He was appointed as Chairman of HLI on 9 February 2012. He is a member of the Nominating Committee of HLI.

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

**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 68, 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 and Nominating Committee of HLI.

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

Dato' Ahmad Johari bin Tun Abdul Razak, aged 58, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in Law and qualified as a Barrister-at-Law from Lincoln's Inn. Presently, he is a Partner of a law firm in Kuala Lumpur. He was previously the Executive Chairman of Ancom Berhad ("Ancom").

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

He is the Chairman of Ancom and Daiman Development Berhad, and a Director of British American Tobacco (Malaysia) Berhad, companies listed on the Main Market of Bursa Securities. He is a Director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust which is listed on the Main Market of Bursa Securities, and also a Director of Daiman Golf Berhad and Deutsche Bank (Malaysia) Berhad.

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

YM Raja Dato' Seri Abdul Aziz bin Raja Salim, aged 74, a Malaysian, is an Honorary Fellow of the Malaysian Institute of Taxation, Fellow of the Chartered Association of Certified Accountants, United Kingdom, Fellow of the Chartered Institute of Management Accountants ("CIMA"), United Kingdom and a Chartered Accountant (Malaysia). He served as Director-General of Inland Revenue Malaysia from 1980 to 1990 and Accountant-General Malaysia from 1990 to 1994. 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, K & N Kenanga Holdings Berhad and Panasonic Manufacturing Malaysia Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Kenanga Investment Bank Berhad, Kenanga Islamic Investors Berhad and Kenanga Investors Berhad.

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

Mr Chuah Chuan Thye, aged 57, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 30 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Company, Sdn Berhad ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

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

**DR ZAHA RINA BINTI ZAHARI**
*Non-Executive Director/Independent*

Dr Zaha Rina binti Zahari, aged 51, a Malaysian, received her Bachelor of Arts (Honours) degree in Accounting and Finance from Leeds Metropolitan University, United Kingdom and Master in Business Administration from University of Hull, United Kingdom. She also holds a Doctorate in Business Administration from University of Hull, focusing on capital markets research and specialising in derivatives.

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

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

Dr Zaha Rina was appointed to the Board of HLI on 9 February 2012. She is the Chairman of the Nominating Committee of HLI.

She is a Director of Zurich Insurance Malaysia Berhad and Pacific & Orient Berhad, companies listed on the Main Market of Bursa Securities.

**Notes**

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

# Chairman's **Statement**


On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Hong Leong Industries Berhad for the financial year ended 30 June 2013.

## OPERATING ENVIRONMENT

The Malaysian economy continued to perform well for the year under review, with quarterly Gross Domestic Products growths registering a range of 4.0% to 6.4% despite a challenging external environment and a weak global economy. The good performance of the local economy was driven by strong domestic demand supported by favourable growth in private consumption and infrastructure investments of private and public sectors which had benefited our consumer and industrial products segments.

## FINANCIAL REVIEW

For the financial year ended 30 June 2013 ("FY 2013"), the Group recorded a revenue of RM2,260.9 million and a profit before taxation ("PBT") of RM223.9 million as compared with a revenue of RM2,172.6 million and a PBT of RM212.9 million in the previous financial year ended 30 June 2012 ("FY 2012").

The improvement in the Group's financial performance as compared with FY 2012 was mainly attributable to the improved domestic demand of our consumer products. For the industrial products segment, the dumping action by a neighbouring country's manufacturers had greatly affected our fibre cement business.

## BUSINESS REVIEW

### CONSUMER PRODUCTS

The Group's Consumer Products segment performed satisfactorily in FY 2013 on the back of a resilient domestic private consumption.

### Motorcycles

The motorcycle industry continued to post a strong growth. New players entering the market have pushed aggressively in the lower end segment with large discounts and incentives. Total industry volume for FY 2013 continued to grow and posted a commendable 5.4% growth to 592,126 units against FY 2012's 561,798 units on the back of the country's sustained economic growth which kept the demand buoyant and upbeat.

Hong Leong Yamaha Motor Sdn Bhd ("HLYM") managed to maintain a market share of over 30% in a highly competitive market. This market share affirms our position as a leading manufacturer and distributor of motorcycles in Malaysia.

In an effort to further improve on our quality, cost and delivery, HLYM has implemented a project involving a major re-layout of the factory incorporating automation in various parts of our processes. This project is expected to improve our productivity significantly.

On the corporate responsibility front, HLYM, in promoting sports for the betterment of the community, had implemented the 1MCC Hong Leong Yamaha 2013 Football League for ages under 12, 14 and 16. Aimed at helping to develop youth football at grass root level, this programme was continued into its second year. Our education programme on road safety awareness has always been a high priority to help reduce the number of accidents. To this end, the annual Yamaha Balik Kampung Road Safety Campaign has entered into its fifteenth year and is gaining more recognition and participation.

The revenue of our associate, Yamaha Motor Vietnam Co., Ltd ("Yamaha Vietnam"), decreased by 5% to 895,396 units as compared to 945,685 units recorded in FY 2012 due to a sluggish market and strong competition from competitors. The Vietnamese motorcycle industry is expected to be soft in line with the weak overall economy.

### Ceramic Tiles

The domestic ceramic tile market improved during FY 2013 on the back of a strong growth in the construction sector and a more buoyant property market. Notwithstanding the improved domestic market, tile manufacturers in Malaysia continued to face major threats from imported tiles from China which were exacerbated by the significant reduction in import duties. The export market was relatively flat, with the stronger growth in ASEAN offset by declines in other regions due to the sluggish economy in United States ("US"), Europe, Australia and the Middle East.

The revenue for our Ceramic Tiles Division ("Guocera") continued to show an uptrend during FY 2013, especially in the domestic market. Overall sales growth of 7% was recorded, driven by higher selling prices, improved domestic sales volume and a better product mix. Despite the better sales performance, Guocera's profit was impacted by higher production costs.

While the proposed electricity and gas tariff increases will be a cost threat for tile manufacturers in Malaysia, Guocera's focus on new product development and its sales growth and productivity initiatives are expected to contribute to improvement in revenue and contribution margin for the coming financial year ending 30 June 2014 ("FY 2014").

## INDUSTRIAL PRODUCTS

Our Industrial Products segment performed less favourably than FY 2012 due mainly to dumping by a neighbouring country's manufacturers which had affected our fibre cement sales significantly.

### Fibre Cement Products

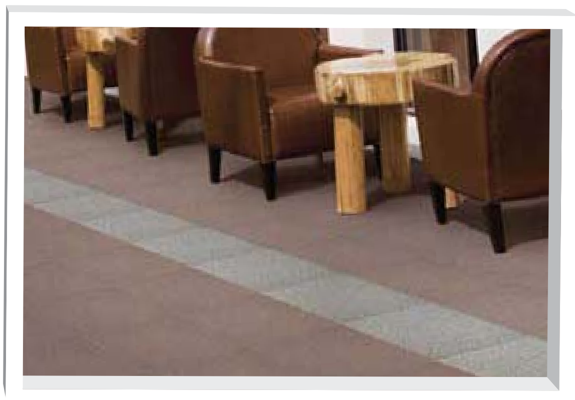
An anti-dumping petition was submitted by the industry in June 2013 as Thailand continued to market its products at prices that were causing injury to local manufacturers in the domestic market. The Ministry of International Trade and Industry has initiated an official investigation into charges that fibre reinforced cement flat and pattern sheets imported from Thailand were being dumped into Malaysia. The anti-dumping investigation is in progress and an outcome on the decision is expected soon.

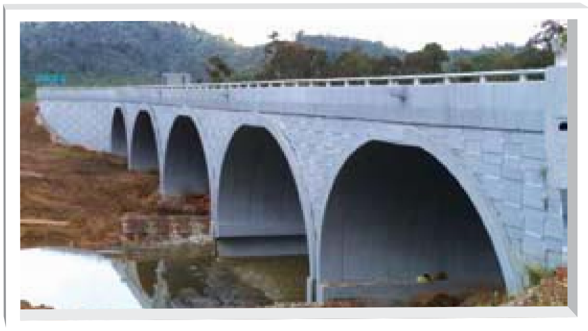
While defending our market share vigorously, we have also successfully increased the development of system construction which encompasses flush join ceiling, drywall, solid wall and roof sarking that ride on Industrialised Building System and Green Building for local private and government projects.

During FY 2013, the division invested a total of RM50 million to upgrade the plants in both Ipoh and Petaling Jaya. The full commissioning of the upgrade will be completed in the third quarter of FY 2014. This is a significant step in plant capacity expansion which will allow us to have a better economy of scale and further improve our competitive manufacturing cost.

We continue to invest in research and development, manufacturing knowhow and product design. The new and innovative products and new application such as Thick Laminated Board and Low Density Plank, will be simultaneously introduced and enhanced with the technological improvements in the plant.

In Malaysia, we expect the construction sector to continue to register significant growth on the back of the Government's initiative in infrastructure projects and sustained growth in the property sector. With the innovative selling strategies in place coupled with successful investment in manufacturing capacity and organisational capability to meet anticipated growing demand, we are confident that the performance of the fibre cement business will improve in FY 2014.





### Concrete Products

The Economic Transformation Programme (ETP) implemented by the Malaysian Government has helped to increase the overall demand for precast concrete products. The construction activities are expected to continue its steady upward trend in view of the various on-going and impending infrastructure projects, particularly the Light Rail Transit (LRT) and Mass Rapid Transit (MRT) projects.

For concrete roofing tiles business, we continue to strengthen our market position with an increased market share through on-going marketing activities, new products launches and continuous improvements in productivity and product quality.

## SIGNIFICANT CORPORATE DEVELOPMENT

The Company had, on 10 September 2013, entered into agreements with Narra Industries Berhad ("Narra") for the proposed disposal of the entire share capital in Hume Industries (Malaysia) Sdn Bhd ("HIMSB"), a wholly-owned subsidiary of the Company, and 175,000,000 irredeemable convertible preference shares in Hume Cement Sdn Bhd ("HCement") to Narra for a total disposal consideration of RM48,000,000 and RM300,000,000 respectively. The disposal considerations are to be satisfied by the issuance of New Narra Shares (as defined below) at an issue price of RM1.00 per New Narra Share (collectively, the "Proposed Disposals").

Prior to the completion of the Proposed Disposals, Narra will implement a capital restructuring involving the cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 in Narra and the proposed share consolidation of 2 resultant ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each in Narra ("New Narra Share").

HIMSB is principally involved in investment holding and manufacture of concrete products whilst its subsidiaries are principally involved in manufacture and sale of fibre cement products and concrete products. HIMSB is undergoing an internal restructuring so that the restructured HIMSB to be disposed of by the Company to Narra shall comprise HIMSB and its subsidiaries involved in the manufacture and sale of concrete products only.

Upon completion of the Proposed Disposals, HLI will implement a proposed capital distribution to its shareholders of 345,030,635 New Narra Shares on the basis of 1,080 Narra shares for every 1,000 ordinary shares held in HLI ("Proposed Capital Distribution").

The Proposed Disposals and the proposed acquisition by Narra of the entire ordinary share capital in HCement are inter-conditional upon one another whilst the Proposed Capital Distribution is conditional upon the Proposed Disposals.

Further details on the proposals can be obtained from the Company's announcement on 11 September 2013. Subject to all requisite approvals being obtained, the proposals are expected to be completed by the fourth quarter of FY 2014.

## PROSPECTS

The global economy remains challenging for the financial year ahead in view of the uncertainties brought about by the continuing problems in the major economies, the expected scale back of the US stimulus programme and the deeper than expected Euro recession. Nevertheless, the Malaysian economy is expected to grow around 5%, driven in large part by the major infrastructure projects being planned and implemented by the Government.

Barring any unforeseen circumstances, the Board expects the Group's performance in both the consumer and industrial products segments to be satisfactory for FY 2014.

## DIVIDENDS

The Company declared and paid a first and second interim dividend of 10 sen per share tax exempt and 16 sen per share less tax respectively for FY 2013. The Board does not recommend a final dividend for FY 2013.

## APPRECIATION

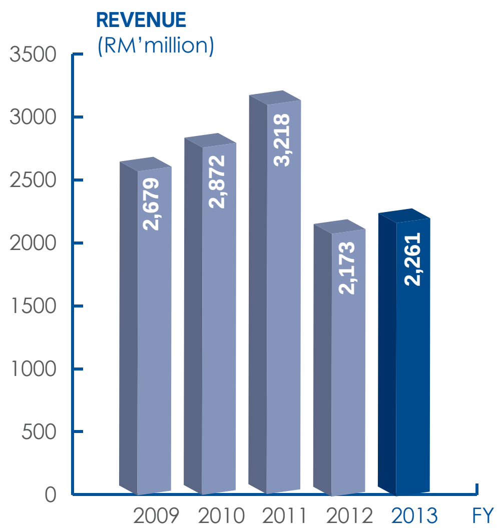
On behalf of the Board, I would like to extend my appreciation to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

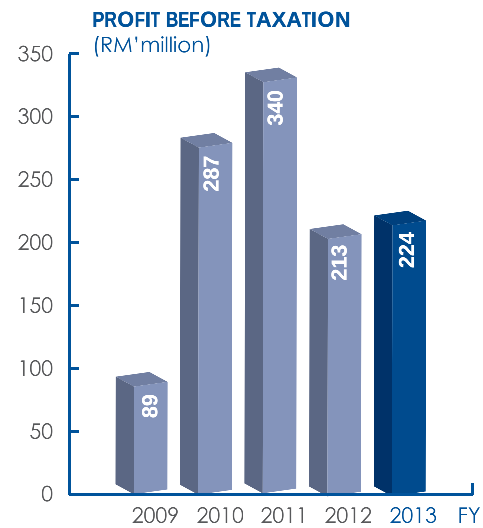
I would also like to extend my sincere appreciation to our management team and all our employees for their contribution, dedication and commitment to the Group.

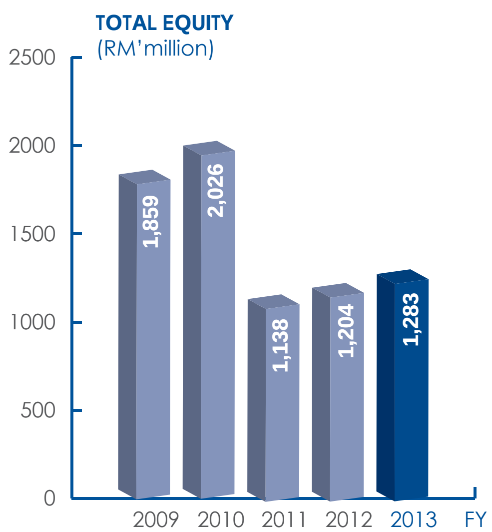
**DATUK KWEK LENG SAN**
*Chairman*

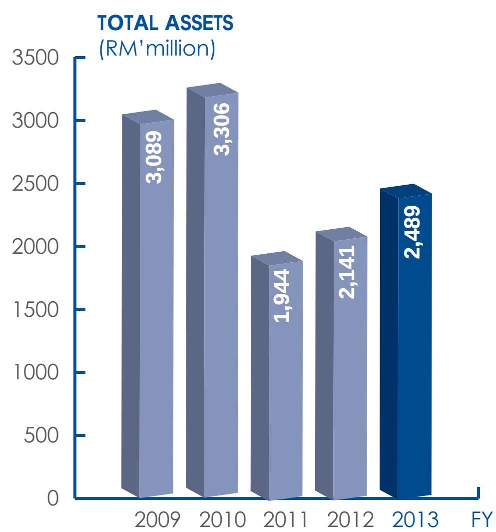
# Group **Financial Highlights**

| RM'million | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|---|---|---|---|---|---|
| Revenue | 2,679 | 2,872 | 3,218 | 2,173 | **2,261** |
| Profit before tax | 89 | 287 | 340 | 213 | **224** |
| Profit attributable to owners of the Company | 75 | 194 | 219 | 132 | **148** |
| Net earnings per share (sen) | 29 | 74 | 71 | 43 | **48** |
| Net dividend per share (sen) | 10 | 17 | 20 | 22 | **22** |
| Total equity | 1,859 | 2,026 | 1,138 | 1,204 | **1,283** |
| Total assets | 3,089 | 3,306 | 1,944 | 2,141 | **2,489** |
| Capital expenditure | 179 | 296 | 289 | 34 | **68** |



# Corporate **Social Responsibility**

The Group believes that serving our communities is not only integral to running a business successfully --- it is also part of our individual responsibilities as citizens of the world. We continue to support communities in ways that enhance the company's reputation with employees, customers, business partners and other stakeholders.

Guided by our company value on Social Responsibility, we are committed to meeting the highest standards of corporate citizenship. The Group aims to ensure the health and safety of our employees and all who are affected by our business operations. We are also committed to protecting the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures, and to have a positive impact on the lives of the people in the communities where we conduct our businesses.

The Group sees corporate social responsibility ("CSR") beyond its core mission. The Group contributes significantly to the socio-economic development of the nation by promoting education, providing aid to marginalised communities, supporting and developing local talent, preserving the environment and practicing sustainable supply-chain in its operations. Below is our commitment to each of the focus areas under the Group's CSR:

## WORKPLACE

The Group is committed to upholding the human rights of our employees and treating them with dignity and respect. To maintain our market leadership in delivering innovative solutions, the Group consistently strives to create an inspiring and effective working environment.

The Group also aims to ensure that the health, safety, and welfare of our employees are well taken care of all the time. To honour this, we will always fully accept our responsibility towards employees who may be affected by our activities. Some examples of these are:

- Provision of health and safety equipment at all the plants within the Group.
- Health awareness programmes which include annual blood donation drives, health talks and physical health checks.
- A commitment to Health and Safety through the OHSAS 18001 accreditation, the latest being Guocera Tile Industries Sdn Bhd ("GTI")'s factories in Kluang and Hume Cemboard Industries Sdn Bhd ("HCI")'s factories.
- Setting up of an in-house medical clinic facility manned by visiting doctor in large factories e.g. at Hong Leong Yamaha Motor Sdn Bhd ("HLYM").
- A comprehensive staff benefit and welfare scheme.

The Group identifies and hires local talent through the Hong Leong Group Graduate Development Programme – a programme of hiring local fresh graduates to undergo a training programme for 2 years. This programme aims to identify and develop young graduates into engineering talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring.

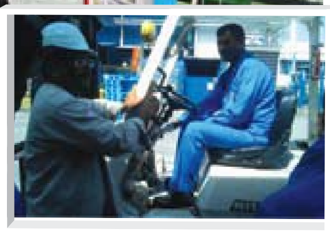
- Additionally, the Group provides opportunities for undergraduates to gain industrial training through structured internship programme e.g. Hume Industries (Malaysia) Sdn Bhd hosted 11 undergraduates.
- The Group believes in developing our people through further education e.g. HLYM as part of overall technical competencies development programme has seconded an engineer to Yamaha Motor Co., Ltd, Japan for a one-year intensive technical training.
- The Group also has structured training programmes on management/leadership skills and technical/functional skills which are conducted throughout the year.

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

Since its founding, the Group has demonstrated an on-going commitment to people and to fair employment practices. As the Group has grown and expanded, its work force has become more diverse. The Group believes that this diverse work force helps the organisation realise its full potential. We benefit from the creativity and innovation that result from our people who have different experiences, perspectives and cultures working together.

This is what drives innovation and high performance at the Group as proven by its track record as well as numerous awards and accolades that the Group receives over the years. We believe that a well-managed, diverse work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers, and connecting them to the power of technology. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination, one where employees are treated with dignity, honour and respect. We also comply with all applicable international and local laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients. All job applicants, employees, members, and clients receive equal treatment regardless of race, gender, religion, ethnic or national origins.

**ENVIRONMENT**

Our objective is to achieve high standards in environmental management and preservation, by examining our business and operations, and taking active steps to reduce environmental impact wherever possible. These include:

- minimising any adverse impact our activities may have on the environment;
- minimising the consumption of resources wherever possible;
- considering the environment when procuring goods and services;
- promoting waste reduction, re-use and recovery; and
- complying with legislation and wherever possible exceed legislative requirements.

We are passionate about the environment and committed to reducing the carbon footprint of our growing business. We promote a culture of environmental awareness and engagement amongst our staff and our supply base.

Our environmental initiatives include smart and careful consumption of resources, use of water, emissions to air, waste generation, energy use, and procurement processes. We are passionately committed to minimising our environmental impact and encouraging greater sustainability throughout our business. For example:

- Hume Cement Sdn Bhd ("HC") has established Environmental, Safety and Health ("ESH") Policy aimed to prevent environmental pollution, accidents and occupational illness by full compliance of ESH policy, adopting and familiarisation of ESH practices to all employees and stakeholders.

