Hong Leong Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT 2014

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what's inside...

COVER RATIONALE

Throughout history, birds have been viewed as animals of special value, ladened with meanings often derived from legends and stories that have survived over many generations. The paper crane origami design means fulfillment of aspirations and needs. The design is also a symbol of good fortune and longevity.

From humble beginnings, Hong Leong Group Malaysia has evolved and is recognized by its brand that is rooted within the communities in which it operates. The design depicts the Group's image as progressive, connected and relevant. The origami globe illustrates Hong Leong Group's diverse footprint, whilst the colourful birds emerging from the globe represents a passionate, determined and contemporary organization connecting with its communities.

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 roofing 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)

Mr Jonathan Forrest Wilson
(Group Managing Director)

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

YBhg Dato' Ahmad Johari
bin Tun Abdul Razak

YM Raja Dato' Seri Abdul Aziz
bin Raja Salim

Mr Chuah Chuan Thye

YBhg Dato' 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 Fifty-first 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, 16 October 2014 at 2.30 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2014.

2. To approve the payment of Director fees of RM350,000/- for the financial year ended 30 June 2014 (2013: RM350,000/-), 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) YBhg Dato' Ahmad Johari bin Tun Abdul Razak **Resolution 2**
   (b) YBhg Dato' Dr Zaha Rina binti Zahari. **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 For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And Persons Connected With HLCM

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 24 September 2014 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that 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;

NOTICE OF ANNUAL GENERAL MEETING
... continued

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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 For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") And Hong Bee Motors Sdn Bhd ("Hong Bee Motors")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 24 September 2014 with Hong Bee Hardware and Hong Bee Motors provided that 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 THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING
... continued

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 For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Syarikat Motor Singa Sdn Bhd ("Syarikat 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 set out in Section 2.3(B) of the Circular to Shareholders dated 24 September 2014 with Syarikat Motor Singa and Sing Heng Motor provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Syarikat 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 THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 24 September 2014 with YMC and its subsidiaries ("YMC Group") provided that 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;

NOTICE OF ANNUAL GENERAL MEETING
... continued

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 24 September 2014 with HLIH and persons connected with HLIH ("HLIH Group") provided that 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 THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

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

NOTICE OF ANNUAL GENERAL MEETING
... continued

12. **Ordinary Resolution**
-Proposed Allocation Of Options And/Or Grants To Mr Jonathan Forrest Wilson

"**THAT** authority be and is hereby given to the Directors of the Company to offer, from time to time, to Mr Jonathan Forrest Wilson, the Group Managing Director of the Company, options to subscribe for/purchase such number of ordinary shares of RM0.50 each (unless otherwise adjusted) in the Company ("Shares") and/or grants comprising such number of Shares under the Executive Share Scheme of the Company ("ESS") as they shall deem fit **PROVIDED THAT** not more than 10% of the Maximum Aggregate ["Maximum Aggregate" being defined in the bye-laws of the ESS ("Bye-Laws") as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time], are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws." **Resolution 12**

13. 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
24 September 2014

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 2014 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 appointed for holding of the meeting or adjourned meeting.

NOTICE OF ANNUAL GENERAL MEETING
... continued

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 17 October 2013 and which will lapse at the conclusion of the Fifty-first 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 For 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 Hong Leong Industries Berhad Group ("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 Allocation Of Options And/Or Grants To Mr Jonathan Forrest Wilson ("Proposed Allocation")

   The proposed ordinary resolution, if passed, will allow the Directors of the Company to offer to Mr Jonathan Forrest Wilson, who was appointed as Group Managing Director of the Company on 27 January 2014, options to subscribe for/purchase such number of ordinary shares of RM0.50 each (unless otherwise adjusted) in the Company (''Shares'') and/or grants comprising such number of Shares under the Executive Share Scheme of the Company (''ESS''), as part of the Company's efforts to retain, motivate and reward him with an equity stake in the success of the HLI Group, provided that not more than 10% of the Maximum Aggregate [''Maximum Aggregate'' being defined in the bye-laws of the ESS (''Bye-Laws'') as an amount equivalent to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time], are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company over the period of the ESS.

   The ESS, comprising an executive share option scheme ("ESOS") and an executive share grant scheme ("ESGS") which was implemented on 8 March 2013 and 28 February 2014 respectively, is governed by the Bye-Laws and will expire on 7 March 2023.

   The option price to subscribe for/purchase such number of Shares under the ESOS to be determined shall not be more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the Shares preceding the offer date and shall in no event be less than the par value of the Shares. Shares offered under the ESGS will not require any consideration to be payable.

   Mr Jonathan Forrest Wilson is deemed interested in the Proposed Allocation. Accordingly, he will abstain from voting, in respect of his direct and/or indirect interests in the Company, on the proposed ordinary resolution in relation to the Proposed Allocation at the Fifty-first Annual General Meeting of the Company. Mr Jonathan Forrest Wilson will also ensure that persons connected with him will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the proposed ordinary resolution in relation to the Proposed Allocation. Save as disclosed, none of the Directors and major shareholders of the Company and/or persons connected with them, has any interest, direct or indirect, in the Proposed Allocation.