- HLYM, an ISO 14001 accredited company for Environmental Management System, has executed several continual environmental management programmes whereby industrial water waste is being treated and tested before discharging in order to reduce pollution.

- GTI has subscribed to ISO 50001 Energy Management System through energy conservation by recovering waste heat, optimising operations and materials efficiency, and water conservation by recycling waste water.

  i. Participated in UNIDO energy efficiency programme.
  ii. Subscribed to ISO 50001 Energy Management System.
  iii. Obtained certification to ISO 14001 Environment Management System.
  iv. Obtained SIRIM Eco label for ceramic tiles.

- Malaysian Newsprint Industries Sdn Bhd ("MNI") has built a RM27 million biomass plant in 2009 to enhance the use of green energy (using bio-fuel to replace fossil fuel). In addition, MNI has successfully claimed the carbon credit sale from Danish government and Danish company. The mill has improved its energy consumption/efficiency by burning its own sludge, sawdust, and palm oil trunk to reduce the burning of medium fuel oil.

- HCI has embarked on Green Certifications by achieving ISO14001:2004 for both fibre cement plants and green label certifications from various countries including Australia, Singapore and South Korea. A Life Cycle Assessment exercise has also been undertaken by Institute Bau Umwelt (Institute of Construction and Environment, Germany) who recently conducted a thorough audit with the completed report due in October 2013.

Our commitment to the environment has guided us to continually strive to reduce our already minimised waste in all our manufacturing plants and offer more environmentally friendly and sustainable operations. Guided by our environmental principles, we consider the environment throughout all aspects of our business, from our supply chain, to delivery.

**MARKETPLACE**

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 the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Financial reports which contain disclosures that are timely, true and fair.
- 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 more aggressive and competitive.

# Corporate **Social Responsibility**
*cont'd*

The Group has a firm commitment to the highest standards of business ethics and integrity throughout our company. These standards are reflected in our associated policies, and wherever these polices require a higher standard than local practice or applicable laws, we adhere to the higher standards set in Group policies.

## COMMUNITY

The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group.

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group Malaysia. It is funded by contributions from the Hong Leong Group Malaysia companies and is thus effectively its charitable arm through which most of the Group's philanthropic activities are conducted. It has an annual budget of RM5 million and has the following programmes in place to address its primary concern --- poverty in Malaysia:

- Addressing Basic Needs – donations to provide adequate food and clean water, shelter, and clothing
- Towards Self Sufficiency:
  - ➢ Tertiary Scholarship Programme
  - ➢ After School Care Programme
- Building Infrastructure:
  - ➢ School Building Fund
  - ➢ Community Building Fund.

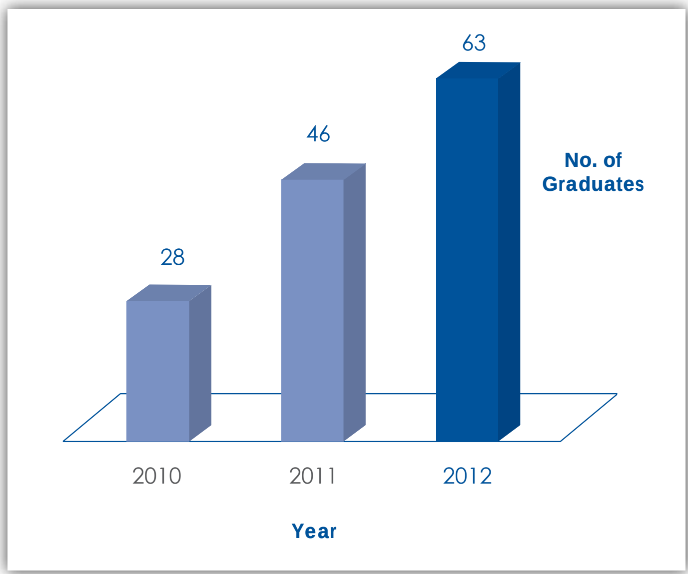

The total funds disbursed in the financial year ended 30 June 2013 were RM4.1 million benefiting 20 charity organisations. During the year, the Foundation awarded RM3.5 million in scholarships to benefit 67 high performing school leavers, all of whom are from financially-challenged families. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower their scholars: enrichment camps and workshops, internships, mentorships, and other supports to help them excel in their formative years at university and beyond.

Since 1993, Hong Leong Foundation has awarded more than RM22.6 million in scholarships to 1,126 scholars via its scholarship programmes for diplomas, degrees or vocational training.

**COMMUNITY** *cont'd*

| Education Level | Hong Leong Foundation Scholarship | | Hong Leong Group Scholarship Award | |
|---|---|---|---|---|
| | Scholarship Value | Number of Awards | Scholarship Value | Number of Awards |
| **Undergraduate (3+0 Twinning Programme)** | Up to RM24,000 | 13 | Up to RM12,000 (including overseas courses) | 4 |
| **Undergraduate (Local University)** | RM8,500 | 49 | RM7,000 | 9 |
| **Diploma (Local College/Institute)** | RM6,000 | 5 | RM4,000 | 7 |
| **Pre-University** | Not Available | Not Available | RM1,500 | 9 |

**Hong Leong Foundation Scholarship Graduates by Year:**

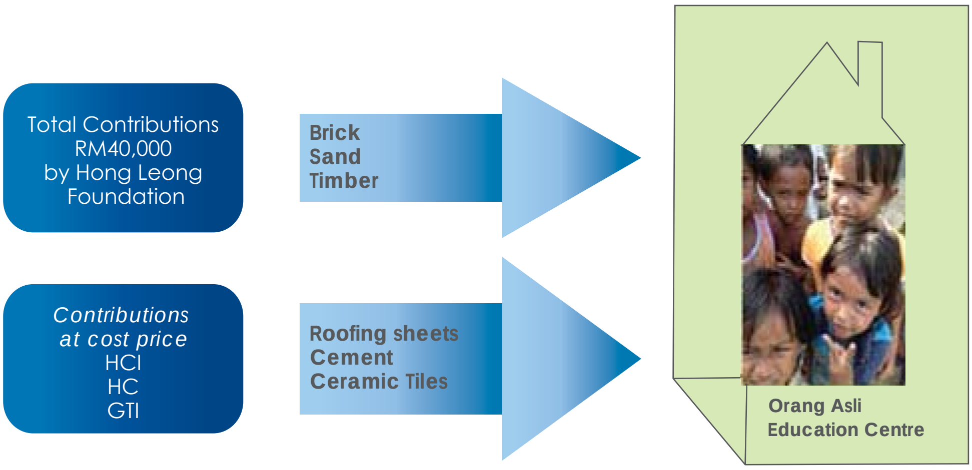



In addition, the following initiatives were undertaken by the individual companies in the Group.

- A total of 78 volunteers from all companies participated in The Community Chest ("TCC") Volunteering Programme to assist in project management for building projects in 196 schools throughout Malaysia. TCC is a not-for-profit charitable organisation set up by the private sector to focus on providing assistance to education.
- The Group continued to work with its community partner Science of Life 24/7 (SOL) to engage our staff, customers and local community to participate in TECH CYCLE (Malaysia's first ever nationwide tech recycling movement in collaboration with Hong Leong Foundation).


**COMMUNITY** *cont'd*

- HC, GTI and HCI collaborated and organised the supply of building materials for the construction of a Community Centre for the Orang Asli Village at Batu 3, Kuala Rompin, Pahang.




- MNI continued to drive the Group's recycling programme via the following:

  i. School Recycling Programme

  This programme was launched to several schools throughout the country. The programme entailed activities like Recycling Awareness Seminars, Recycling Exhibition, Donation Drive for Schools Recycling Club, Attractive Buying Prices and Incentives and also premium free gifts with posters and brochures for encouraging the recycling activities and wastes collection.

  ii. Office Recycling Programme

  This programme was implemented on 1 May 2013 throughout all the Hong Leong Group of Companies nationwide. It is aimed at promoting the recycling of all types of office waste paper materials.

- HC has started to support the community within the vicinity of its cement plant in Gopeng by sponsoring community events and functions at various schools, mosques and community centres e.g. Family Days, Speech Days, Festival Days and other welfare activities. The company also sponsored community projects e.g. the donation of cement to build a badminton court and walkway for Sekolah Rendah Jenis Kebangsaan Lawan Kuda, Gopeng in March 2013.



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

# Corporate **Governance, Risk Management 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 ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 (the "Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

## A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and 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 those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The Chairman leads the Board and the Board is supported by qualified and competent Company Secretaries.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well being of stakeholders. The Group's key corporate social responsibility activities are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees.

## B. BOARD COMPOSITION

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

The Company is guided by the Policy on Board Composition adopted by the Company in determining its board composition. The Policy includes the following:

- The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The Board shall have a balance of skills and experience that commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of independent directors comprising at least one third of the board.
- The Board shall also include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.
- The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board.

The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

## C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the discharge of its duties.

### I Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC, its TOR and a summary of its activities are set out in the Board Audit & Risk Management Committee Report of this Annual Report.

## C. BOARD COMMITTEES *cont'd*

### II Nominating Committee ("NC")

The NC has been established on 30 April 2013 and the members are as follows:

**Dr Zaha Rina binti Zahari**
*Chairman, Independent Non-Executive Director*

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

**YBhg Datuk Kwek Leng San**
*Non-Independent Non-Executive Director*

The NC's functions and responsibilities are set out in the TOR as follows:

- To review and propose to the Board, all appointments, re-appointments and re-elections of the Board, appointments of Board committees and chief executive; and to review the criteria to be used in the recruitment process.
- To assess annually the independence of the independent directors.
- To propose for the Board's approval, objective performance criteria for evaluation of the performance of the Board as a whole, the Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To evaluate the Board's performance by carrying out the assessment process implemented by the Board for assessing the effectiveness of the Board as a whole, Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To review and propose appropriate training programmes for the Board.
- To carry out such other functions and duties as may be delegated by the Board from time to time.

The NC carried out its duties in accordance with its TOR.

The Company has in place the process and procedure for assessment of new appointment, re-appointment and re-election of directors and the appointment of chief executive, and the criteria used in such assessment.

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director, Board committee member and chief financial officer.

Having reviewed the assessments in respect of the financial year ended 30 June 2013, the NC is satisfied that the Board, Board committees, each individual director and each Board committee member have effectively discharged their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

### III Remuneration Committee ("RC")

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

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.

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.

## C. BOARD COMMITTEES *cont'd*

### III Remuneration Committee ("RC") *cont'd*

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

The aggregate remuneration of directors (including remuneration of a director who has resigned during the financial year, and remuneration earned as directors of subsidiaries) for the financial year ended 30 June 2013 is as follows:

| | Fees (RM) | Salaries & Other Emoluments (RM) | Total (RM) |
|---|---|---|---|
| Executive Directors | 25,068 | 715,425 | 740,493 |
| Non-Executive Directors | 420,000 | 101,358 | 521,358 |

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

| Range Of Remuneration (RM) | Executive | Non-Executive |
|---|---|---|
| 50,000 and below | - | - |
| 50,001 – 100,000 | - | 4 |
| 100,001 – 150,000 | - | 2 |
| 150,001 – 700,000 | - | - |
| 700,001 – 750,000 | 1 | - |

## D. INDEPENDENCE

The Board takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of 9 years. The Company has in place, an Independence of Directors Policy which sets out the criteria for assessing the independence of independent directors. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry.

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that YBhg Dato' Ahmad Johari bin Tun Abdul Razak and YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar who have served on the Board for more than 9 years remain objective and have continued to bring independent and objective judgment to Board deliberations and decision making.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every 3 years under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] and Articles of Association of the Company. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders' approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of 9 years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

## E. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointment. This ensures that their commitment, resources and time are focused on the affairs on the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

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.

All Board members are supplied with information in 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, updates on the 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 Secretaries and internal auditors. All directors also have access to independent professional advice at the Company's expense in consultation with the Chairman of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries 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.

The Board met four (4) times during the financial year ended 30 June 2013.

Details of attendance of each director are as follows:

| Directors | Attendance |
|---|---|
| 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 |
| Dr Zaha Rina binti Zahari | 4/4 |

The Board recognises the importance of continuous professional development and training for directors.

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

The Company regularly organises 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. Directors are kept informed of available training programmes on a regular basis.

An induction programme which includes visits to the Group's various business operations and meetings with senior management is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Company's businesses.

The Company has prepared for the use of its directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

During the financial year ended 30 June 2013, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to 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.

## E. COMMITMENT *cont'd*

During the financial year ended 30 June 2013, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- The New Statutory Price Sensitive Information Disclosure Regime
- Enterprise Risk Management
- The Key Components Of Establishing And Maintaining World-Class Audit Committee Reporting Capabilities
- What Keeps An Audit Committee Up At Night
- 2012 Directors Continuing Education Forum
- Training On Risk Management & Internal Control
- Corporate Hijacking And Fraud
- Advocacy Sessions On Corporate Disclosure for Directors
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## F. ACCOUNTABILITY AND AUDIT

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all independent non-executive directors. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits to ensure compliance with systems and/or standard operating procedures of the Group. Investigations will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC 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 BARMC which assesses the financial statements with the assistance of the external auditors.

### II Risk Management and Internal Control

The Statement on Risk Management and Internal Control as detailed under paragraph I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

### III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. The external auditors meet with the BARMC 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 BARMC will have a separate session with the external auditors without the presence of management.

## G. DISCLOSURE

The Company has in place a corporate disclosure policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the website after release to Bursa.

## H. SHAREHOLDERS

### I Dialogue with Shareholders and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and 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.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company website, Bursa website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Shareholders have the right to demand to vote by way of a poll at the general meetings for resolutions and the voting results will be announced at the meetings and through Bursa.

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

In addition, shareholders and investors can have a channel of communication with the Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the following person:

| | | |
|---|---|---|
| Name | : | Mr Soon Seong Keat |
| Tel No. | : | 03-2164 2631 |
| Fax No. | : | 03-2715 4808 |
| Email 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.

## I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### The Responsibility of the Board

The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets.

Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the Group's Internal Audit Department in this role.

### The Risk Management Framework

For this financial year, management had enhanced the risk management framework in accordance with MS ISO 31000: 2010. The framework serves to:

- establish the context of risk in relation to the Group's risk appetite;
- identify the risks faced by the Group in the operating environment;
- assess the likelihood and impact of such risks identified and hence their risk levels;
- assess the adequacy and effectiveness of the existing risk mitigating measures;
- evaluate risk treatment options in relation to the Group's context of risk;
- develop any necessary further measures to manage these risks; and
- monitor and review risk mitigating measures, risk levels and emerging risks.

On an on-going basis, each operating company has clear accountabilities to:

- monitor its existing risks, identify emerging risks and hence update the enterprise-wide risk registers;
- maintain the adequacy, effectiveness and relevance of action plans and control systems developed to manage risks; and
- periodically prepare risk management report for reporting to the BARMC.

## I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL *cont'd*

### The System of Internal Controls

The key elements of the Group's system of internal controls are described below:

- A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations.
- Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
- Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
- Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
- Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies.
- Risk-based internal audits carried out by the Group's Internal Audit Department focusing on key risk areas.
- Periodically reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

### Management and Decision-Making Processes

The internal control and risk management processes embedded within the operations of the Group are in place for the year under review and up to the date of approval of this Statement for inclusion in the annual report, and reviewed periodically by the BARMC. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has received assurance from the Chief Financial Officer and the respective Chief Executives of the various operations that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

## J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires 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 of the Company are satisfied that the financial statements of the Group and of the Company for the financial year ended 30 June 2013 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, and that the Group and the Company have adopted appropriate accounting policies and have applied them consistenltly.

*This Statement on Corporate Governance, Risk Management and Internal Control is made in accordance with the resolution of the Board.*

# 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 consider and recommend the nomination, appointment and/or re-appointment of a person or persons as external auditor(s), and to consider any resignation or dismissal of the external auditors.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- 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 related party transactions that may arise within the Company or the Group, where any one of the percentage ratios (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) of a related party transaction triggers the requirement of announcement to Bursa Malaysia Securities Berhad.
- To review other conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that may raise questions of management integrity.
- Other functions as may be agreed to by the Committee and the Board.

## AUTHORITY

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

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

## 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 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.

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 2013, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

| Members | Attendance |
|---|---|
| YBhg Dato' Ahmad Johari bin Tun Abdul Razak | 4/4 |
| YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar | 4/4 |
| YM Raja Dato' Seri Abdul Aziz bin Raja Salim | 3/4 |

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

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

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

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

## INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HMMC"), a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. The total cost incurred by the IA Department of HMMC for the financial year ended 30 June 2013 amounted to RM1,357,129.

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

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

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

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

Hong Leong Industries Berhad (5486-P)

# Financial Statements



# Directors' **Report**
for the financial year ended 30 June 2013

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 2013.

**PRINCIPAL ACTIVITIES**

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

**RESULTS**

| | Group<br>RM'000 | Company<br>RM'000 |
|---|---|---|
| Profit for the year attributable to: | | |
| Owners of the Company | 147,591 | 86,990 |
| Non-controlling interests | 44,564 | - |
| | 192,155 | 86,990 |

**RESERVES AND PROVISIONS**

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

**DIVIDENDS**

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

(i) a first interim dividend of 10.0 sen per share tax exempt amounting to RM31,947,281 in respect of the financial year ended 30 June 2013 on 28 December 2012; and

(ii) a second interim dividend of 16.0 sen per share less tax amounting to RM38,336,737 in respect of the financial year ended 30 June 2013 on 7 June 2013.

The Directors do not recommend a final dividend for the financial year ended 30 June 2013.

**DIRECTORS OF THE COMPANY**

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

YBhg Datuk Kwek Leng San *(Chairman)*
YBhg Dato' Ahmad Johari bin Tun Abdul Razak
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar
YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Mr Chuah Chuan Thye
Dr Zaha Rina binti Zahari
YBhg Dato' Yau Kok Seng *(Group Managing Director) (Resigned on 31 December 2012)*

**DIRECTORS' INTERESTS**

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

| | | Number of ordinary shares | | | |
|---|---|---|---|---|---|
| | Nominal value per share RM | At 1.7.2012 | Acquired | Sold | At 30.6.2013 |
| *Shareholdings in which Directors have direct interests* | | | | | |
| **Interests of YBhg Datuk Kwek Leng San in:** | | | | | |
| Hong Leong Company (Malaysia) Berhad | 1.00 | 117,500 | - | - | **117,500** |
| Hong Leong Industries Berhad | 0.50 | 2,520,000 | - | - | **2,520,000** |
| Malaysian Pacific Industries Berhad | 0.50 | 1,260,000 | - | - | **1,260,000** |
| Hong Leong Capital Berhad | 1.00 | 119,000 | - | (119,000) | **-** |
| Hong Leong Bank Berhad | 1.00 | 462,000 | - | - | **462,000** |
| Guoco Group Limited | US$0.50 | 209,120 | - | - | **209,120** |
| Hong Leong Financial Group Berhad | 1.00 | 600,000 | - | - | **600,000** |
| **Interests of YBhg Dato' Ahmad Johari bin Tun Abdul Razak in:** | | | | | |
| Hong Leong Industries Berhad | 0.50 | 17,600 | - | - | **17,600** |
| Malaysian Pacific Industries Berhad | 0.50 | 6,600 | - | - | **6,600** |
| **Interest of Mr Chuah Chuan Thye in:** | | | | | |
| Southern Steel Berhad | 1.00 | 14,854 | - | - | **14,854** |
| *Shareholdings in which Directors have indirect interests* | | | | | |
| **Interests of Mr Chuah Chuan Thye in:** | | | | | |
| Hong Leong Company (Malaysia) Berhad | 1.00 | 154,650 | - | - | **154,650** |
| Hong Leong Financial Group Berhad | 1.00 | 9,347,949 | - | (10,000) | **9,337,949** |
| Hong Leong Industries Berhad | 0.50 | 2,298,036 | - | - | **2,298,036** |
| Narra Industries Berhad | 1.00 | 10,000 | - | - | **10,000** |
| Hong Leong Bank Berhad | 1.00 | 168,000 | - | (50,000) | **118,000** |
| GuocoLand (Malaysia) Berhad | 0.50 | 2,285,485 | - | - | **2,285,485** |
| GuocoLeisure Limited | US$0.20 | 2,036,775 | - | - | **2,036,775** |
| Malaysian Pacific Industries Berhad | 0.50 | 861,764 | - | - | **861,764** |
| Southern Steel Berhad | 1.00 | 8,293,288 | - | - | **8,293,288** |
| Southern Pipe Industry (Malaysia) Sdn Bhd | 1.00 | 560,140 | - | - | **560,140** |

## 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) 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 (b) 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.

## ISSUE OF SHARES AND DEBENTURES

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

## OPTIONS GRANTED OVER UNISSUED SHARES

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

## EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The Company has, on 8 March 2013 ("Effective Date"), terminated the existing executive share option scheme ("ESOS") which was established in year 2006 ("Termination") and established a new ESOS of up to 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) ("New ESOS" or "Scheme"). The new ESOS will be in force for a period of 10 years from the Effective Date.

The New ESOS enables the Company to have a fresh duration of 10 years to implement the Scheme and to 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 New ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors of the Group. 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 comprised in:
   (i) exercised options;
   (ii) unexercised options;
   (iii) unexpired offers of options pending acceptance by all the eligible executives; and
   (iv) exercised options, unexercised options and unexpired offers of options pending acceptance, under any other ESOS established by the Company which are still subsisting,

   shall not exceed 10% of the issued and paid-up ordinary share capital of the Company (excluding treasury shares) at any one time ("Maximum Aggregate").

3. The New ESOS shall be in force for a period of 10 years from 8 March 2013.

4. The option price shall not be at a discount of more than 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 exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares of RM0.50 each in the Company (unless otherwise adjusted); transfer of existing shares; or a combination of both new shares and existing shares.

6. At any point in time during the existence of the New ESOS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the issued and paid-up ordinary share capital of the Company (excluding treasury shares), must not exceed 10% of the Maximum Aggregate.

7. The option granted to an option holder under the New ESOS is exercisable by the option holder only during his employment or directorship with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the New ESOS.

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

During the financial year, there were no share options granted under the New ESOS.

On 26 August 2013, the Company announced that it proposes to establish an executive share grant scheme of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company for the benefit of the eligible executives ("Proposed ESGS"). The Proposed ESGS is subject to the approval of the shareholders of the Company. Upon approval, the Proposed ESGS together with the New ESOS shall be renamed as Executive Share Scheme.

**OTHER STATUTORY INFORMATION**

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

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

(i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in 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 financial performance of the Group and of the Company for the financial year ended 30 June 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

**AUDITORS**

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

On behalf of the Board,

**Datuk Kwek Leng San**

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

Kuala Lumpur
6 September 2013

# Statements of **Financial Position**
as at 30 June 2013

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | **30.6.2013** | **30.6.2012** | **1.7.2011** | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **Note** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Assets** | | | | | | | |
| Property, plant and equipment | 4 | **416,300** | 404,469 | 449,930 | **338** | 1,041 | 752 |
| Investment properties | 5 | **2,231** | 2,231 | 17,231 | **-** | - | - |
| Investments in subsidiary companies | 6 | **-** | - | - | **937,336** | 684,753 | 428,772 |
| Investments in associated companies | 7 | **328,390** | 304,637 | 286,042 | **182,573** | 182,573 | 182,573 |
| Other investments | 8 | **706,291** | 460,271 | 172,993 | **181,277** | 182,301 | 171,983 |
| Intangible assets | 9 | **14,681** | 14,347 | 12,179 | **-** | - | - |
| Deferred tax assets | 10 | **8,292** | 8,927 | 8,960 | **-** | - | - |
| **Total non-current assets** | | **1,476,185** | 1,194,882 | 947,335 | **1,301,524** | 1,050,668 | 784,080 |
| Inventories | 11 | **206,558** | 220,747 | 196,082 | **-** | - | - |
| Trade and other receivables, including derivatives | 12 | **427,560** | 447,034 | 403,336 | **143** | 151 | 33,653 |
| Current tax assets | | **24,111** | 14,417 | 21,433 | **21,767** | 12,757 | 8,560 |
| Cash and cash equivalents | 13 | **354,347** | 215,617 | 376,155 | **20,836** | 11,764 | 100,917 |
| | | **1,012,576** | 897,815 | 997,006 | **42,746** | 24,672 | 143,130 |
| Assets held for sale | 14 | **-** | 48,030 | - | **-** | - | - |
| **Total current assets** | | **1,012,576** | 945,845 | 997,006 | **42,746** | 24,672 | 143,130 |
| **Total assets** | | **2,488,761** | 2,140,727 | 1,944,341 | **1,344,270** | 1,075,340 | 927,210 |

The notes on pages 44 to 113 are an integral part of these financial statements.

# Statements of **Financial Position**
as at 30 June 2013
*cont'd*

| | Note | Group 30.6.2013 RM'000 | Group 30.6.2012 RM'000 | Group 1.7.2011 RM'000 | Company 30.6.2013 RM'000 | Company 30.6.2012 RM'000 | Company 1.7.2011 RM'000 |
|---|---|---|---|---|---|---|---|
| **Equity** | | | | | | | |
| Share capital | 15 | **163,953** | 163,953 | 163,953 | **163,953** | 163,953 | 163,953 |
| Reserves | 16 | **1,069,017** | 1,000,245 | 923,406 | **312,981** | 294,260 | 320,579 |
| Treasury shares - at cost | 17 | **(63,318)** | (63,318) | (63,318) | **(63,318)** | (63,318) | (63,318) |
| **Total equity attributable to owners of the Company** | | **1,169,652** | 1,100,880 | 1,024,041 | **413,616** | 394,895 | 421,214 |
| **Non-controlling interests** | | **113,166** | 102,767 | 114,157 | **-** | - | - |
| **Total equity** | | **1,282,818** | 1,203,647 | 1,138,198 | **413,616** | 394,895 | 421,214 |
| **Liabilities** | | | | | | | |
| Loans and borrowings | 18 | **697,663** | 418,663 | 120,000 | **670,000** | 400,000 | 120,000 |
| Deferred tax liabilities | 10 | **7,481** | 10,732 | 13,253 | **-** | - | - |
| Employee benefits | 19(a) | **19,838** | 17,809 | 15,779 | **340** | 336 | 333 |
| **Total non-current liabilities** | | **724,982** | 447,204 | 149,032 | **670,340** | 400,336 | 120,333 |
| Trade and other payables, including derivative | 20 | **327,080** | 332,008 | 297,707 | **195,314** | 220,109 | 149,663 |
| Loans and borrowings | 18 | **137,430** | 144,731 | 344,846 | **65,000** | 60,000 | 236,000 |
| Tax payable | | **16,451** | 13,137 | 14,558 | **-** | - | - |
| **Total current liabilities** | | **480,961** | 489,876 | 657,111 | **260,314** | 280,109 | 385,663 |
| **Total liabilities** | | **1,205,943** | 937,080 | 806,143 | **930,654** | 680,445 | 505,996 |
| **Total equity and liabilities** | | **2,488,761** | 2,140,727 | 1,944,341 | **1,344,270** | 1,075,340 | 927,210 |

The notes on pages 44 to 113 are an integral part of these financial statements.

# Statements of **Profit or Loss and Other Comprehensive Income**
for the year ended 30 June 2013

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2013 | 2012 | 2013 | 2012 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Revenue** | | | | | |
| Sales of goods and services | | **2,220,266** | 2,153,055 | **-** | - |
| Dividend income | | **40,681** | 19,569 | **127,869** | 83,085 |
| | | **2,260,947** | 2,172,624 | **127,869** | 83,085 |
| Cost of sales | | **(1,831,783)** | (1,771,485) | **-** | - |
| **Gross profit** | | **429,164** | 401,139 | **127,869** | 83,085 |
| Distribution costs | | **(146,395)** | (142,099) | **-** | - |
| Administration expenses | | **(71,997)** | (69,333) | **(6,951)** | (6,548) |
| Other operating expenses | | **(10,686)** | (34,672) | **(1,203)** | (6,364) |
| Other operating income | | **35,506** | 55,803 | **22,006** | 3,492 |
| **Results from operations** | | **235,592** | 210,838 | **141,721** | 73,665 |
| Interest income | | **2,659** | 3,049 | **161** | 175 |
| Finance costs | | **(58,023)** | (37,077) | **(53,994)** | (32,890) |
| Share of profit in associated companies | | **43,699** | 36,066 | **-** | - |
| **Profit before taxation** | 21 | **223,927** | 212,876 | **87,888** | 40,950 |
| Taxation | 22 | **(31,772)** | (45,681) | **(898)** | 1,058 |
| **Profit for the year** | | **192,155** | 167,195 | **86,990** | 42,008 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | **147,591** | 131,975 | **86,990** | 42,008 |
| Non-controlling interests | | **44,564** | 35,220 | **-** | - |
| | | **192,155** | 167,195 | **86,990** | 42,008 |
| **Basic earnings per ordinary share (sen)** | 23 | **47.86** | 42.80 | | |

The notes on pages 44 to 113 are an integral part of these financial statements.

# Statements of **Profit or Loss and Other Comprehensive Income**

for the year ended 30 June 2013

*cont'd*

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the year | **192,155** | 167,195 | **86,990** | 42,008 |
| **Other comprehensive income/(expense), net of tax** | | | | |
| - Foreign currency translation differences for foreign operations | **2,532** | 18,207 | **-** | - |
| - Gain/(loss) on fair value of available-for-sale financial assets | **5,522** | (5,515) | **-** | - |
| **Total other comprehensive income for the year** | **8,054** | 12,692 | **-** | - |
| **Total comprehensive income for the year** | **200,209** | 179,887 | **86,990** | 42,008 |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | **155,514** | 144,735 | **86,990** | 42,008 |
| Non-controlling interests | **44,695** | 35,152 | **-** | - |
| | **200,209** | 179,887 | **86,990** | 42,008 |

The notes on pages 44 to 113 are an integral part of these financial statements.

# Statements of **Changes in Equity**
for the year ended 30 June 2013

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | Distributable | | | |
| | Share Capital | Share Premium | Exchange Equalisation Reserve | Fair Value Reserve | Other Reserves | Reserve For Own Shares | Treasury Shares | Retained Earnings | Total | Non-Controlling Interests | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | | |
| At 1 July 2011 | 163,953 | 387,096 | - | 3 | 20,332 | (41,459) | (63,318) | 557,434 | 1,024,041 | 114,157 | 1,138,198 |
| Profit for the year | - | - | - | - | - | - | - | 131,975 | 131,975 | 35,220 | 167,195 |
| Other comprehensive income/ (expense) | | | | | | | | | | | |
| - Foreign currency translation differences | - | - | 18,275 | - | - | - | - | - | 18,275 | (68) | 18,207 |
| - Loss on fair value of available-for-sale financial assets | - | - | - | (5,515) | - | - | - | - | (5,515) | - | (5,515) |
| **Total comprehensive income/ (expense) for the year** | - | - | 18,275 | (5,515) | - | - | - | 131,975 | 144,735 | 35,152 | 179,887 |
| *Distributions to owners of the Company* | | | | | | | | | | | |
| Dividends (Note 24) | - | - | - | - | - | - | - | (67,838) | (67,838) | (39,342) | (107,180) |
| Share issue expenses | - | (58) | - | - | - | - | - | - | (58) | - | (58) |
| Liquidation of a subsidiary | - | - | - | - | - | - | - | - | - | (7,200) | (7,200) |
| **Total transactions with owners of the Company** | - | (58) | - | - | - | - | - | (67,838) | (67,896) | (46,542) | (114,438) |
| Transfer to capital redemption reserve | - | - | - | - | 130 | - | - | (130) | - | - | - |
| **At 30 June 2012/1 July 2012** | 163,953 | 387,038 | 18,275 | (5,512) | 20,462 | (41,459) | (63,318) | 621,441 | 1,100,880 | 102,767 | 1,203,647 |

The notes on pages 44 to 113 are an integral part of these financial statements.

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Non-distributable | | | | | | | Distributable | | | |
| | Share Capital | Share Premium | Exchange Equalisation Reserve | Fair Value Reserve | Other Reserves | Reserve For Own Shares | Treasury Shares | Retained Earnings | Total | Non-Controlling Interests | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Group** | | | | | | | | | | | |
| At 30 June 2012/1 July 2012 | 163,953 | 387,038 | 18,275 | (5,512) | 20,462 | (41,459) | (63,318) | 621,441 | 1,100,880 | 102,767 | 1,203,647 |
| Profit for the year | - | - | - | - | - | - | - | 147,591 | 147,591 | 44,564 | 192,155 |
| Other comprehensive income | | | | | | | | | | | |
| - Foreign currency translation differences | - | - | 2,401 | - | - | - | - | - | 2,401 | 131 | 2,532 |
| - Gain on fair value of available-for-sale financial assets | - | - | - | 5,522 | - | - | - | - | 5,522 | - | 5,522 |
| **Total comprehensive income for the year** | - | - | 2,401 | 5,522 | - | - | - | 147,591 | 155,514 | 44,695 | 200,209 |
| *Contributions by and distributions to owners of the Company* | | | | | | | | | | | |
| Dividends (Note 24) | - | - | - | - | - | - | - | (67,838) | (67,838) | (27,739) | (95,577) |
| Realisation of exchange equalisation reserve | | | | | | | | | | | |
| - disposal of subsidiaries | - | - | (18,976) | - | - | - | - | - | (18,976) | 268 | (18,708) |
| - dissolution of a subsidiary | - | - | 72 | - | - | - | - | - | 72 | - | 72 |
| Liquidation of a subsidiary | - | - | - | - | - | - | - | - | - | (6,825) | (6,825) |
| **Total transactions with owners of the Company** | - | - | (18,904) | - | - | - | - | (67,838) | (86,742) | (34,296) | (121,038) |
| Transfer to capital redemption reserve | - | - | - | - | 152 | - | - | (152) | - | - | - |
| **At 30 June 2013** | **163,953** | **387,038** | **1,772** | **10** | **20,614** | **(41,459)** | **(63,318)** | **701,042** | **1,169,652** | **113,166** | **1,282,818** |
| | (Note 15) | | | | | | (Note 17) | | | | |

The notes on pages 44 to 113 are an integral part of these financial statements.

# Statements of **Changes in Equity**

for the year ended 30 June 2013

*cont'd*

| | Share Capital | Share Premium | Other Reserves | Reserve For Own Shares | Treasury Shares | Accumulated Losses | Total Equity |
|---|---|---|---|---|---|---|---|
| | ← Attributable to owners of the Company → | | | | | | |
| | ← Non-distributable → | | | | | Distributable | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Company** | | | | | | | |
| At 1 July 2011 | 163,953 | 387,096 | 3,943 | (33,995) | (63,318) | (36,465) | 421,214 |
| Profit for the year/total comprehensive income for the year | - | - | - | - | - | 42,008 | 42,008 |
| *Distributions to owners of the Company* | | | | | | | |
| Dividends (Note 24) | - | - | - | - | - | (68,269) | (68,269) |
| Share issue expenses | - | (58) | - | - | - | - | (58) |
| **Total transactions with owners of the Company** | - | (58) | - | - | - | (68,269) | (68,327) |
| **At 30 June 2012/1 July 2012** | 163,953 | 387,038 | 3,943 | (33,995) | (63,318) | (62,726) | 394,895 |
| Profit for the year/total comprehensive income for the year | - | - | - | - | - | 86,990 | 86,990 |
| *Distributions to owners of the Company* | | | | | | | |
| Dividends (Note 24) | - | - | - | - | - | (68,269) | (68,269) |
| **Total transactions with owners of the Company** | - | - | - | - | - | (68,269) | (68,269) |
| **At 30 June 2013** | **163,953** | **387,038** | **3,943** | **(33,995)** | **(63,318)** | **(44,005)** | **413,616** |
| | (Note 15) | | | | (Note 17) | | |

The notes on pages 44 to 113 are an integral part of these financial statements.

# Statements of **Cash Flows**
for the year ended 30 June 2013

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from operating activities** | | | | |
| Profit before taxation | **223,927** | 212,876 | **87,888** | 40,950 |
| Adjustments for: | | | | |
| Amortisation of intangible assets | | | | |
| - Computer software | **511** | 575 | **-** | - |
| - Development expenditure | **2,221** | 1,487 | **-** | - |
| Depreciation of property, plant and equipment | **47,236** | 50,750 | **111** | 240 |
| Dividend income | **(42,870)** | (22,195) | **(127,869)** | (83,085) |
| Finance costs | **58,023** | 37,077 | **53,994** | 32,890 |
| Fair value gain on investment property | **-** | (23,513) | **-** | - |
| Fair value (gain)/loss on derivative instruments | **(2,079)** | 2,074 | **(953)** | 2,318 |
| (Gain)/loss on disposal of property, plant and equipment | **(569)** | (9,313) | **27** | - |
| Gain on disposal of assets held for sale | **(7,428)** | - | **-** | - |
| Gain on liquidation of a subsidiary company | **-** | - | **(1,458)** | - |
| Gain on disposal of other investments | **(1,643)** | - | **-** | - |
| Gain on disposal of subsidiary companies | **(5,953)** | - | **-** | - |
| Goodwill written off | **477** | - | **-** | - |
| Interest income | **(2,659)** | (3,049) | **(161)** | (175) |
| Impairment of property, plant and equipment | **-** | 12,797 | **-** | - |
| Loss on fair value of financial assets at fair value through profit or loss | **1,024** | 3,681 | **1,024** | 3,681 |
| Negative goodwill realised on liquidation of a subsidiary company | **-** | (1,120) | **-** | - |
| Property, plant and equipment written off | **538** | 35 | **85** | - |
| Retirement benefits provision | **2,645** | 2,370 | **4** | 3 |
| Reversal of impairment loss in investment in a subsidiary company | **-** | - | **(10,700)** | (3,490) |
| Share of profit of associated companies | **(43,699)** | (36,066) | **-** | - |
| Unrealised loss/(gain) on foreign exchange | **1,098** | (1,617) | **-** | (1) |
| Other non-cash items | **72** | - | **(552)** | - |
| **Operating profit/(loss) before working capital changes** | **230,872** | 226,849 | **1,440** | (6,669) |

# Statements of **Cash Flows**

for the year ended 30 June 2013

*cont'd*

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Operating profit/(loss) before working capital changes** *cont'd* | | | | |
| Inventories | **13,325** | (24,665) | **-** | - |
| Trade and other receivables | **(33,548)** | (31,745) | **(12)** | 33,410 |
| Trade and other payables | **55,858** | 48,863 | **(23,270)** | 68,220 |
| **Cash generated from/(used in) operations** | **266,507** | 219,302 | **(21,842)** | 94,961 |
| Taxation (paid)/refund | **(40,768)** | (42,577) | **4,313** | 4,991 |
| Interest income received | **2,659** | 3,049 | **161** | 175 |
| Finance costs paid | **(58,023)** | (37,077) | **(53,994)** | (32,890) |
| Dividends received from | | | | |
| - Subsidiary companies | **-** | - | **88,065** | 60,024 |
| - Associated companies | **24,190** | 13,547 | **24,190** | 13,547 |
| - Other investments | **28,830** | 14,035 | **1,393** | 1,385 |
| Retirement benefits paid | **(616)** | (340) | **-** | - |
| **Net cash generated from operating activities** | **222,779** | 169,939 | **42,286** | 142,193 |
| **Cash flows from investing activities** | | | | |
| Addition in other investments | **(272,421)** | (295,151) | **-** | (14,000) |
| Addition of development expenditure | **(2,518)** | (2,477) | **-** | - |
| Addition of computer software | **(1,025)** | (633) | **-** | - |
| Additional investment in subsidiary companies | **-** | - | **(270,000)** | (263,000) |
| Cash distribution to non-controlling shareholder of a subsidiary company | **(6,825)** | (7,200) | **-** | - |
| Cash distribution from a subsidiary company | **-** | - | **9,875** | - |
| Purchase of property, plant and equipment | **(64,574)** | (31,077) | **(141)** | (529) |
| Proceeds from disposal of property, plant and equipment | **3,131** | 12,864 | **621** | - |
| Proceeds from disposal of assets held for sale | **51,558** | - | **-** | - |
| Proceeds from disposal of other investments | **31,290** | - | **-** | - |
| Proceeds from redemption of redeemable preference shares in a subsidiary company | **-** | - | **19,700** | 10,510 |
| Net cash outflow from disposal of subsidiary companies (Note 25) | **(447)** | - | **-** | - |
| Net cash outflow from dissolution of a subsidiary company | **(38)** | - | **-** | - |
| **Net cash used in investing activities** | **(261,869)** | (323,674) | **(239,945)** | (267,019) |

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from financing activities** | | | | |
| Dividends paid to | | | | |
| - Owners of the Company | **(67,838)** | (67,838) | **(68,269)** | (68,269) |
| - Non-controlling shareholder of subsidiary companies | **(27,739)** | (39,342) | **-** | - |
| Drawdown of borrowings | **552,521** | 623,854 | **335,000** | 356,000 |
| Repayment of borrowings | **(278,696)** | (525,362) | **(60,000)** | (252,000) |
| Share issue expenses | **-** | (58) | **-** | (58) |
| **Net cash generated from/(used in) financing activities** | **178,248** | (8,746) | **206,731** | 35,673 |
| Net change in cash and cash equivalents | **139,158** | (162,481) | **9,072** | (89,153) |
| Effect of exchange rate fluctuations on cash held | **(428)** | 1,943 | **-** | - |
| Cash and cash equivalents at 1 July | **215,617** | 376,155 | **11,764** | 100,917 |
| **Cash and cash equivalents at 30 June** | **354,347** | 215,617 | **20,836** | 11,764 |

**Cash and cash equivalents**

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed financial institutions | **289,507** | 148,242 | **3,036** | 157 |
| Cash and bank balances | **64,840** | 67,375 | **17,800** | 11,607 |
| | **354,347** | 215,617 | **20,836** | 11,764 |

The notes on pages 44 to 113 are an integral part of these financial statements.