4. Re-election Of YBhg Dato' Ahmad Johari bin Tun Abdul Razak ("YBhg Dato' Ahmad Johari")

   The Board has undertaken an annual assessment on the independence of all its Independent Directors including YBhg Dato' Ahmad Johari who is seeking for re-election pursuant to the Articles of Association of the Company at the Fifty-first 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 are set out in the Circular to Shareholders dated 24 September 2014 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 Fifty-first Annual General Meeting of the Company.

DIRECTORS' PROFILE

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

Datuk Kwek Leng San, aged 59, 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, 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.

MR JONATHAN FORREST WILSON
Group Managing Director/Non-Independent

Mr Jonathan Forrest Wilson, aged 50, an American, graduated with a Bachelor of Science in Chemical Engineering from Catholic University, Washington D.C. He also holds a Master in Business Administration, Rutgers University Executive Program, Singapore.

Mr Wilson has extensive industrial experience and has worked in Asia for over 20 years, most recently as Chief Operating Officer of Gold Coin Group. Before joining Gold Coin Group, Mr Wilson worked at Imerys Asia-Pacific as Vice President and Managing Director for Asia and Australia. Mr Wilson has also worked with specialty chemical company, Great Lakes Chemical in various regional roles throughout Asia-Pacific. He began his career in 1987 at National Starch and Chemical Company in North America.

Mr Jonathan Forrest Wilson joined HLI as Group Managing Director on 27 January 2014. He does not sit on any committee of HLI.

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 69, 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.

DIRECTORS' PROFILE
... continued

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

Dato' Ahmad Johari bin Tun Abdul Razak, aged 59, 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 Malaysian Resources Corporation Berhad and Sumatec Resources Berhad, companies listed on the Main Market of Bursa Securities. He is 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 75, 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 Southern Steel 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 58, 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.

DIRECTORS' PROFILE
... continued

YBHG DATO' DR ZAHA RINA BINTI ZAHARI
Non-Executive Director/Independent

Dato' Dr Zaha Rina binti Zahari, aged 52, 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.

Dato' 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, Dato' Dr Zaha Rina was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. Dato' 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. Dato' 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. Presently, she is a member of the Market Participations Committee of Bursa Securities.

Dato' 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 Pacific & Orient Berhad, Manulife Holdings Berhad and Tanah Makmur Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of MAAKL Mutual Berhad and Pacific & Orient Insurance Co Berhad.

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.

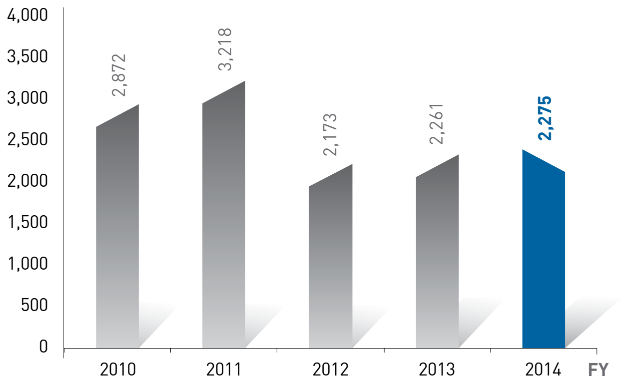
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences within the past 10 years.

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.

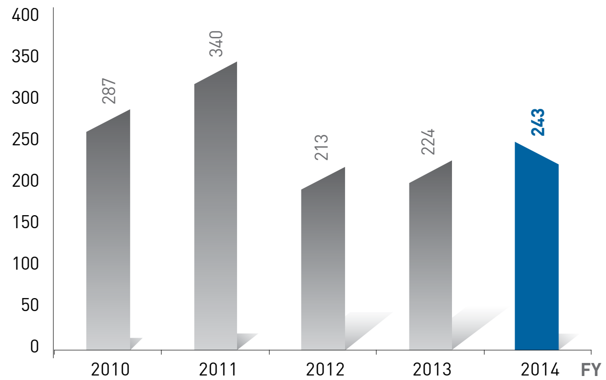
GROUP FINANCIAL HIGHLIGHTS

RM'million	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
REVENUE	2,872	3,218	2,173	2,261	**2,275**
PROFIT BEFORE TAXATION	287	340	213	224	**243**
PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY	194	219	132	148	**168**
NET EARNINGS PER SHARE (SEN)	74	71	43	48	**54**
NET DIVIDEND PER SHARE (SEN)	17	20	22	22	**25**
TOTAL EQUITY	2,026	1,138	1,204	1,283	**1,377**
TOTAL ASSETS	3,306	1,944	2,141	2,489	**2,414**
CAPITAL EXPENDITURE	296	289	34	68	**51**