## 1. CORPORATE INFORMATION

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

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

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

The consolidated financial statements as at and for the financial year ended 30 June 2013 comprise the Company, its subsidiaries, special purpose entities (Note 2.2(a) (iv)) (together referred to as the Group) and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 30 June 2013 do not include other entities.

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

The financial statements were approved and authorised for issue by the Board of Directors on 6 September 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). The financial impacts of transition to MFRS are disclosed in Note 31 to the financial statements.

The preparation of the 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.

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

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

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

### 2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 July 2011 (the transition date to MFRS framework), unless otherwise stated.

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(a) Basis of consolidation**

**(i) Subsidiaries**

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

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

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

**(ii) Accounting for business combinations**

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

***Acquisitions on or after 1 July 2011***

For acquisitions on or after 1 July 2011, the Group measures the cost of goodwill at the acquisition date as:

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

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

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

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

***Acquisitions before 1 July 2011***

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 July 2011. Goodwill arising from acquisitions before 1 July 2011 has been carried forward from the previous FRS framework as at the date of transition.

**(iii) Accounting for acquisitions of non-controlling interests**

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(a) Basis of consolidation** *cont'd*

**(iv) Special purpose entities**

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

**(v) Loss of control**

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

**(vi) Associates**

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

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

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(a) Basis of consolidation** *cont'd*

**(vii) Non-controlling interests**

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

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

**(viii) Transactions eliminated on consolidation**

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

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

**(b) Foreign currency**

**(i) Foreign currency transactions**

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

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

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

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

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

The assets and liabilities of operations in functional currencies other than 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 2011 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(b) Foreign currency** *cont'd*

**(ii) Operations denominated in functional currencies other than Ringgit Malaysia** *cont'd*

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

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

**(c) Financial instruments**

**(i) Initial recognition and measurement**

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

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

**(ii) Financial instrument categories and subsequent measurement**

The Group and the Company categorise financial instruments as follows:

***Financial assets***

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

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

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

***(b) Loans and receivables***

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

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(c) Financial instruments** *cont'd*

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

***Financial assets*** *cont'd*

***(c) Available-for-sale financial assets*** *cont'd*

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

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

***Financial liabilities***

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

Fair value through profit or loss category comprises financial liabilities that are derivatives 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.

**(iii) Regular way purchase or sale of financial assets**

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

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

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**(iv) Derecognition**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

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

**(i) Recognition and measurement**

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

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

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress is 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 (Freehold and Leasehold) | 10 – 50 years |
| Plant & equipment & motor vehicles | 2 – 20 years |

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 2.2 Summary of significant accounting policies *cont'd*

#### (e) Leased assets

##### (i) Finance lease

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

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

##### (ii) Operating leases

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

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

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

#### (f) Intangible assets

##### (i) Goodwill

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

##### (ii) Research and development

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(f) 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.

**(iv) Amortisation**

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

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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

| | |
|---|---|
| • Development expenditure | 3 years |
| • Computer software | 5 years |

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

**(g) Investment properties**

**(i) Investment properties carried at fair value**

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

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

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

**(ii) Reclassification to/from investment property**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(g) Investment properties** *cont'd*

**(iii) Determination of fair value**

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

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

**(h) Inventories**

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

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

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

**(i) Cash and cash equivalents**

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

**(j) Impairment**

**(i) Financial assets**

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(j) Impairment** *cont'd*

**(i) Financial assets** *cont'd*

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

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

**(ii) Other assets**

The carrying amounts of other assets (except for deferred tax assets and inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating units). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

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

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

**(k) Assets held for sale**

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

### 2.2 Summary of significant accounting policies *cont'd*

#### (k) Assets held for sale *cont'd*

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

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

#### (l) Equity instruments

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

**(i) Issue expenses**

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

**(ii) Ordinary shares**

Ordinary shares are classified as equity.

**(iii) Repurchase, disposal and reissue of share capital**

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

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

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

#### (m) Employee benefits

**(i) Short term employee benefits**

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

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

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

**(ii) Defined benefit plan**

The Group operates an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by MFRS 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.

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(m) Employee benefits** *cont'd*

**(iii) Share-based payments**

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

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

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

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

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

**(n) Provisions**

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

**(i) Warranties**

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

**(ii) Contingent liabilities**

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(o) Revenue and other income**

**(i) Goods sold**

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

**(ii) Services**

Revenue from services rendered is recognised in the profit or loss when services are performed.

**(iii) Dividend income**

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

**(iv) Interest income**

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

**(v) Rental income**

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

**(p) Borrowings costs**

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

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

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

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

**(q) Taxation**

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.2 Summary of significant accounting policies** *cont'd*

**(q) Taxation** *cont'd*

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

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

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

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

**(r) Earnings per ordinary share**

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

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

**(s) 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 to assess its performance, and for which discrete financial information is available.

**2.3 Statement of compliance**

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

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

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits* (2011)
- MFRS 127, *Separate Financial Statements* (2011)
- MFRS 128, *Investments in Associates and Joint Ventures* (2011)
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.3 Statement of compliance** *cont'd*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 cont'd***

- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

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

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

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

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

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 July 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013;

- from the annual period beginning on 1 July 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014; and

- from the annual period beginning on 1 July 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

The Group is currently assessing the financial impact of adopting these applicable standards, amendments or interpretations are discussed below:

**MFRS 9, *Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy.

**MFRS 10, *Consolidated Financial Statements***

MFRS 10, *Consolidated Financial Statements* introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

**2. SIGNIFICANT ACCOUNTING POLICIES** *cont'd*

**2.3 Statement of compliance** *cont'd*

**MFRS 11, *Joint Arrangements***

MFRS 11, *Joint Arrangements* establishes the principles for classification and accounting for joint arrangements and supersedes MFRS 131, *Interests in Joint Ventures*. Under MFRS 11, a joint arrangement may be classified as joint venture or joint operation. Interest in joint venture will be accounted for using the equity method whilst interest in joint operation will be accounted for using the applicable MFRSs relating to the underlying assets, liabilities, income and expenses items arising from the joint operations.

**MFRS 13, *Fair Value Measurement***

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs.

**3. COMPANIES IN THE GROUP**

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

| Name of Company | Country of Incorporation | Effective Interest | | | Principal Activities |
|---|---|---|---|---|---|
| | | 30.6.2013 | 30.6.2012 | 1.7.2011 | |
| | | % | % | % | |
| **Subsidiary Companies** | | | | | |
| Guocera Holdings Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Investment holding. |
| • Guocera Tile Industries Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Manufacture of ceramic tiles. |
| • Guocera Tile Industries (Meru) Sdn Bhd | Malaysia | **70.0** | 70.0 | 70.0 | Manufacture of ceramic tiles. |
| • Century Touch Sdn Bhd | Malaysia | **70.0** | 70.0 | 70.0 | In members' voluntary liquidation. |
| • Guocera Tile Industries (Vietnam) Co., Ltd | Vietnam | **-** | 97.0 | 97.0 | Ceased operation. Disposed of during the year. |
| • Guocera Marketing Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | General trading in ceramic tiles and investment holding. |
| • Guocera Marketing Singapore Pte Ltd | Singapore | **100.0** | 100.0 | 100.0 | General trading in ceramic tiles. |
| • Ceramic Research Company Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Research and development of ceramic tiles and related products. |
| • Guocera Marketing (International) Sdn Bhd | Malaysia | **100.0** | 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. |
| Hume Marketing Co. Sdn Bhd (formerly known as Hong Leong Marketing Co Berhad) | Malaysia | **100.0** | 100.0 | 100.0 | Distribution of building materials. |
| Hume Marketing (EM) Sdn Bhd (formerly known as Hume Marketing Sdn Bhd) | Malaysia | **100.0** | 100.0 | 100.0 | Distribution of building materials. |

**3. COMPANIES IN THE GROUP** *cont'd*

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

| Name of Company | Country of Incorporation | Effective Interest | | | Principal Activities |
|---|---|---|---|---|---|
| | | 30.6.2013 | 30.6.2012 | 1.7.2011 | |
| | | % | % | % | |
| **Subsidiary Companies** | | | | | |
| Hong Leong Yamaha Motor Sdn Bhd | Malaysia | **69.4** | 69.4 | 69.4 | Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding. |
| Hume Industries (Malaysia) Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Manufacture of concrete products and investment holding. |
| • Hume Concrete (EM) Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Manufacture and sale of concrete and related products. |
| • Hume Concrete Marketing Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Marketing of concrete and related products. |
| • Hume Concrete Products Research Centre Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Research and development of concrete products. |
| • Hume Cemboard Industries Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Manufacture and sale of fibre cement products. |
| • Malex Industrial Products Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Manufacture and sale of fibre cement products and investment holding. |
| • Hume Cemboard Marketing Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Sale and distribution of fibre cement products. |
| • Hume Roofing Products Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Manufacture and sale of concrete roofing tiles. |
| • Hume Fibreboard Sdn Bhd | Malaysia | **100.0** | 100.0 | 100.0 | Investment trading. |
| MZ Holdings Limited* | Hong Kong | **100.0** | 100.0 | 100.0 | Investment holding. |
| MZ Motorrad Group Limited♦ | Bermuda | **100.0** | 100.0 | 100.0 | Investment holding. |
| • MZ Engineering GmbH | Germany | **-** | 100.0 | 100.0 | Dissolved. |
| Stableview Sdn Bhd* | Malaysia | **100.0** | 100.0 | 100.0 | Investment holding. |
| Maxider Sdn Bhd* | Malaysia | **100.0** | 100.0 | 100.0 | Investment holding. |
| Megah Court Condominium Development Sdn Bhd* | Malaysia | **100.0** | 100.0 | 100.0 | Property management. |
| Taman Terang Sdn Bhd* | Malaysia | **100.0** | 100.0 | 100.0 | Investment holding. |
| HLI Trading Limited* | Hong Kong | **100.0** | 100.0 | 100.0 | Investment holding. |
| • Avenues Zone Inc* | Malaysia | **100.0** | 100.0 | 100.0 | Investment holding. |
| HLI Overseas Limited♦ | Jersey, Channel Islands | **100.0** | 100.0 | 100.0 | Dormant. |
| RZA Logistics Sdn Bhd# | Malaysia | **59.1** | 59.1 | 59.1 | In members' voluntary liquidation. |
| Guotrade (Malaysia) Sdn Bhd# | Malaysia | **100.0** | 100.0 | 100.0 | In member's voluntary liquidation. |

**3. COMPANIES IN THE GROUP** *cont'd*

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

| Name of Company | Country of Incorporation | Effective Interest | | | Principal Activities |
|---|---|---|---|---|---|
| | | 30.6.2013 | 30.6.2012 | 1.7.2011 | |
| | | % | % | % | |
| **Subsidiary Companies** | | | | | |
| Varinet Sdn Bhd# | Malaysia | **60.0** | 60.0 | 60.0 | In members' voluntary liquidation. |
| Hong Leong Maruken Sdn Bhd# | Malaysia | **70.0** | 70.0 | 70.0 | In members' voluntary liquidation. |
| Prester Sdn Bhd# | Malaysia | **-** | 100.0 | 100.0 | Dissolved. |
| MZ Motorrad- und Zweiradwerk GmbH | Germany | **-** | 100.0 | 100.0 | Ceased operation. Disposed of during the year |
| **Associated Companies** | | | | | |
| Hicom-Yamaha Manufacturing Malaysia Sdn Bhd* | Malaysia | **30.0** | 30.0 | 30.0 | Manufacture and assembly of motorcycle engines and parts. |
| HL Yamaha Motor Research Centre Sdn Bhd | Malaysia | **34.0** | 34.0 | 34.0 | Provision of research and development services. |
| Yamaha Motor Vietnam Co., Ltd | Vietnam | **24.0** | 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 | 33.7 | Manufacture and sale of newsprint and related paper products. |
| Laras Perkasa Sdn Bhd | Malaysia | **30.0** | 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 member firms of KPMG International.
- ♦ 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.
- + The Group's share of profit is based on the latest audited financial statements and latest management financial statements available.
- # These subsidiaries are in member's voluntary liquidation and have been consolidated based on unaudited financial statements.

**4. PROPERTY, PLANT AND EQUIPMENT**

| | Freehold land RM'000 | Freehold buildings RM'000 | Leasehold land RM'000 | Leasehold buildings RM'000 | Plant & equipment & motor vehicles RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| **At 1 July 2011** | 47,416 | 189,578 | 44,973 | 19,803 | 650,280 | 220 | 952,270 |
| Additions | - | 1,031 | - | 270 | 19,405 | 10,371 | 31,077 |
| Reclassification | - | 54 | - | - | 2,757 | (2,811) | - |
| Reclassified to assets held for sale | - | - | (10,885) | - | - | - | (10,885) |
| Disposals | (378) | (5,860) | - | - | (3,019) | - | (9,257) |
| Write off | - | - | - | - | (729) | - | (729) |
| Effect of movements in exchange rates | (70) | - | - | 117 | 592 | - | 639 |
| **At 30 June 2012/1 July 2012** | 46,968 | 184,803 | 34,088 | 20,190 | 669,286 | 7,780 | 963,115 |
| Additions | - | 2,546 | - | 437 | 18,930 | 42,661 | 64,574 |
| Reclassification | - | 368 | - | - | 26,661 | (27,029) | - |
| Disposals | - | - | - | - | (14,135) | - | (14,135) |
| Disposal of subsidiary companies | - | - | - | (2,994) | (15,041) | - | (18,035) |
| Write off | - | - | - | - | (5,664) | - | (5,664) |
| **At 30 June 2013** | **46,968** | **187,717** | **34,088** | **17,633** | **680,037** | **23,412** | **989,855** |

**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** | | | | | | | |
| **Accumulated depreciation and impairment losses** | | | | | | | |
| **At 1 July 2011** | - | 44,000 | 1,605 | 484 | 456,251 | - | 502,340 |
| Charge for the year | - | 5,015 | 863 | 1,199 | 43,673 | - | 50,750 |
| Impairment loss | - | - | - | 2,675 | 10,122 | - | 12,797 |
| Reclassified to assets held for sale | - | - | (1,368) | - | - | - | (1,368) |
| Disposals | - | (2,976) | - | - | (2,730) | - | (5,706) |
| Write off | - | - | - | - | (694) | - | (694) |
| Effect of movements in exchange rates | - | - | - | 102 | 425 | - | 527 |
| **At 30 June 2012/1 July 2012** | | | | | | | |
| Accumulated depreciation | - | 46,039 | 1,100 | 1,785 | 496,925 | - | 545,849 |
| Accumulated impairment loss | - | - | - | 2,675 | 10,122 | - | 12,797 |
| | - | 46,039 | 1,100 | 4,460 | 507,047 | - | 558,646 |
| Charge for the year | - | 4,897 | 816 | 1,059 | 40,464 | - | 47,236 |
| Disposals | - | - | - | - | (11,573) | - | (11,573) |
| Disposal of subsidiary companies | - | - | - | (2,994) | (12,735) | - | (15,729) |
| Write off | - | - | - | - | (5,126) | - | (5,126) |
| Effect of movements in exchange rates | - | - | - | - | 101 | - | 101 |
| **At 30 June 2013** | **-** | **50,936** | **1,916** | **2,525** | **518,178** | **-** | **573,555** |
| **Carrying amounts** | | | | | | | |
| At 1 July 2011 | 47,416 | 145,578 | 43,368 | 19,319 | 194,029 | 220 | 449,930 |
| At 30 June 2012/ 1 July 2012 | 46,968 | 138,764 | 32,988 | 15,730 | 162,239 | 7,780 | 404,469 |
| **At 30 June 2013** | **46,968** | **136,781** | **32,172** | **15,108** | **161,859** | **23,412** | **416,300** |

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

| | Freehold land RM'000 | Freehold buildings RM'000 | Leasehold land RM'000 | Leasehold buildings RM'000 | Plant & equipment & motor vehicles RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | |
| **Cost** | | | | | | | |
| At 1 July 2011 | - | - | - | - | 820 | - | 820 |
| Addition | - | - | - | - | 529 | - | 529 |
| At 30 June 2012/1 July 2012 | - | - | - | - | 1,349 | - | 1,349 |
| Additions | - | - | - | - | 141 | - | 141 |
| Disposals | - | - | - | - | (887) | - | (887) |
| Write off | - | - | - | - | (88) | - | (88) |
| **At 30 June 2013** | **-** | **-** | **-** | **-** | **515** | **-** | **515** |
| **Accumulated depreciation** | | | | | | | |
| At 1 July 2011 | - | - | - | - | 68 | - | 68 |
| Charge for the year | - | - | - | - | 240 | - | 240 |
| At 30 June 2012/1 July 2012 | - | - | - | - | 308 | - | 308 |
| Charge for the year | - | - | - | - | 111 | - | 111 |
| Disposals | - | - | - | - | (239) | - | (239) |
| Write off | - | - | - | - | (3) | - | (3) |
| **At 30 June 2013** | **-** | **-** | **-** | **-** | **177** | **-** | **177** |
| **Carrying amounts** | | | | | | | |
| At 1 July 2011 | - | - | - | - | 752 | - | 752 |
| At 30 June 2012/1 July 2012 | - | - | - | - | 1,041 | - | 1,041 |
| **At 30 June 2013** | **-** | **-** | **-** | **-** | **338** | **-** | **338** |

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

**Land**

Leasehold land are analysed by:

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Unexpired lease period more than 50 years | **24,507** | 24,942 | 34,950 |
| Unexpired lease period less than 50 years | **7,665** | 8,046 | 8,418 |
| | **32,172** | 32,988 | 43,368 |

## 5. INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At 1 July | **2,231** | 17,231 |
| Fair value gain recognised in profit or loss | **-** | 23,513 |
| | **2,231** | 40,744 |
| Reclassified to assets held for sale | **-** | (38,513) |
| At 30 June | **2,231** | 2,231 |

Included in the above are:

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| At fair value: - | | | |
| Leasehold land with unexpired lease period of more than 50 years | **2,231** | 2,231 | 14,231 |
| Buildings | **-** | - | 3,000 |
| | **2,231** | 2,231 | 17,231 |

The fair value of investment properties are determined by the Directors.

**5. INVESTMENT PROPERTIES** *cont'd*

The following are recognised in the profit or loss in respect of investment properties:

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Rental income | **-** | 570 | 180 |
| Direct operating expenses | **-** | (128) | (69) |

**6. INVESTMENTS IN SUBSIDIARY COMPANIES**

| | Company | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| **At cost:** | | | |
| Unquoted shares | **1,121,629** | 1,028,918 | 776,427 |
| Less: Impairment loss | **(184,293)** | (344,165) | (347,655) |
| | **937,336** | 684,753 | 428,772 |

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

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

**7. INVESTMENTS IN ASSOCIATED COMPANIES**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **At cost/written down value:** | | | | | | |
| - Unquoted shares | **267,300** | 267,300 | 267,300 | **112,433** | 112,433 | 112,433 |
| - Unquoted redeemable preference shares | **36,429** | 36,429 | 36,429 | **70,140** | 70,140 | 70,140 |
| | **303,729** | 303,729 | 303,729 | **182,573** | 182,573 | 182,573 |
| Share of capital reserves | **(47,194)** | (51,431) | (47,507) | **-** | - | - |
| Share of post-acquisition reserves | **71,855** | 52,339 | 29,820 | **-** | - | - |
| | **328,390** | 304,637 | 286,042 | **182,573** | 182,573 | 182,573 |

**7. INVESTMENTS IN ASSOCIATED COMPANIES** *cont'd*

Investments in associated companies are represented by:

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Share of net assets other than goodwill of the associated companies | **328,109** | 304,356 | 285,761 |
| Premium on acquisition | **281** | 281 | 281 |
| Carrying value | **328,390** | 304,637 | 286,042 |

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.

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

| | Revenue (100%) | Profit (100%) | Total assets (100%) | Total liabilities (100%) |
|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **30 June 2013** | | | | |
| Associated companies | **4,333,691** | **167,835** | **1,859,343** | **825,250** |
| **30 June 2012** | | | | |
| Associated companies | 4,135,215 | 139,132 | 1,927,240 | 978,688 |
| **1 July 2011** | | | | |
| Associated companies | 3,438,704 | 144,785 | 1,920,815 | 1,041,626 |

## 8. OTHER INVESTMENTS

| | Note | Group 30.6.2013 RM'000 | Group 30.6.2012 RM'000 | Group 1.7.2011 RM'000 | Company 30.6.2013 RM'000 | Company 30.6.2012 RM'000 | Company 1.7.2011 RM'000 |
|---|---|---|---|---|---|---|---|
| **Non-current** | | | | | | | |
| Available-for-sale financial assets | | | | | | | |
| - Unquoted shares | 8.1 | **175,010** | 175,010 | 161,010 | **175,010** | 175,010 | 161,011 |
| - Shares quoted in Malaysia | | **14** | 7 | 8 | **-** | - | - |
| - Shares quoted outside Malaysia | | **-** | 22,963 | 1,003 | **-** | - | - |
| | | **175,024** | 197,980 | 162,021 | **175,010** | 175,010 | 161,011 |
| Financial assets at fair value through profit or loss | | | | | | | |
| - Investment in unit trust | 8.2 | **525,000** | 255,000 | - | **-** | - | - |
| - Shares quoted in Malaysia | | **6,267** | 7,291 | 10,972 | **6,267** | 7,291 | 10,972 |
| | | **531,267** | 262,291 | 10,972 | **6,267** | 7,291 | 10,972 |
| | | **706,291** | 460,271 | 172,993 | **181,277** | 182,301 | 171,983 |
| Representing items: | | | | | | | |
| **At cost** | | | | | | | |
| - Unquoted shares | 8.1 | **175,010** | 175,010 | 161,010 | **175,010** | 175,010 | 161,010 |

**Note 8.1**

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

a) The ICPS may be issued in tranches but all ICPS shall mature on the date falling on the 6th anniversary date of the issuance of the 1st tranche of the ICPS on 30 March 2011 ("Maturity Date").

b) The ICPS holder shall only be entitled to convert the ICPS after the expiry of the Maturity Date at the conversion price of RM1.00 per new ordinary share of RM1.00 each in HCement. The new ordinary shares to be issued upon conversion of the ICPS shall, upon allotment and issue, rank pari passu with the existing ordinary shares of HCement.

c) The conversion price shall, where applicable, be adjusted by HCement upon consultation with its advisers (auditors or merchant banks) in the event of any change in the share capital structure of HCement which would have the effect of diluting the interest of the holders of the ICPS upon conversion.

d) The ICPS holder is entitled to receive annual non-cumulative preferential dividends of 2% per annum calculated based on the par value of the ICPS of RM1.00 each.

e) The ICPS shall rank in priority to all ordinary and other preference shares of HCement.

f) In the event of a liquidation of HCement, the holders of ICPS shall rank in priority to all holders of other preference shares of HCement and ordinary shares of HCement on return on capital.

**8. OTHER INVESTMENTS** *cont'd*

**Note 8.1** *cont'd*

g) Any surplus assets after the distribution of return on capital attributable to the holders of the ICPS, other preference shares and ordinary shares of HCement shall be applied on a pari passu basis and shall be paid to the holders pro rata to the amount of capital credited as paid-up in respect of ICPS, other preference shares and ordinary shares of HCement held by each holder.

**Note 8.2**

The Group's investment in unit trust is managed by Hong Leong Asset Management Berhad. The unit trust matures on 4 August 2014.

**9. INTANGIBLE ASSETS**

| Group | Goodwill RM'000 | Development expenditure RM'000 | Computer Software RM'000 | Total RM'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| **At 1 July 2011** | 66,975 | 5,845 | 2,289 | 75,109 |
| Additions | - | 2,477 | 633 | 3,110 |
| **At 30 June 2012/1 July 2012** | 66,975 | 8,322 | 2,922 | 78,219 |
| Additions | - | 2,518 | 1,025 | 3,543 |
| **At 30 June 2013** | **66,975** | **10,840** | **3,947** | **81,762** |
| ***Amortisation and impairment loss*** | | | | |
| **At 1 July 2011** | | | | |
| Accumulated amortisation | - | 2,869 | 695 | 3,564 |
| Accumulated impairment loss | 59,366 | - | - | 59,366 |
| | 59,366 | 2,869 | 695 | 62,930 |
| Amortisation for the year | - | 1,487 | 575 | 2,062 |
| Negative goodwill realised on liquidation of a subsidiary | (1,120) | - | - | (1,120) |
| **At 30 June 2012/1 July 2012** | | | | |
| Accumulated amortisation | - | 4,356 | 1,270 | 5,626 |
| Accumulated impairment loss | 58,246 | - | - | 58,246 |
| | 58,246 | 4,356 | 1,270 | 63,872 |
| Amortisation for the year | - | 2,221 | 511 | 2,732 |
| Goodwill written off | 477 | - | - | 477 |
| **At 30 June 2013** | | | | |
| Accumulated amortisation | **-** | **6,577** | **1,781** | **8,358** |
| Accumulated impairment loss | **58,723** | **-** | **-** | **58,723** |
| | **58,723** | **6,577** | **1,781** | **67,081** |

## 9. INTANGIBLE ASSETS *cont'd*

| Group | Goodwill RM'000 | Development expenditure RM'000 | Computer Software RM'000 | Total RM'000 |
|---|---|---|---|---|
| ***Carrying amounts*** | | | | |
| At 1 July 2011 | 7,609 | 2,976 | 1,594 | 12,179 |
| At 30 June 2012/1 July 2012 | 8,729 | 3,966 | 1,652 | 14,347 |
| **At 30 June 2013** | **8,252** | **4,263** | **2,166** | **14,681** |

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

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

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

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the recent financial projections approved by the management. The discount rate used is based on the Group's weighted average cost of capital of 5.8% (2012: 6.10%). The gross margins used in the projections were based on past experience and expectations of market developments.

## 10. DEFERRED TAX ASSETS/(LIABILITIES)

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | | Liabilities | | | Net | | |
|---|---|---|---|---|---|---|---|---|---|
| | **30.6.2013 RM'000** | 30.6.2012 RM'000 | 1.7.2011 RM'000 | **30.6.2013 RM'000** | 30.6.2012 RM'000 | 1.7.2011 RM'000 | **30.6.2013 RM'000** | 30.6.2012 RM'000 | 1.7.2011 RM'000 |
| **Group** | | | | | | | | | |
| Property, plant and equipment | **-** | - | - | **(24,426)** | (24,338) | (30,206) | **(24,426)** | (24,338) | (30,206) |
| Provisions | **15,756** | 13,099 | 16,696 | **-** | - | - | **15,756** | 13,099 | 16,696 |
| Unabsorbed tax losses | **9,481** | 9,434 | 9,217 | **-** | - | - | **9,481** | 9,434 | 9,217 |
| Deferred tax assets/ (liabilities) | **25,237** | 22,533 | 25,913 | **(24,426)** | (24,338) | (30,206) | **811** | (1,805) | (4,293) |
| Set off | **(16,945)** | (13,606) | (16,953) | **16,945** | 13,606 | 16,953 | **-** | - | - |
| | **8,292** | 8,927 | 8,960 | **(7,481)** | (10,732) | (13,253) | **811** | (1,805) | (4,293) |

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

**Unrecognised deferred tax assets**

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

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Accelerated capital allowances | **(1,414)** | (1,319) | (1,137) |
| Provisions | **14,813** | 15,974 | 13,542 |
| Unabsorbed capital allowances | **59,210** | 58,523 | 58,716 |
| Unabsorbed tax losses | **42,387** | 43,566 | 48,944 |
| | **114,996** | 116,744 | 120,065 |

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

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

| **Group** | **At 1.7.2011** | **Recognised in profit or loss** | **At 30.06.2012/ 1.7.2012** | **Recognised in profit or loss** | **30.06.2013** |
|---|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| | | **(Note 22)** | | **(Note 22)** | |
| Accelerated capital allowances | (30,206) | 5,868 | (24,338) | (88) | **(24,426)** |
| Provisions | 16,696 | (3,597) | 13,099 | 2,657 | **15,756** |
| Unabsorbed tax losses | 9,217 | 217 | 9,434 | 47 | **9,481** |
| | (4,293) | 2,488 | (1,805) | 2,616 | **811** |

## 11. INVENTORIES

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Raw materials and consumables | **55,844** | 75,878 | 39,593 |
| Work-in-progress | **12,394** | 14,174 | 9,147 |
| Finished goods | **138,320** | 130,695 | 147,342 |
| | **206,558** | 220,747 | 196,082 |

## 12. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

| | Note | Group 30.6.2013 RM'000 | Group 30.6.2012 RM'000 | Group 1.7.2011 RM'000 | Company 30.6.2013 RM'000 | Company 30.6.2012 RM'000 | Company 1.7.2011 RM'000 |
|---|---|---|---|---|---|---|---|
| **Trade** | | | | | | | |
| Trade receivables | | | | | | | |
| - Third parties | | **398,663** | 418,526 | 378,104 | **-** | - | - |
| - Related companies | 12.1 | **6,761** | 6,697 | 4,430 | **-** | - | - |
| - Associated companies | | **8** | 44 | 20 | **-** | - | - |
| | | **405,432** | 425,267 | 382,554 | **-** | - | - |
| Less: Allowance for impairment losses | | **(16,033)** | (17,110) | (24,605) | **-** | - | - |
| | | **389,399** | 408,157 | 357,949 | **-** | - | - |
| **Non-trade** | | | | | | | |
| Amounts due from: | | | | | | | |
| - Subsidiary companies | 12.2 | **-** | - | - | **68** | 25 | 18,010 |
| - Related companies | 12.2 | **207** | 264 | 12 | **-** | - | - |
| Other receivables and deposits | | **21,851** | 21,240 | 31,120 | **45** | 74 | 15,499 |
| Prepayments | | **14,412** | 16,934 | 14,027 | **30** | 52 | 52 |
| Derivative financial assets | | | | | | | |
| - Interest rate swap contract | | **-** | - | 92 | **-** | - | 92 |
| - Foreign currency forward contract | | **1,691** | 439 | 136 | **-** | - | - |
| | | **427,560** | 447,034 | 403,336 | **143** | 151 | 33,653 |

**Note 12.1**

The amounts due from related companies are subject to the normal trade terms.

**Note 12.2**

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

## 13. CASH AND CASH EQUIVALENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30.6.2013 | 30.6.2012 | 1.7.2011 | 30.6.2013 | 30.6.2012 | 1.7.2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed financial institutions | **289,507** | 148,242 | 286,686 | **17,800** | 11,607 | 99,393 |
| Cash and bank balances | **64,840** | 67,375 | 89,469 | **3,036** | 157 | 1,524 |
| | **354,347** | 215,617 | 376,155 | **20,836** | 11,764 | 100,917 |

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30.6.2013 | 30.6.2012 | 1.7.2011 | 30.6.2013 | 30.6.2012 | 1.7.2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Deposits with licensed financial institutions | **66,177** | 75,578 | 26,648 | **-** | - | - |
| Cash and bank balances | **56,048** | 62,828 | 11,420 | **227** | 129 | 1,192 |
| | **122,225** | 138,406 | 38,068 | **227** | 129 | 1,192 |

Cash and bank balances of the Group amounting to RM31,198,000 (30 June 2012: RM36,212,000; 1 July 2011: RM43,428,000) and RM156,000 (30 June 2012: RM12,990,000; 1 July 2011: RM3,839,000) are denominated in US Dollar and Euro respectively.

## 14. ASSETS HELD FOR SALE

| | Group | | |
|---|---|---|---|
| | 30.6.2013 | 30.6.2012 | 1.7.2011 |
| | RM'000 | RM'000 | RM'000 |
| **Leasehold land** | | | |
| At Cost | **-** | 10,885 | - |
| Accumulated depreciation | **-** | (1,368) | - |
| | **-** | 9,517 | - |
| **Leasehold land and building** | | | |
| At fair value | **-** | 38,513 | - |
| | **-** | 48,030 | - |

The disposal of assets held for sales have been completed during the financial year.

## 15. SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 30.6.2013 | | 30.6.2012 | |
| | No. of Shares '000 | Amount RM'000 | No. of Shares '000 | Amount RM'000 |
| **Ordinary shares of RM0.50 each** | | | | |
| **Authorised:-** | | | | |
| At 1 July/30 June | **600,000** | **300,000** | 600,000 | 300,000 |
| **Issued and fully paid:-** | | | | |
| At 1 July/30 June | **327,905** | **163,953** | 327,905 | 163,953 |

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

## 16. RESERVES

| | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 30.6.2013 RM'000 | 30.6.2012 RM'000 | 1.7.2011 RM'000 | 30.6.2013 RM'000 | 30.6.2012 RM'000 | 1.7.2011 RM'000 |
| Reserves consist of:- | | | | | | | |
| Share premium | | **387,038** | 387,038 | 387,096 | **387,038** | 387,038 | 387,096 |
| Exchange equalisation reserve | | **1,772** | 18,275 | - | **-** | - | - |
| Fair value reserve | | **10** | (5,512) | 3 | **-** | - | - |
| Other reserves | 16.1 | **20,614** | 20,462 | 20,332 | **3,943** | 3,943 | 3,943 |
| Reserve for own shares | 16.2 | **(41,459)** | (41,459) | (41,459) | **(33,995)** | (33,995) | (33,995) |
| Retained earnings | | **701,042** | 621,441 | 557,434 | **(44,005)** | (62,726) | (36,465) |
| | | **1,069,017** | 1,000,245 | 923,406 | **312,981** | 294,260 | 320,579 |

**Note 16.1**

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

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

**Note 16.2**

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

As at 30 June 2013, the total number of HLI Shares held by the ESOS Trust was 11,117,133 (30 June 2012: 11,117,133 ; 1 July 2011: 11,117,133) HLI Shares.

**16. RESERVES** *cont'd*

**Section 108 tax credit**

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 credit and tax exempt income to frank in full all its retained profits at 30 June 2013 if paid out as dividends.

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 30 June 2013 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

**17. TREASURY SHARES – AT COST**

| | Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | 30.6.2013 | | 30.6.2012 | | 1.7.2011 | |
| | No. of Shares '000 | Amount RM'000 | No. of Shares '000 | Amount RM'000 | No. of Shares '000 | Amount RM'000 |
| Ordinary shares of RM0.50 each | **8,432** | **63,318** | 8,432 | 63,318 | 8,432 | 63,318 |

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

**18. LOANS AND BORROWINGS**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30.6.2013 RM'000 | 30.6.2012 RM'000 | 1.7.2011 RM'000 | 30.6.2013 RM'000 | 30.6.2012 RM'000 | 1.7.2011 RM'000 |
| **Non-current (unsecured)** | | | | | | |
| Medium term notes | **510,000** | 240,000 | - | **510,000** | 240,000 | - |
| Term loans | **187,663** | 178,663 | 120,000 | **160,000** | 160,000 | 120,000 |
| | **697,663** | 418,663 | 120,000 | **670,000** | 400,000 | 120,000 |
| **Current (unsecured)** | | | | | | |
| Medium term notes | **-** | - | 50,000 | **-** | - | 50,000 |
| Term loans | **7,500** | 108,483 | 257,000 | **-** | 60,000 | 186,000 |
| Bankers acceptances | **31,430** | 36,248 | 37,846 | **-** | - | - |
| Revolving credit | **98,500** | - | - | **65,000** | - | - |
| | **137,430** | 144,731 | 344,846 | **65,000** | 60,000 | 236,000 |
| Total | **835,093** | 563,394 | 464,846 | **735,000** | 460,000 | 356,000 |

## 18. LOANS AND BORROWINGS *cont'd*

The non-current borrowings are payable as follows:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| One to two years | **537,663** | 18,663 | 110,000 | **585,000** | - | 110,000 |
| Two to five years | **160,000** | 400,000 | 10,000 | **85,000** | 400,000 | 10,000 |
| | **697,663** | 418,663 | 120,000 | **670,000** | 400,000 | 120,000 |

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **%** | **%** | **%** | **%** | **%** | **%** |
| Terms loans | **4.1 to 4.4** | 3.7 to 12.0 | 3.3 to 4.4 | **4.1 to 4.3** | 3.7 to 4.3 | 3.5 to 4.3 |
| Bankers acceptances | **3.4 to 3.7** | 3.3 to 3.6 | 3.2 to 3.8 | **-** | - | - |
| Revolving credit | **3.5 to 4.3** | - | - | **3.5 to 4.3** | - | - |

(ii) The Medium Term Notes are issued at par to face value and have a maturity period of not less than 12 months and not more than 84 months. The interest rates are determined on issuance and calculated based on rules on Fully Automated System for issuing/tendering and carry interest rates of 8.9% (30 June 2012: 5.1% to 8.9% ; 1 July 2011: 4.9% to 5.1%) per annum.

## 19. EMPLOYEE BENEFITS

### (a) Retirement benefits

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| At 1 July | **17,809** | 15,779 | **336** | 333 |
| Provision | **2,645** | 2,370 | **4** | 3 |
| Payments | **(616)** | (340) | **-** | - |
| At 30 June | **19,838** | 17,809 | **340** | 336 |

### (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, established on 23 January 2006 and to be in force for a period of ten (10) years, was terminated on 8 March 2013.

A new HLI ESOS was approved by the shareholders of the Company on 8 March 2013. The new ESOS shall be in force for a period of ten (10) years.

During the financial year, there were no share options granted under the new ESOS. As at 30 June 2013, there were no outstanding options under the new ESOS.

## 20. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVE

| | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 30.6.2013 | 30.6.2012 | 1.7.2011 | 30.6.2013 | 30.6.2012 | 1.7.2011 |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade** | | | | | | | |
| Trade payables | | | | | | | |
| - Third parties | | **142,015** | 153,565 | 133,032 | **-** | - | - |
| - Related companies | 20.1 | **27,960** | 30,991 | 21,922 | **-** | - | - |
| - Associated companies | | **11,778** | 16,914 | 21,896 | **-** | - | - |
| | | **181,753** | 201,470 | 176,850 | **-** | - | - |
| **Non-trade** | | | | | | | |
| Amounts due to | | | | | | | |
| - Subsidiary companies | 20.2 | **-** | - | - | **192,570** | 216,188 | 146,915 |
| - Related companies | 20.2 | **725** | 582 | 928 | **-** | - | 914 |
| - Associated company | | **168** | 181 | - | **-** | - | - |
| Other payables | | **36,097** | 25,298 | 24,716 | **-** | - | - |
| Accrued liabilities | | **106,879** | 102,192 | 95,213 | **1,471** | 1,695 | 1,834 |
| Derivative financial liabilities | | | | | | | |
| - Interest rate swap contract | | **1,273** | 2,226 | - | **1,273** | 2,226 | - |
| - Forward exchange contracts | | **185** | 59 | - | **-** | - | - |
| | | **327,080** | 332,008 | 297,707 | **195,314** | 220,109 | 149,663 |

**Note 20.1**

The amounts due to related companies are subject to the normal trade terms.

**Note 20.2**

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

## 21. PROFIT BEFORE TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Profit before taxation is arrived at after charging/ (crediting):- | | | | |
| Auditors' remuneration | | | | |
| Statutory audits | | | | |
| - Holding company's auditors and its affiliates | **543** | 501 | **90** | 69 |
| - Other auditors | **31** | 47 | **-** | - |
| Other services | | | | |
| - Holding company's auditors | **12** | 12 | **12** | 12 |
| Amortisation of intangible assets | | | | |
| - Computer software | **511** | 575 | **-** | - |
| - Development expenditure | **2,221** | 1,487 | **-** | - |
| Bad debts recovered | **(9)** | (12) | **-** | - |
| Depreciation of property, plant and equipment | **47,236** | 50,750 | **111** | 240 |
| Dividend income | | | | |
| - Unquoted associated companies in Malaysia | **-** | - | **(1,350)** | (6,150) |
| - Unquoted associated company outside Malaysia | **-** | - | **(23,178)** | (8,935) |
| - Quoted investment in Malaysia | **(253)** | (244) | **(253)** | (244) |
| - Unquoted subsidiary companies | **-** | - | **(101,915)** | (66,615) |
| - Investment in unit trust | **(36,399)** | (16,320) | **-** | - |
| - Short term investments | **(6,218)** | (5,631) | **(1,173)** | (1,141) |
| Employee benefits expense | | | | |
| - Directors remuneration | | | | |
| - Executive Directors of the Company | | | | |
| - Fees[N1] | **25** | 137 | **-** | 91 |
| - Salaries and bonuses | **640** | 909 | **640** | 909 |
| - Contributions to Employees Provident Fund | **58** | 109 | **58** | 109 |
| | **723** | 1,155 | **698** | 1,109 |
| - Non-Executive Directors of the Company | | | | |
| - Fees | **420** | 350 | **350** | 339 |
| - Other emoluments | **101** | 100 | **101** | 100 |
| | **521** | 450 | **451** | 439 |
| - Staff costs | | | | |
| - Staff salaries and other expenses | **162,064** | 155,818 | **1,193** | 426 |
| - Contribution to Employees Provident Fund | **15,386** | 13,684 | **136** | 48 |
| - Retirement benefits | **2,645** | 2,370 | **4** | 3 |

**21. PROFIT BEFORE TAXATION** *cont'd*

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation is arrived at after charging/ (crediting):- *cont'd* | | | | |
| Finance costs | | | | |
| - Bank overdrafts | **20** | 4 | **1** | 2 |
| - Term loans | **12,639** | 13,129 | **9,734** | 9,748 |
| - Others | **45,364** | 23,944 | **44,259** | 23,140 |
| Fair value gain on investment property | **-** | (23,513) | **-** | - |
| Fair value (gain)/loss on derivative instruments | **(2,079)** | 2,074 | **(953)** | 2,318 |
| (Gain)/loss on disposal of property, plant and equipment | **(569)** | (9,313) | **27** | - |
| Gain on disposal of assets held for sale | **(7,428)** | - | **-** | - |
| Gain on liquidation of a subsidiary company | **-** | - | **(1,458)** | - |
| Gain on disposal of other investments | **(1,643)** | - | **-** | - |
| Gain on disposal of subsidiary companies | **(5,953)** | - | **-** | - |
| Goodwill written off | **477** | - | **-** | - |
| (Gain)/loss on foreign exchange | | | | |
| - Realised | **(6,389)** | (4,378) | **-** | 319 |
| - Unrealised | **1,098** | (1,617) | **-** | (1) |
| Interest income | **(2,659)** | (3,049) | **(161)** | (175) |
| Impairment of property, plant and equipment | **-** | 12,797 | **-** | - |
| Inventories written down | **841** | 73 | **-** | - |
| Loss on fair value of financial assets at fair value through profit or loss | **1,024** | 3,681 | **1,024** | 3,681 |
| Negative goodwill realised on liquidation of a subsidiary company | **-** | (1,120) | **-** | - |
| Property, plant and equipment written off | **538** | 35 | **85** | - |
| Reversal of impairment loss in investment in a subsidiary company | **-** | - | **(10,700)** | (3,490) |
| Reversal of impairment losses of trade receivables | **(224)** | (5,751) | **-** | - |
| Rental income | **(653)** | (944) | **-** | - |
| Rental of plant and equipment | **5,848** | 6,137 | **-** | - |
| Rental of premises | | | | |
| - Related companies | **274** | 189 | **274** | 189 |
| - Others | **5,348** | 4,915 | **-** | - |
| Research and development expenditure | **4,375** | 3,544 | **-** | - |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive Directors | **18** | 31 | **18** | 31 |

## 22. TAXATION

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current taxation** | | | | |
| Malaysian | | | | |
| - Current year | **34,919** | 40,286 | **570** | 16 |
| - Prior years | **(726)** | 7,821 | **328** | (1,074) |
| Overseas | | | | |
| - Current year | **221** | 62 | **-** | - |
| - Prior years | **(26)** | - | **-** | - |
| | **34,388** | 48,169 | **898** | (1,058) |
| **Deferred taxation** | | | | |
| Malaysian | | | | |
| - Current year | **(2,438)** | 1,397 | **-** | - |
| - Prior years | **(178)** | (3,885) | **-** | - |
| | **(2,616)** | (2,488) | **-** | - |
| | **31,772** | 45,681 | **898** | (1,058) |

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 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation | **223,927** | 212,876 | **87,888** | 40,950 |
| Taxation at Malaysian statutory tax rates of 25% | **55,982** | 53,219 | **21,972** | 10,238 |
| Difference of tax rates in foreign jurisdictions | **(243)** | (11) | **-** | - |
| Non allowable expenses | **5,138** | 18,593 | **1,588** | 2,403 |
| Non taxable income | **(15,736)** | (19,322) | **(22,990)** | (12,625) |
| Difference attributable to associated companies | **(10,925)** | (9,017) | **-** | - |
| Utilisation of temporary differences not recognised | **(437)** | (830) | **-** | - |
| Tax incentive | **(1,077)** | (887) | **-** | - |
| | **32,702** | 41,745 | **570** | 16 |
| (Over)/under provision in prior years | **(930)** | 3,936 | **328** | (1,074) |
| | **31,772** | 45,681 | **898** | (1,058) |

**23. 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 RM147,591,000 (2012: RM131,975,000) by the weighted average number of ordinary shares outstanding during the financial year of 308,356,000 (2012: 308,356,000) calculated as follows:

Weighted average number of ordinary shares (basic)

| | 2013<br>'000 | 2012<br>'000 |
|---|---|---|
| Issued ordinary shares at beginning of the financial year | **327,905** | 327,905 |
| Less: | | |
| Treasury shares held | **(8,432)** | (8,432) |
| Trust Shares held | **(11,117)** | (11,117) |
| Weighted average number of ordinary shares (basic) | **308,356** | 308,356 |

**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 and the previous financial year.

**24. DIVIDENDS**

| | Group | | Company | |
|---|---|---|---|---|
| | 2013<br>RM'000 | 2012<br>RM'000 | 2013<br>RM'000 | 2012<br>RM'000 |
| **First interim** | | | | |
| 10 sen per share tax exempt (2012: 4 sen per share less tax and 7 sen per share tax exempt) | **30,835** | 30,835 | **31,031** | 31,031 |
| **Second interim** | | | | |
| 16 sen per share less tax (2012: 12 sen per share tax exempt) | **37,003** | 37,003 | **37,238** | 37,238 |
| | **67,838** | 67,838 | **68,269** | 68,269 |

Dividends received by the ESOS Trusts amounting to RM2,446,000 and RM2,015,000 (2012: RM2,446,000 and RM2,015,000) for the Group and the Company are eliminated against the dividend expense of the Company upon consolidation of the ESOS Trusts as disclosed in Note 2.2(m)(iii).

**25. DISPOSAL OF SUBSIDIARY COMPANIES**

On 15 October 2012 and 31 January 2013, the Group disposed of its entire equity interests in two subsidiary companies namely, Guocera Tile Industries (Vietnam) Co., Ltd ("GTI Vietnam") and MZ Motorrad-un Zweiradwerk GmbH ("MZG") respectively. The disposal was completed on 23 January 2013 and 27 February 2013 respectively.

The effect of the disposal of the subsidiary companies on the financial position as at 30 June 2013 was as follows:-

| | Group Total RM'000 |
|---|---|
| **Net assets disposed** | |
| Property, plant and equipment | 2,306 |
| Inventories | 864 |
| Trade and other receivables | 67,216 |
| Cash and cash equivalents | 1,595 |
| Trade and other payables | (314,812) |
| Loans and borrowings | (2,058) |
| Net liabilities | (244,889) |
| Less: Non-controlling interests | 268 |
| Total net liabilities | (244,621) |
| Waiver of advances from holding company | 258,792 |
| Realisation of exchange equalisation reserves | (18,976) |
| Gain on disposal of subsidiary companies | 5,953 |
| Consideration received, satisfied in cash | 1,148 |
| Cash and cash equivalents disposed of | (1,595) |
| **Net cash outflow on disposal of subsidiary companies** | **(447)** |

**26. OPERATING SEGMENTS**

The Board of Directors reviews financial reports at least on a quarterly basis. Operating segments are components in which separate financial information that is available and is evaluated by the Board of Directors on resource allocation and in assessing 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.

**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 the segment liability.

**26. OPERATING SEGMENTS** *cont'd*

| | Consumer Products | | Industrial Products | | Total | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Segment profit** | **172,647** | 132,879 | **27,949** | 46,978 | **200,596** | 179,857 |
| *Included in the measure of segment profit are:* | | | | | | |
| Revenue from external customers | **1,450,416** | 1,365,582 | **769,850** | 787,473 | **2,220,266** | 2,153,055 |
| Depreciation and amortisation | **37,240** | 38,100 | **12,617** | 14,418 | **49,857** | 52,518 |
| Impairment of property, plant and equipment | **-** | 12,797 | **-** | - | **-** | 12,797 |
| Property, plant and equipment written off | **-** | 20 | **453** | 15 | **453** | 35 |

**Reconciliation of reportable segment profit**

| | **2013** | **2012** |
|---|---|---|
| | **RM'000** | **RM'000** |
| **Profit** | | |
| Reportable segment | **200,596** | 179,857 |
| Non-reportable segment | **34,996** | 30,981 |
| Interest income | **2,659** | 3,049 |
| Finance costs | **(58,023)** | (37,077) |
| Share of profit of associated companies | **43,699** | 36,066 |
| Consolidated profit before taxation | **223,927** | 212,876 |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **External Revenue** | **Depreciation & Amortisation** | **External Revenue** | **Depreciation & Amortisation** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Reportable segments | **2,220,266** | **49,857** | 2,153,055 | 52,518 |
| Non-reportable segments | **40,681** | **111** | 19,569 | 294 |
| Total | **2,260,947** | **49,968** | 2,172,624 | 52,812 |

## 26. OPERATING SEGMENTS *cont'd*

### Geographical segments

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

| | Revenue | |
|---|---|---|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Malaysia | **2,003,241** | 1,906,915 |
| Asia | **162,762** | 117,502 |
| Europe | **35,450** | 59,233 |
| Australasia | **40,442** | 63,325 |
| Others | **19,052** | 25,649 |
| | **2,260,947** | 2,172,624 |

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

| | Non-Current Assets | | |
|---|---|---|---|
| | 30.6.2013 | 30.06.2012 | 30.06.2011 |
| | RM'000 | RM'000 | RM'000 |
| Malaysia | **433,017** | 418,422 | 463,993 |
| Vietnam | **-** | 2,400 | 15,265 |
| Singapore | **195** | 225 | 82 |
| | **433,212** | 421,047 | 479,340 |

### 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.

## 27. COMMITMENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | 30.6.2013 | 30.6.2012 | 1.7.2011 | 30.6.2013 | 30.6.2012 | 1.7.2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Capital commitments:** | | | | | | |
| Authorised and contracted for | | | | | | |
| - Property, plant and equipment | **9,020** | 25,995 | 7,705 | **-** | 63 | - |
| Authorised but not contracted for | | | | | | |
| - Property, plant and equipment | **33,438** | 6,213 | 10,552 | **-** | 110 | - |

## 28. RELATED PARTIES

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 major shareholder of the Company, and a director and a major shareholder of HLCM. YBhg Datuk Kwek Leng San is a director and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

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

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

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

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

Significant transactions with related parties are as follows:

| | | | Group | |
|---|---|---|---|---|
| | | | **2013** | **2012** |
| **Transaction** | | **Related Party** | **RM'000** | **RM'000** |
| (a) | Sales of goods and services | Subsidiary and associated companies of HLCM | **100** | 50 |
| | | Hong Bee Hardware and Hong Bee Motors | **50,858** | 50,506 |
| | | Syarikat Motor Singa and Sing Heng Motor | **11,782** | 11,400 |
| | | YMC Group | **542** | 689 |
| (b) | Purchase of goods and services | Subsidiary and associated companies of HLCM | **191,586** | 154,980 |
| | | Hong Bee Hardware | **6,999** | 12,459 |
| | | YMC Group | **207,614** | 222,046 |
| | | Tasek and a subsidiary of Tasek | **22,771** | 38,735 |
| | | Associated companies of HLI | **207,889** | 207,509 |
| (c) | Rental of properties | Subsidiary and associated companies of HLCM | **274** | 189 |
| | | YMC Group | **148** | 148 |
| (d) | Receipt of services | Subsidiary and associated companies of HLCM | **969** | 924 |

## 28. RELATED PARTIES *cont'd*

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

| Transaction | | Related Party | Group 2013 RM'000 | Group 2012 RM'000 |
|---|---|---|---|---|
| (e) | Receipt of Group management and/ or support services | Subsidiary and associated companies of HLCM | **16,945** | 16,378 |
| (f) | Payment for usage of the Hong Leong logo and trade mark | A subsidiary company of HLCM | **28** | 28 |
| (g) | Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support | YMC | **11,455** | 10,810 |
| (h) | Receipt of research and development services | YMC | **2,518** | 2,477 |

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

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

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

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

## 29. FINANCIAL INSTRUMENTS

### 29.1 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 |
|---|---|---|---|---|
| **30 June 2013** | | | | |
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | **706,291** | **-** | **531,267** | **175,024** |
| Trade and other receivables, including derivatives (excluding prepayments) | **413,148** | **411,457** | **1,691** | **-** |
| Cash and cash equivalents | **354,347** | **354,347** | **-** | **-** |
| | **1,473,786** | **765,804** | **532,958** | **175,024** |

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.1 Categories of financial instruments** *cont'd*

| | Carrying Amount RM'000 | L&R/OL RM'000 | FVTPL-HFT RM'000 | AFS RM'000 |
|---|---|---|---|---|
| **30 June 2013** | | | | |
| **Financial assets** | | | | |
| **Company** | | | | |
| Other investments | **181,277** | **-** | **6,267** | **175,010** |
| Trade and other receivables, including derivatives (excluding prepayments) | **113** | **113** | **-** | **-** |
| Cash and cash equivalents | **20,836** | **20,836** | **-** | **-** |
| | **202,226** | **20,949** | **6,267** | **175,010** |
| **Financial liabilities** | | | | |
| **Group** | | | | |
| Loans and borrowings | **835,093** | **835,093** | **-** | **-** |
| Trade and other payables, including derivatives | **327,080** | **325,622** | **1,458** | **-** |
| | **1,162,173** | **1,160,715** | **1,458** | **-** |
| **Company** | | | | |
| Loans and borrowings | **735,000** | **735,000** | **-** | **-** |
| Trade and other payables, including derivatives | **195,314** | **194,041** | **1,273** | **-** |
| | **930,314** | **929,041** | **1,273** | **-** |
| **30 June 2012** | | | | |
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | 460,271 | - | 262,291 | 197,980 |
| Trade and other receivables, including derivatives (excluding prepayments) | 430,100 | 429,661 | 439 | - |
| Cash and cash equivalents | 215,617 | 215,617 | - | - |
| | 1,105,988 | 645,278 | 262,730 | 197,980 |
| **Company** | | | | |
| Other investments | 182,301 | - | 7,291 | 175,010 |
| Trade and other receivables, including derivatives (excluding prepayments) | 99 | 99 | - | - |
| Cash and cash equivalents | 11,764 | 11,764 | - | - |
| | 194,164 | 11,863 | 7,291 | 175,010 |

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.1 Categories of financial instruments** *cont'd*

| | Carrying Amount RM'000 | L&R/OL RM'000 | FVTPL-HFT RM'000 | AFS RM'000 |
|---|---|---|---|---|
| **30 June 2012** | | | | |
| **Financial liabilities** | | | | |
| **Group** | | | | |
| Loans and borrowings | 563,394 | 563,394 | - | - |
| Trade and other payables, including derivatives | 332,008 | 329,723 | 2,285 | - |
| | 895,402 | 893,117 | 2,285 | - |
| **Company** | | | | |
| Loans and borrowings | 460,000 | 460,000 | - | - |
| Trade and other payables, including derivatives | 220,109 | 217,883 | 2,226 | - |
| | 680,109 | 677,883 | 2,226 | - |
| **1 July 2011** | | | | |
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | 172,993 | - | 10,972 | 162,021 |
| Trade and other receivables, including derivatives (excluding prepayments) | 389,309 | 389,081 | 228 | - |
| Cash and cash equivalents | 376,155 | 376,155 | - | - |
| | 938,457 | 765,236 | 11,200 | 162,021 |
| **Company** | | | | |
| Other investments | 171,983 | - | 10,972 | 161,011 |
| Trade and other receivables, including derivatives (excluding prepayments) | 33,601 | 33,509 | 92 | - |
| Cash and cash equivalents | 100,917 | 100,917 | - | - |
| | 306,501 | 134,426 | 11,064 | 161,011 |
| **Financial liabilities** | | | | |
| **Group** | | | | |
| Loans and borrowings | 464,846 | 464,846 | - | - |
| Trade and other payables | 297,707 | 297,707 | - | - |
| | 762,553 | 762,553 | - | - |
| **Company** | | | | |
| Loans and borrowings | 356,000 | 356,000 | - | - |
| Trade and other payables | 149,663 | 149,663 | - | - |
| | 505,663 | 505,663 | - | - |

**29. FINANCIAL INSTRUMENTS** *cont'd*

### 29.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net gains/(losses) arising from: | | | | |
| Loans and receivables | **8,183** | 12,715 | **161** | (143) |
| Fair value through profit or loss | **37,454** | 10,565 | **(71)** | (5,999) |
| Available-for-sale financial assets | | | | |
| - Recognised in other comprehensive income | **5,522** | (5,515) | **-** | - |
| Other liabilities | **(58,023)** | (34,985) | **(53,994)** | (32,890) |
| | **(6,864)** | (17,220) | **(53,904)** | (39,032) |

### 29.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

**(a) Credit risk**

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

**Receivables**

*Risk management objectives, policies and processes for managing the risk*

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

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

*Exposure to credit risk and credit quality*

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

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

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(a) Credit risk** *cont'd*

**Receivables** *cont'd*

*Exposure to credit risk and credit quality cont'd*

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

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Malaysia | **348,564** | 349,353 | 316,230 |
| Europe | **3,830** | 23,273 | 12,118 |
| Asia | **12,573** | 12,154 | 10,530 |
| Others | **24,432** | 23,377 | 19,071 |
| | **389,399** | 408,157 | 357,949 |

**Impairment losses**

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

| | Gross | Individual Impairment | Collective Impairment | Net |
|---|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **30 June 2013** | | | | |
| Not past due | **254,629** | **(506)** | **(1)** | **254,122** |
| Past due 1 - 30 days | **76,162** | **(1,472)** | **(6)** | **74,684** |
| Past due 31 - 120 days | **63,614** | **(3,808)** | **(46)** | **59,760** |
| Past due > 120 days | **11,027** | **(6,368)** | **(3,826)** | **833** |
| | **405,432** | **(12,154)** | **(3,879)** | **389,399** |
| **30 June 2012** | | | | |
| Not past due | 318,560 | (1,023) | - | 317,537 |
| Past due 1 - 30 days | 59,957 | (1,793) | (261) | 57,903 |
| Past due 31 - 120 days | 38,853 | (4,981) | (1,226) | 32,646 |
| Past due > 120 days | 7,897 | (6,137) | (1,689) | 71 |
| | 425,267 | (13,934) | (3,176) | 408,157 |
| **1 July 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 |

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(a) Credit risk** *cont'd*

**Impairment losses** *cont'd*

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

| | Group | |
|---|---|---|
| | **2013** | **2012** |
| | **RM'000** | **RM'000** |
| At 1 July | **17,110** | 24,605 |
| Disposal of a subsidiary | **(364)** | - |
| Written off | **(489)** | (1,744) |
| Reversal | **(224)** | (5,751) |
| At 30 June | **16,033** | 17,110 |

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.

**Investments and other financial assets**

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group and the Company. Transactions involving derivative financial instruments are with approved financial institutions.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group and the Company has invested in both foreign and domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group and the Company does not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

*Impairment losses*

As at the end of the reporting period, there were no significant financial difficulties being experienced by the issuer.

**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.

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(a) Credit risk** *cont'd*

**Intercompany balances** *cont'd*

*Impairment losses*

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

**Cash and cash equivalents**

*Risk management objectives, policies and processes for managing the risk*

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

Cash and cash equivalents are placed with reputable financial institutions.

*Exposure to credit risk and credit quality*

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

*Impairment losses*

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

**(b) Liquidity risk**

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

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

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(b) Liquidity risk** *cont'd*

*Maturity analysis*

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

| | Carrying amount RM'000 | Contractual interest rate/ coupon | Contractual Cash Flows RM'000 | Within 1 Year RM'000 | 1 to 5 Years RM'000 |
|---|---|---|---|---|---|
| **30 June 2013** | | | | | |
| **Group** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 325,622 | | 325,622 | 325,622 | - |
| Loans and borrowings | 835,093 | 3.4%-8.9% | 905,514 | 140,481 | 765,033 |
| | 1,160,715 | | 1,231,136 | 466,103 | 765,033 |
| ***Derivative financial liabilities*** | | | | | |
| Forward exchange contracts (gross settled): | | | | | |
| Outflow | 185 | | 18,175 | 18,175 | - |
| Inflow | - | | (17,990) | (17,990) | - |
| Interest rate swap | 1,273 | | 1,273 | - | 1,273 |
| | 1,162,173 | | 1,232,594 | 466,288 | 766,306 |
| **Company** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 194,041 | | 194,041 | 194,041 | - |
| Loans and borrowings | 735,000 | 3.5%-8.9% | 802,232 | 67,379 | 734,853 |
| | 929,041 | | 996,273 | 261,420 | 734,853 |
| ***Derivative financial liabilities*** | | | | | |
| Interest rate swap | 1,273 | | 1,273 | - | 1,273 |
| | 930,314 | | 997,546 | 261,420 | 736,126 |

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(b) Liquidity risk** *cont'd*

*Maturity analysis cont'd*

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

| | Carrying amount RM'000 | Contractual interest rate/ coupon | Contractual Cash Flows RM'000 | Within 1 Year RM'000 | 1 to 5 Years RM'000 |
|---|---|---|---|---|---|
| **30 June 2012** | | | | | |
| **Group** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 329,723 | | 329,723 | 329,723 | - |
| Loans and borrowings | 563,394 | 3.3% - 12.0% | 616,338 | 147,673 | 468,665 |
| | 893,117 | | 946,061 | 477,396 | 468,665 |
| ***Derivative financial liabilities*** | | | | | |
| Forward exchange contracts (gross settled): | | | | | |
| Outflow | 59 | | 12,939 | 12,939 | - |
| Inflow | - | | (12,880) | (12,880) | - |
| Interest rate swap | 2,226 | | 2,226 | - | 2,226 |
| | 895,402 | | 948,346 | 477,455 | 470,891 |
| **Company** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 217,883 | | 217,883 | 217,883 | - |
| Loans and borrowings | 460,000 | 3.7% - 8.9% | 510,786 | 62,334 | 448,452 |
| | 677,883 | | 728,669 | 280,217 | 448,452 |
| ***Derivative financial liabilities*** | | | | | |
| Interest rate swap | 2,226 | | 2,226 | - | 2,226 |
| | 680,109 | | 730,895 | 280,217 | 450,678 |

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(b) Liquidity risk** *cont'd*

*Maturity analysis cont'd*

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

| | Carrying amount | Contractual interest rate/ coupon | Contractual Cash Flows | Within 1 Year | 1 to 5 Years |
|---|---|---|---|---|---|
| | RM'000 | | RM'000 | RM'000 | RM'000 |
| **1 July 2011** | | | | | |
| **Group** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 297,707 | | 297,707 | 297,707 | - |
| Loans and borrowings | 464,846 | 3.2% - 5.1% | 487,299 | 356,891 | 130,408 |
| | 762,553 | | 785,006 | 654,598 | 130,408 |
| **Company** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade and other payables | 149,663 | | 149,663 | 149,663 | - |
| Loans and borrowings | 356,000 | 3.5% - 5.1% | 376,258 | 245,850 | 130,408 |
| | 505,663 | | 525,921 | 395,513 | 130,408 |

**(c) Market risk**

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

**(i) Currency risk**

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

*Risk management objectives, policies and processes for managing the risk*

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

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 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:

| | Denominated in USD | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| **Group** | | | |
| Trade and other receivables | **22,101** | 44,264 | 29,051 |
| Cash and cash equivalents | **31,198** | 36,212 | 43,428 |
| Trade and other payables | **(27,617)** | (35,091) | (33,758) |
| Loans and borrowings | **-** | (60,000) | (60,000) |
| Net exposure | **25,682** | (14,615) | (21,279) |
| **Company** | | | |
| Cash and cash equivalents | **-** | 8 | 327 |
| Loans and borrowings | **-** | (60,000) | (60,000) |
| Net exposure | **-** | (59,992) | (59,673) |

*Currency risk sensitivity analysis*

A 5% strengthening of the Ringgit Malaysia against the foreign currency at the end of the reporting period would have decreased profit before taxation of the Group and the Company by RM1,284,000 (2012: increased by RM731,000) and RM nil (2012: increased by RM3,000,000) respectively. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

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

**(ii) Interest rate risk**

The Group and the Company manages its interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 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** | | | | |
| **30 June 2013** | | | | |
| **Fixed rate instruments** | | | | |
| Deposits with licensed financial institutions | **2.63** | **289,507** | **289,507** | **-** |
| Loans and borrowings | **8.57** | **(538,930)** | **(28,930)** | **(510,000)** |
| **Floating rate instruments** | | | | |
| Loans and borrowings | **4.09** | **(296,163)** | **(108,500)** | **(187,663)** |
| **30 June 2012** | | | | |
| **Fixed rate instruments** | | | | |
| Deposits with licensed financial institutions | 2.11 | 148,242 | 148,242 | - |
| Loans and borrowings | 8.10 | (278,048) | (38,048) | (240,000) |
| **Floating rate instruments** | | | | |
| Loans and borrowings | 4.19 | (285,346) | (106,683) | (178,663) |
| **1 July 2011** | | | | |
| **Fixed rate instruments** | | | | |
| Deposits with licensed financial institutions | 2.74 | 286,686 | 286,686 | - |
| Loans and borrowings | 4.28 | (90,846) | (90,846) | - |
| **Floating rate instruments** | | | | |
| Loans and borrowings | 3.93 | (374,000) | (254,000) | (120,000) |

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(c) Market risk** *cont'd*

**(ii) Interest rate risk** *cont'd*

*Exposure to interest rate risk cont'd*

| | Effective Interest Rate % | Total RM'000 | Within 1 Year RM'000 | 1 - 5 Years RM'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **30 June 2013** | | | | |
| **Fixed rate instruments** | | | | |
| Deposits with licensed financial institutions | **3.00** | **17,800** | **17,800** | **-** |
| Loans and borrowings | **8.85** | **(510,000)** | **-** | **(510,000)** |
| **Floating rate instruments** | | | | |
| Borrowings | **4.02** | **(225,000)** | **(65,000)** | **(160,000)** |
| **30 June 2012** | | | | |
| **Fixed rate instruments** | | | | |
| Deposits with licensed financial institutions | 2.61 | 11,607 | 11,607 | - |
| Borrowings | 8.85 | (240,000) | - | (240,000) |
| **Floating rate instruments** | | | | |
| Loans and borrowings | 4.10 | (220,000) | (60,000) | (160,000) |
| **1 July 2011** | | | | |
| **Fixed rate instruments** | | | | |
| Deposits with licensed financial institutions | 3.02 | 99,393 | 99,393 | - |
| Loans and borrowings | 5.05 | (50,000) | (50,000) | - |
| **Floating rate instruments** | | | | |
| Loans and borrowings | 3.92 | (306,000) | (186,000) | (120,000) |

**Interest rate risk sensitivity analysis**

*Cash flow sensitivity analysis for variable rate instruments*

An increase/(decrease) of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased the profit before tax of the Group and the Company by RM1,481,000 (2012: RM1,427,000) and RM1,125,000 (2012: RM1,100,000) respectively without impact on equity. This analysis assumes that all other variables remain constant.

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.3 Financial risk management** *cont'd*

**(c) Market risk** *cont'd*

**(ii) Interest rate risk** *cont'd*

**Interest rate risk sensitivity analysis** *cont'd*

*Fair value sensitivity analysis for fixed rate instruments*

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

**(iii) Other price risk**

Equity price risk arises from the Group's and the 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").

A 10% strengthening in BMSB at the end of the reporting period would have increased profit before taxation by RM626,700 (2012: RM729,100). A 10% weakening in BMSB would have had equal but opposite effect on profit before taxation.

**29.4 Fair value of financial instruments**

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

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

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

**29.4.1 Fair value hierarchy**

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

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

**29. FINANCIAL INSTRUMENTS** *cont'd*

**29.4 Fair value of financial instruments** *cont'd*

**29.4.1 Fair value hierarchy** *cont'd*

| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **30 June 2013** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | **6,281** | **-** | **-** | **6,281** |
| Investment in unit trust | **-** | **525,000** | **-** | **525,000** |
| Forward exchange contracts | **-** | **1,691** | **-** | **1,691** |
| | **6,281** | **526,691** | **-** | **532,972** |
| **Financial liabilities** | | | | |
| Forward exchange contracts | **-** | **185** | **-** | **185** |
| Interest rate swap | **-** | **1,273** | **-** | **1,273** |
| | **-** | **1,458** | **-** | **1,458** |
| **30 June 2012** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | 30,261 | - | - | 30,261 |
| Investment in unit trust | - | 255,000 | - | 255,000 |
| Forward exchange contracts | - | 439 | - | 439 |
| | 30,261 | 255,439 | - | 285,700 |
| **Financial liabilities** | | | | |
| Forward exchange contracts | - | 59 | - | 59 |
| Interest rate swap | - | 2,226 | - | 2,226 |
| | - | 2,285 | - | 2,285 |
| **1 July 2011** | | | | |
| **Financial assets** | | | | |
| Investment in quoted shares | 10,980 | - | - | 10,980 |
| Interest rate swap contracts | - | 92 | - | 92 |
| Forward exchange contracts | - | 136 | - | 136 |
| | 10,980 | 228 | - | 11,208 |

## 30. CAPITAL MANAGEMENT

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

The debt-to-equity ratios are as follows:-

| | Group | | |
|---|---|---|---|
| | **30.6.2013** | **30.6.2012** | **1.7.2011** |
| | **RM'000** | **RM'000** | **RM'000** |
| Total loans and borrowings | **835,093** | 563,394 | 464,846 |
| Less: Cash and cash equivalents | **(354,347)** | (215,617) | (376,155) |
| Net debt | **480,746** | 347,777 | 88,691 |
| Total equity | **1,282,818** | 1,203,647 | 1,138,198 |
| Debt-to-equity ratios | **0.37** | 0.29 | 0.08 |

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

## 31. EXPLANATION OF TRANSITION TO MFRSs

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2013, the comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statement of financial position at 1 July 2011 (the Group's date of transition to MFRSs).

**31. EXPLANATION OF TRANSITION TO MFRSs** *cont'd*

In preparing the opening consolidated statement of financial position at 1 July 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSs. An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

**31.1 Reconciliation of financial position**

| Group | | 1.7.2011 | | | 30.6.2012 | | |
|---|---|---|---|---|---|---|---|
| | Note | FRSs RM'000 | Effect of transition to MFRSs RM'000 | MFRSs RM'000 | FRSs RM'000 | Effect of transition to MFRSs RM'000 | MFRSs RM'000 |
| **Assets** | | | | | | | |
| Property, plant and equipment | 31.4(a) | 451,009 | (1,079) | 449,930 | 405,514 | (1,045) | 404,469 |
| Investment properties | | 17,231 | - | 17,231 | 2,231 | - | 2,231 |
| Investments in associated companies | 31.4(b) | 374,985 | (88,943) | 286,042 | 389,962 | (85,325) | 304,637 |
| Other investments | 31.4(d) | 172,993 | - | 172,993 | 471,109 | (10,838) | 460,271 |
| Intangible assets | | 12,179 | - | 12,179 | 14,347 | - | 14,347 |
| Deferred tax assets | | 8,960 | - | 8,960 | 8,927 | - | 8,927 |
| **Total non-current assets** | | 1,037,357 | (90,022) | 947,335 | 1,292,090 | (97,208) | 1,194,882 |
| Inventories | | 196,082 | - | 196,082 | 220,747 | - | 220,747 |
| Trade and other receivables, including derivatives | | 403,336 | - | 403,336 | 447,034 | - | 447,034 |
| Current tax assets | | 21,433 | - | 21,433 | 14,417 | - | 14,417 |
| Assets held for sale | | - | - | - | 48,030 | - | 48,030 |
| Cash and cash equivalents | | 376,155 | - | 376,155 | 215,617 | - | 215,617 |
| **Total current assets** | | 997,006 | - | 997,006 | 945,845 | - | 945,845 |
| **Total assets** | | 2,034,363 | (90,022) | 1,944,341 | 2,237,935 | (97,208) | 2,140,727 |

**31. EXPLANATION OF TRANSITION TO MFRSs** *cont'd*

**31.1 Reconciliation of financial position** *cont'd*

| Group | | 1.7.2011 | | | 30.6.2012 | | |
|---|---|---|---|---|---|---|---|
| | Note | FRSs | Effect of transition to MFRSs | MFRSs | FRSs | Effect of transition to MFRSs | MFRSs |
| | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **Equity** | | | | | | | |
| Share capital | | 163,953 | - | 163,953 | 163,953 | - | 163,953 |
| Reserves | 31.4(f) | 997,110 | (73,704) | 923,406 | 1,081,135 | (80,890) | 1,000,245 |
| Treasury shares – at cost | | (63,318) | - | (63,318) | (63,318) | - | (63,318) |
| **Total equity attributable to owners of the Company** | | 1,097,745 | (73,704) | 1,024,041 | 1,181,770 | (80,890) | 1,100,880 |
| **Non-controlling interests** | | 114,157 | - | 114,157 | 102,767 | - | 102,767 |
| **Total equity** | | 1,211,902 | (73,704) | 1,138,198 | 1,284,537 | (80,890) | 1,203,647 |
| **Liabilities** | | | | | | | |
| Loans and borrowings | | 120,000 | - | 120,000 | 418,663 | - | 418,663 |
| Deferred tax liabilities | | 13,253 | - | 13,253 | 10,732 | - | 10,732 |
| Employee benefits | | 15,779 | - | 15,779 | 17,809 | - | 17,809 |
| **Total non-current liabilities** | | 149,032 | - | 149,032 | 447,204 | - | 447,204 |
| Trade and other payables, including derivatives | 31.4(c) | 314,025 | (16,318) | 297,707 | 348,326 | (16,318) | 332,008 |
| Loans and borrowings | | 344,846 | - | 344,846 | 144,731 | - | 144,731 |
| Tax payable | | 14,558 | - | 14,558 | 13,137 | - | 13,137 |
| **Total current liabilities** | | 673,429 | (16,318) | 657,111 | 506,194 | (16,318) | 489,876 |
| **Total liabilities** | | 822,461 | (16,318) | 806,143 | 953,398 | (16,318) | 937,080 |
| **Total equity and liabilities** | | 2,034,363 | (90,022) | 1,944,341 | 2,237,935 | (97,208) | 2,140,727 |

**31. EXPLANATION OF TRANSITION TO MFRSs** *cont'd*

**31.1 Reconciliation of financial position** *cont'd*

| **Company** | | **1.7.2011** | | | **30.6.2012** | | |
|---|---|---|---|---|---|---|---|
| | **Note** | **FRSs** | **Effect of transition to MFRSs** | **MFRSs** | **FRSs** | **Effect of transition to MFRSs** | **MFRSs** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Assets** | | | | | | | |
| Property, plant and equipment | | 752 | - | 752 | 1,041 | - | 1,041 |
| Invesments in subsidiary companies | | 428,772 | - | 428,772 | 684,753 | - | 684,753 |
| Investments in associated companies | 31.4(b) | 265,073 | (82,500) | 182,573 | 265,073 | (82,500) | 182,573 |
| Other investments | | 171,983 | - | 171,983 | 182,301 | - | 182,301 |
| **Total non-current assets** | | 866,580 | (82,500) | 784,080 | 1,133,168 | (82,500) | 1,050,668 |
| Trade and other receivables, including derivatives | | 33,653 | - | 33,653 | 151 | - | 151 |
| Current tax assets | | 8,560 | - | 8,560 | 12,757 | - | 12,757 |
| Cash and cash equivalents | | 100,917 | - | 100,917 | 11,764 | - | 11,764 |
| **Total current assets** | | 143,130 | - | 143,130 | 24,672 | - | 24,672 |
| **Total assets** | | 1,009,710 | (82,500) | 927,210 | 1,157,840 | (82,500) | 1,075,340 |

**31. EXPLANATION OF TRANSITION TO MFRSs** *cont'd*

**31.1 Reconciliation of financial position** *cont'd*

| **Company** | | 1.7.2011 | | | 30.6.2012 | | |
|---|---|---|---|---|---|---|---|
| | **Note** | **FRSs** | **Effect of transition to MFRSs** | **MFRSs** | **FRSs** | **Effect of transition to MFRSs** | **MFRSs** |
| | | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Equity** | | | | | | | |
| Share capital | | 163,953 | - | 163,953 | 163,953 | - | 163,953 |
| Reserves | 31.4(f) | 403,079 | (82,500) | 320,579 | 376,760 | (82,500) | 294,260 |
| Treasury shares – at cost | | (63,318) | - | (63,318) | (63,318) | - | (63,318) |
| **Total equity attributable to owners of the Company** | | 503,714 | (82,500) | 421,214 | 477,395 | (82,500) | 394,895 |
| **Total equity** | | 503,714 | (82,500) | 421,214 | 477,395 | (82,500) | 394,895 |
| **Liabilities** | | | | | | | |
| Loans and borrowings | | 120,000 | - | 120,000 | 400,000 | - | 400,000 |
| Employee benefits | | 333 | - | 333 | 336 | - | 336 |
| **Total non-current liabilities** | | 120,333 | - | 120,333 | 400,336 | - | 400,336 |
| Trade and other payables, including derivatives | | 149,663 | - | 149,663 | 220,109 | - | 220,109 |
| Loans and borrowings | | 236,000 | - | 236,000 | 60,000 | - | 60,000 |
| **Total current liabilities** | | 385,663 | - | 385,663 | 280,109 | - | 280,109 |
| **Total liabilities** | | 505,996 | - | 505,996 | 680,445 | - | 680,445 |
| **Total equity and liabilities** | | 1,009,710 | (82,500) | 927,210 | 1,157,840 | (82,500) | 1,075,340 |

**31. EXPLANATION OF TRANSITION TO MFRSs** *cont'd*

**31.2 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 30 June 2012**

| **Group** | | 2012 | | |
|---|---|---|---|---|
| | **Note** | **FRSs** | **Effect of transition to MFRSs** | **MFRSs** |
| | | **RM'000** | **RM'000** | **RM'000** |
| Sale of goods and services | | 2,153,055 | - | 2,153,055 |
| Dividend income | | 19,569 | - | 19,569 |
| | | 2,172,624 | - | 2,172,624 |
| Cost of sales | | (1,771,485) | - | (1,771,485) |
| **Gross profit** | | 401,139 | - | 401,139 |
| Distribution costs | | (142,099) | - | (142,099) |
| Administration expenses | 31.4(a) | (69,367) | 34 | (69,333) |
| Other operating expenses | 31.4(d) | (30,991) | (3,681) | (34,672) |
| Other operating income | | 55,803 | - | 55,803 |
| **Results from operations** | | 214,485 | (3,647) | 210,838 |
| Interest income | | 3,049 | - | 3,049 |
| Finance costs | | (37,077) | - | (37,077) |
| Share of profit in associated companies | 31.4(b) | 32,448 | 3,618 | 36,066 |
| **Profit before taxation** | | 212,905 | (29) | 212,876 |
| Taxation | | (45,681) | - | (45,681) |
| **Profit for the year** | | 167,224 | (29) | 167,195 |
| **Other comprehensive income, net of tax** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Foreign currency translation differences for foreign operations | | 18,207 | - | 18,207 |
| Gain/(loss) on fair value of available-for-sale financial assets | 31.4(d) | 1,642 | (7,157) | (5,515) |
| **Total other comprehensive income for the year** | | 19,849 | (7,157) | 12,692 |
| **Total comprehensive income for the year** | | 187,073 | (7,186) | 179,887 |

## 31. EXPLANATION OF TRANSITION TO MFRSs *cont'd*

### 31.2 Reconciliation of statement of profit or loss and other comprehensive income for the year ended 30 June 2012 *cont'd*

| Company | | 2012 | | |
|---|---|---|---|---|
| | Note | FRSs | Effect of transition to MFRSs | MFRSs |
| | | RM'000 | RM'000 | RM'000 |
| Dividend income | | 83,085 | - | 83,085 |
| **Gross profit** | | 83,085 | - | 83,085 |
| Administration expenses | | (6,548) | - | (6,548) |
| Other operating expenses | 31.4(d) | (2,683) | (3,681) | (6,364) |
| Other operating income | | 3,492 | - | 3,492 |
| **Results from operations** | | 77,346 | (3,681) | 73,665 |
| Interest income | | 175 | - | 175 |
| Finance costs | | (32,890) | - | (32,890) |
| **Profit before taxation** | | 44,631 | (3,681) | 40,950 |
| Taxation | | 1,058 | - | 1,058 |
| **Profit for the year** | | 45,689 | (3,681) | 42,008 |
| **Other comprehensive expense, net of tax** | | | | |
| **Items that may be reclassified subsequently to profit or loss** | | | | |
| Loss on fair value of available-for-sale financial assets | 31.4(d) | (3,681) | 3,681 | - |
| **Total comprehensive income for the year** | | 42,008 | - | 42,008 |

## 31. EXPLANATION OF TRANSITION TO MFRSs *cont'd*

### 31.3 Material adjustments to the statements of cash flows for 2012

Material differences between the statements of cash flows presented under MFRSs and the statement of cash flows presented under FRSs are as follows:

| | FRSs RM'000 | Effect of transition to MFRSs RM'000 | MFRSs RM'000 |
|---|---|---|---|
| **Group** | | | |
| **Cash flows from operating activities** | | | |
| Profit before taxation | 212,905 | (29) | 212,876 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 50,784 | (34) | 50,750 |
| Share of profit of associated companies | - | (3,618) | (3,618) |
| Fair value loss on financial assets at fair value through profit or loss | - | 3,681 | 3,681 |
| **Company** | | | |
| **Cash flows from operating activities** | | | |
| Profit before taxation | 44,631 | (3,681) | 40,950 |
| Adjustments for: | | | |
| Fair value loss on financial assets at fair value through profit or loss | - | 3,681 | 3,681 |

### 31.4 Notes to reconciliations

**(a) Property, plant and equipment – Deemed cost exemption – fair value**

The Group elected to apply the optional exemption to measure certain property, plant and equipment at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The deemed cost of these property, plant and equipment at 1 July 2011 was determined to be RM449,930,000 compared to the carrying amount of RM451,009,000 under FRSs.

The impact arising from the change is summarised as follows:

| | Group 30.6.2012 RM'000 |
|---|---|
| **Consolidated statement of profit or loss and other comprehensive income** | |
| Administration expenses | |
| - depreciation | 34 |
| **Adjustment before tax** | 34 |

## 31. EXPLANATION OF TRANSITION TO MFRSs *cont'd*

### 31.4 Notes to reconciliations *cont'd*

**(a) Property, plant and equipment – Deemed cost exemption – fair value** *cont'd*

| | Group | |
|---|---|---|
| | 1.7.2011 | 30.6.2012 |
| | RM'000 | RM'000 |
| **Consolidated statement of financial position** | | |
| Property, plant and equipment | (1,079) | (1,045) |
| **Adjustment to retained earnings** | (1,079) | (1,045) |

**(b) Investments in associated companies**

An associate of the Group had on the date of transition to MFRS 1, fair valued certain of its PPE and regarded them as deemed cost and adjusted foreign exchange losses that were previously capitalised into certain of its PPE. These related differences were adjusted to the associate's retained earnings and the Group had accounted for its share of these differences via its retained earnings accordingly.

The impact arising from the change is summarised as follows:

| | Group |
|---|---|
| | 30.6.2012 |
| | RM'000 |
| **Consolidated statement of profit or loss and other comprehensive income** | |
| Share of profit of associated companies | 3,618 |
| **Adjustment before tax** | 3,618 |

| | Group | | Company | |
|---|---|---|---|---|
| | 1.7.2011 | 30.6.2012 | 1.7.2011 | 30.6.2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Statement of financial position** | | | | |
| Investments in associated companies | (88,943) | (85,325) | (82,500) | (82,500) |
| **Adjustment to retained earnings** | (88,943) | (85,325) | (82,500) | (82,500) |

**(c) Foreign currency translation differences**

Under FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the exchange equalisation reserve in equity.

**31. EXPLANATION OF TRANSITION TO MFRSs** *cont'd*

**31.4 Notes to reconciliations** *cont'd*

**(c) Foreign currency translation differences** *cont'd*

Upon transition to MFRSs, the Group has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of all foreign operations to be nil at the date of transition.

| | Group | |
|---|---|---|
| | **1.7.2011** | **30.6.2012** |
| | **RM'000** | **RM'000** |
| **Consolidated statement of financial position** | | |
| Exchange equalisation reserve | (104,343) | (104,343) |
| Trade and other payables | 16,318 | 16,318 |
| **Adjustment to retained earnings** | (88,025) | (88,025) |

**(d) Designation of previously recognised financial instruments**

The Group and the Company elected to designate previously recognised available for sale financial assets as financial assets at fair value through profit or loss.

The impact arising from the change is summarised as follows:

| | Group | Company |
|---|---|---|
| | **30.6.2012** | **30.6.2012** |
| | **RM'000** | **RM'000** |
| **Consolidated statement of profit or loss and other comprehensive income** | | |
| Other operating expenses | (3,681) | (3,681) |
| **Other comprehensive expense/income** | | |
| (Loss)/gain on fair value of available-for-sale financial assets | (7,157) | 3,681 |

| | Group | | Company | |
|---|---|---|---|---|
| | **1.7.2011** | **30.6.2012** | **1.7.2011** | **30.6.2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| **Statement of financial position** | | | | |
| *Other investments* | | | | |
| Available-for-sale financial assets | (10,972) | (273,129) | (10,972) | (7,291) |
| Financial assets at fair value through profit or loss | 10,972 | 262,291 | 10,972 | 7,291 |
| *Reserve* | | | | |
| Fair value reserve | (1,924) | 5,233 | (1,924) | (5,605) |
| **Adjustment to retained earnings** | (1,924) | (5,605) | (1,924) | (5,605) |

## 31. EXPLANATION OF TRANSITION TO MFRSs *cont'd*

### 31.4 Notes to reconciliations *cont'd*

**(e) Retained earnings**

The changes in retained earnings are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 1.7.2011 | 30.6.2012 | 1.7.2011 | 30.6.2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Property, plant and equipment | 31.4(a) | 1,079 | 1,045 | - | - |
| Investments in associated companies | 31.4(b) | 88,943 | 85,325 | 82,500 | 82,500 |
| Exchange equalisation reserve | 31.4(c) | 88,025 | 88,025 | - | - |
| Fair value reserve | 31.4(d) | 1,924 | 5,605 | 1,924 | 5,605 |
| **Decrease in retained earnings** | | 179,971 | 180,000 | 84,424 | 88,105 |

**(f) Reserves**

The changes in reserves are as follows:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 1.7.2011 | 30.6.2012 | 1.7.2011 | 30.6.2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Retained earnings | 31.4(e) | 179,971 | 180,000 | 84,424 | 88,105 |
| Exchange equalisation reserve | 31.4(c) | (104,343) | (104,343) | - | - |
| Fair value reserve | 31.4(d) | (1,924) | 5,233 | (1,924) | (5,605) |
| **Decrease in reserves** | | 73,704 | 80,890 | 82,500 | 82,500 |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | **2012** | **2013** | **2012** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - realised | **661,394** | 360,113 | **(44,958)** | (62,727) |
| - unrealised | **(1,192)** | 14,581 | **953** | 1 |
| | **660,202** | 374,694 | **(44,005)** | (62,726) |
| Total share of retained earnings from associated companies | | | | |
| - realised | **62,998** | 52,042 | **-** | - |
| - unrealised | **8,857** | 297 | **-** | - |
| | **71,855** | 52,339 | | |
| Add: Consolidation adjustments | **(31,015)** | 194,408 | **-** | - |
| Total retained earnings | **701,042** | 621,441 | **(44,005)** | (62,726) |

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

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

In the opinion of the Directors, the financial statements set out on pages 34 to 112 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 113 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

**Datuk Kwek Leng San**

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

Kuala Lumpur
6 September 2013

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

I, Soon Seong Keat, 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 34 to 113 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 above named, Soon Seong Keat at Kuala Lumpur in the Federal Territory on 6 September 2013.

**Soon Seong Keat**

Before me

**Mohan A. S. Maniam**
Commissioner for Oaths
Kuala Lumpur

**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 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 34 to 112.

*Directors' Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

**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 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.

**OTHER REPORTING RESPONSIBILITIES**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 113 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

**OTHER MATTERS**

As stated in Note 2.1 to the financial statements, Hong Leong Industries Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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

**KPMG**
Firm Number: AF 0758
*Chartered Accountants*

**Adrian Lee Lye Wang**
Approval Number: 2679/11/13(J)
*Chartered Accountant*

Petaling Jaya, Selangor

6 September 2013

## 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2013

| 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 2013 (RM'000) |
|---|---|---|---|---|---|---|
| Lot 57<br>Persiaran Bukit Rahman Putra 3<br>47000 Sungai Buloh<br>Selangor Darul Ehsan | Freehold | Office and factory building | 1994 | 1,577,316 | 17 | 50,798 |
| 5 1/4 miles Jalan Kapar<br>Rantau Panjang<br>42100 Klang<br>Selangor Darul Ehsan | Freehold | Office and factory building | 1982 | 39,463 | 31 | 725 |
| 5 1/2 miles Jalan Meru<br>41050 Klang<br>Selangor Darul Ehsan | Freehold | Office and factory building | 1991 | 871,600 | 22-32 | 23,480 |
| 201, Jalan Mengkibol<br>86000 Kluang<br>Johor Darul Takzim | Freehold | Office and factory building | 1985 | 261,633 | 28 | 6,386 |
| 201, Jalan Mengkibol<br>86000 Kluang<br>Johor Darul Takzim | Freehold | Office and factory building | 1985 | 1,061,775 | 23 | 5,070 |
| 201, Jalan Mengkibol<br>86000 Kluang<br>Johor Darul Takzim | Freehold | Office and factory building | 1985 | 747,108 | 20 | 17,043 |
| 201, Jalan Mengkibol<br>86000 Kluang<br>Johor Darul Takzim | Freehold | Office and factory building | 1985 | 256,187 | 4 | 39,551 |
| 201, Jalan Mengkibol<br>86000 Kluang<br>Johor Darul Takzim | Freehold | Warehouse | 1985 | 907,790 | 18 | 13,831 |
| 201, Jalan Mengkibol<br>86000 Kluang<br>Johor Darul Takzim | Freehold | Warehouse | 2007 | 418,447 | 17 | 9,638 |
| PT 11978, PT 11979 & Lot 2353<br>Beranang Industrial Estate<br>Selangor Darul Ehsan | Leasehold 99 years expiring 2085 | Industrial land with office and factory buildings | 1982 | 2,204,662 | 27 | 8,503 |
| Lot 2407, Mukim 1,<br>Prai Industrial Estate,<br>Pulau Pinang | Leasehold 60 years expiring 2035 | Industrial land with office and factory buildings | 1982 | 653,400 | 38 | 3,394 |
| Lot 244,<br>Pasir Gudang Industrial Estate,<br>Johor Bahru,<br>Johor Darul Takzim | Leasehold 60 years expiring 2045 | Industrial land with office and factory buildings | 1985 | 609,840 | 28 | 4,795 |
| Lot 46,<br>Semambu Industrial Estate,<br>Kuantan<br>Pahang Darul Makmur | Leasehold 66 years expiring 2041 | Industrial land with office and factory buildings | 1982 | 522,720 | 38 | 772 |

**1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2013** *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 2013 (RM'000) |
|---|---|---|---|---|---|---|
| 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 | 45/49 | 1,361 |
| Lot 312490, 127221, 127222 Kawasan Perusahaan Kanthan, Chemor, Perak Darul Ridzuan | Freehold | Industrial land with office and factory buildings | 1990 | 3,159,821 | 22 | 13,948 |
| No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan | Leasehold 99 years expiring 2066 | Industrial land with office and factory buildings | 2000 | 319,730 | 53 | 20,517 |
| 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 | 31 | 4,091 |
| 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 | 11 | 1,740 |
| No 367 A & B Jalan Melaka Raya Taman Melaka Raya 75000 Melaka | 4 Oct 2082 | 3 storey mid terrace shop office | 1996 | 1,399 | 30 | 160 |
| Lot 565, Mukim Hulu Semenyih District Hulu Langat Selangor Darul Ehsan | Freehold | Industrial land with vacant office, store and factory buildings | 2002 | 290,511 | 17 | 3,279 |
| PT 30238 Mukim Setul, Nilai Industrial Estate Negeri Sembilan Darul Khusus | Leasehold 60 years expiring 2043 | Industrial land with vacant office and factory buildings | 1983 | 545,934 | 16 | 946 |
| Lot 1616, Mukim Chembong, Daerah Rembau, Negeri Sembilan Darul Khusus | Leasehold 99 years expiring 2084 | Vacant industrial land | 2002 | 731,279 | 28 | 1,001 |
| 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 |

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013

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 2013

| Size of Holdings | No. of Shareholders | % | No. of Shares* | % |
|---|---|---|---|---|
| Less than 100 | 513 | 16.18 | 10,983 | 0.00 |
| 100 – 1,000 | 827 | 26.09 | 607,630 | 0.19 |
| 1,001 – 10,000 | 1,439 | 45.40 | 5,514,292 | 1.73 |
| 10,001 – 100,000 | 324 | 10.22 | 10,031,185 | 3.14 |
| 100,001 – less than 5% of issued shares | 66 | 2.08 | 65,091,685 | 20.37 |
| 5% and above of issued shares | 1 | 0.03 | 238,217,035 | 74.57 |
| | 3,170 | 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 2013

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1. | Assets Nominees (Tempatan) Sdn Bhd<br>- 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<br>- Exempt AN for Hong Leong Industries Berhad (ESOS) | 9,153,133 | 2.87 |
| 4. | Low Poh Weng | 6,904,000 | 2.16 |
| 5. | Amanahraya Trustees Berhad<br>- Public Smallcap Fund | 6,792,133 | 2.13 |
| 6. | Assets Nominees (Tempatan) Sdn Bhd<br>- Soft Portfolio Sdn Bhd | 2,512,000 | 0.79 |
| 7. | HSBC Nominees (Asing) Sdn Bhd<br>- Exempt AN for JPMorgan Chase Bank, National Association (Norges Bk) | 2,215,400 | 0.69 |
| 8. | Maybank Nominees (Tempatan) Sdn Bhd<br>- Maybank Trustees Berhad for Public Ittikal Fund | 2,185,900 | 0.68 |
| 9. | Hong Bee Hardware Company, Sdn. Berhad | 2,019,333 | 0.63 |
| 10. | Assets Nominees (Tempatan) Sdn Bhd<br>- Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS) | 1,964,000 | 0.61 |
| 11. | HSBC Nominees (Asing) Sdn Bhd<br>- Coutts & Co Ltd HK for Datuk Kwek Leng San | 1,800,000 | 0.56 |
| 12. | Hong Leong Assurance Berhad<br>- As Beneficial Owner | 1,612,902 | 0.50 |
| 13. | HLIB Nominees (Tempatan) Sdn Bhd<br>- Chut Nyak Isham Bin Nyak Ariff | 1,276,600 | 0.40 |

**2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013** *cont'd*

**List Of Thirty Largest Shareholders As At 2 September 2013** *cont'd*

| | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 14. | Citigroup Nominees (Asing) Sdn Bhd<br>- CBNY for Dimensional Emerging Markets Value Fund | 1,253,600 | 0.39 |
| 15. | Grandeur Holdings Sdn Bhd | 1,022,000 | 0.32 |
| 16. | Citigroup Nominees (Asing) Sdn Bhd<br>- GSI for Lofty Dragon Management Limited | 750,000 | 0.23 |
| 17. | Datuk Kwek Leng San | 720,000 | 0.23 |
| 18. | HLIB Nominees (Tempatan) Sdn Bhd<br>- Hong Leong Fund Management Sdn Bhd for Hong Leong Bank Berhad | 701,600 | 0.22 |
| 19. | Citigroup Nominees (Asing) Sdn Bhd<br>- CBNY for DFA Emerging Markets Small Cap Series | 605,900 | 0.19 |
| 20. | ECML Nominees (Tempatan) Sdn Bhd<br>- Cheong Chen Yue | 550,267 | 0.17 |
| 21. | Assets Nominees (Tempatan) Sdn Bhd<br>- Exempt AN for HL Management Co Sdn Bhd (ESOS) | 500,000 | 0.16 |
| 22. | Citigroup Nominees (Asing) Sdn Bhd<br>- Exempt AN for UBS AG Singapore (Foreign) | 500,000 | 0.16 |
| 23. | Neoh Choo Ee & Company, Sdn. Berhad | 410,000 | 0.13 |
| 24. | UOB Kay Hian Nominees (Asing) Sdn Bhd<br>- Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients) | 402,655 | 0.13 |
| 25. | AIBB Nominees (Tempatan) Sdn Bhd<br>- Cheong Chen Yue | 383,333 | 0.12 |
| 26. | Kim Poh Sitt Tat Feedmill Sendirian Berhad | 382,667 | 0.12 |
| 27. | Multi-Purpose Insurans Bhd | 373,700 | 0.12 |
| 28. | Cimsec Nominees (Tempatan) Sdn Bhd<br>- CIMB for Nobel Sound Sdn Bhd (PB) | 360,000 | 0.11 |
| 29. | HDM Nominees (Asing) Sdn Bhd<br>- UOB Kay Hian Pte Ltd for Lim Oon Cheng | 317,805 | 0.10 |
| 30. | HSBC Nominees (Tempatan) Sdn Bhd<br>- HSBC (M) Trustee Bhd for Zurich Insurance Malaysia Berhad (Growth Fund) | 300,000 | 0.09 |
| | | 297,746,763 | 93.20 |

## 2. ANALYSIS OF SHAREHOLDINGS AS AT 2 SEPTEMBER 2013 *cont'd*

### Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 2 September 2013 are as follows:

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

Notes:

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

## 3. DIRECTORS' INTERESTS AS AT 2 SEPTEMBER 2013

Subsequent to the financial year end, there is no change, as at 2 September 2013, to the Directors' interests in the ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on page 31 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the change set out below:

| | **No. of Shares** | **%** |
|---|---|---|
| **Indirect interest** | | |
| **Mr Chuah Chuan Thye in:** | | |
| Southern Pipe Industry (Malaysia) Sdn Bhd | 1,120,800 | 0.86 |

## 4. SHARE BUY BACK

The Company did not buy back any of its shares during the financial year ended 30 June 2013.

## 5. MATERIAL CONTRACTS AS AT 2 SEPTEMBER 2013

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

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**HongLeong 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 Fiftieth Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 17 October 2013 at 12.00 noon and at any adjournment thereof.

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

| | RESOLUTIONS | FOR | AGAINST |
|---|---|---|---|
| 1. | To approve the payment of Director fees | | |
| 2. | To re-elect 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-appoint YM Raja Dato' Seri Abdul Aziz bin Raja Salim as a Director pursuant to Section 129 of the Companies Act, 1965 | | |
| 5. | To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration | | |
| | **Special Business** | | |
| 6. | To approve the ordinary resolution on authority to Directors to issue shares | | |
| 7. | To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM | | |
| 8. | To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Motors Sdn Bhd | | |
| 9. | To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Syarikat Motor Singa Sdn Bhd and Sing Heng Motor Trading Sdn Bhd | | |
| 10. | To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Yamaha Motor Co., Ltd and its subsidiaries | | |
| 11. | To approve the ordinary resolution on the proposed renewal of shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH | | |
| 12. | To approve the ordinary resolution on the proposed establishment of an executive share grant scheme | | |
| 13. | To approve the special resolution on the proposed amendments to the Articles of Association of the Company | | |

Dated this ____________________ day of ____________________ 2013

______________________ Number of shares held

______________________ Signature(s) of Member

*Notes*

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 10 October 2013 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *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.*
3. *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.*
4. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *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.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time of the meeting or adjourned meeting.*
9. *In the event two or more proxies are appointed, please fill in the ensuing section:*

| Name of Proxies | % of shareholdings to be represented |
|---|---|
| | |
| | |

*Fold This Flap For Sealing*

*Then Fold Here*

Affix
Stamp

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

*1st Fold Here*