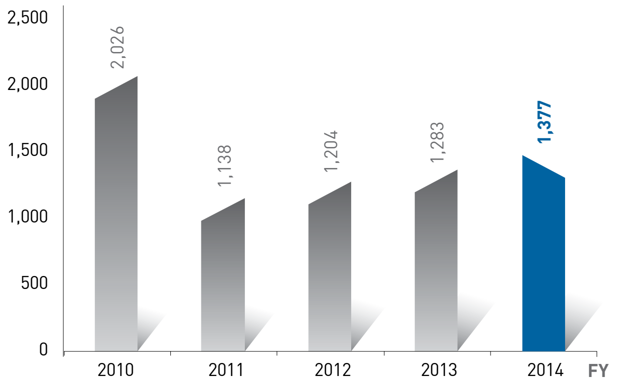
Revenue
(RM'million)



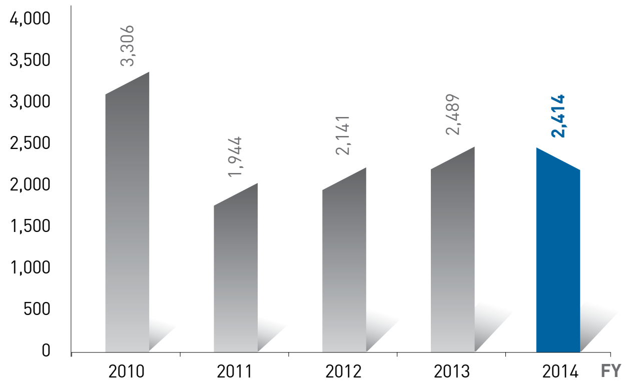
Profit Before Taxation
(RM'million)



Total Equity
(RM'million)



Total Assets
(RM'million)



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 2014.

OPERATING ENVIRONMENT

The Malaysian economy performed well in the financial year ended 30 June 2014 ("FY2014"); growth in the second half was strong with the Malaysian manufacturing index increasing by 6%. The quarterly Gross Domestic Product ("GDP") grew between 4.5% and 6%.

Buoyant domestic demand, personal consumption and infrastructure development as well as continued strength in the property development sector benefited our business segments. However, energy costs and certain industrial raw material costs increased in the financial year to a greater extent than we were able to mitigate with productivity gains. Our performance was also negatively impacted by cheap imports.

FINANCIAL REVIEW

In FY2014, the Group achieved a revenue of RM2,058 million against the previous financial year ended 30 June 2013 ("FY2013") of RM2,047 million. Operating profit improved by 13% to RM257 million as compared with that in FY2013 due to improved margins and better product mix in our consumer segment. The industrial products segment continued to operate under a difficult operating environment due to cost inflation and competition from cheap imports. The impact of anti-dumping actions by the Government only began to show some impact in the market in the later part of FY2014. Profit before tax increased by 10% to RM238 million from RM215 million in FY2013.

SIGNIFICANT CORPORATE DEVELOPMENT

The Company had, on 10 September 2013, entered into shares sale agreements with Narra Industries Berhad ("Narra") for the proposed

CHAIRMAN'S STATEMENT
... continued

disposal of the entire ordinary share capital in Hume Concrete Sdn Bhd (then known as Hume Industries (Malaysia) Sdn Bhd), a wholly-owned subsidiary of the Company, and 175,000,000 irredeemable convertible preference shares in Hume Cement Sdn Bhd ("HCMT") to Narra for RM48 million and RM300 million respectively (collectively "the Disposal Considerations"). The Disposal Considerations will be satisfied by the issuance of New Narra Shares (as defined below) at an issue price of RM1.00 per New Narra Share ("Proposed Disposals").

Prior to the completion of the Proposed Disposals, Narra completed on 15 August 2014 a capital restructuring exercise involving share capital reduction via the cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 in Narra and share consolidation of 2 resultant ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each in Narra ("New Narra Shares").

All conditions precedent of the shares sale agreements for the Proposed Disposals and the proposed acquisition by Narra of the entire ordinary share capital in HCMT from Hong Leong Manufacturing Group Sdn Bhd had been met and accordingly, the Proposed Disposals had become unconditional.

Hong Leong Industries Berhad will, concurrently with the completion of the Proposed Disposals, implement a proposed capital distribution which entails the distribution of New Narra Shares to its shareholders on the basis of 1,080 New Narra Shares for every 1,000 ordinary shares of RM0.50 each held in the Company ("Proposed Capital Distribution") via a reduction of the capital of the Company in accordance with Section 64 of the Companies Act, 1965 involving a reduction of the share premium reserve of the Company

("Reduction of Share Premium Reserve"). The High Court has on 4 September 2014, granted an order confirming the Reduction of Share Premium Reserve for the Proposed Capital Distribution. The sealed order is in the process of being extracted. The Proposed Disposals and Proposed Capital Distribution will be completed in due course.

PROSPECTS

The global business environment remains challenging for the financial year ahead. Although the US economy appears to be recovering, the unwinding of the Federal Reserve fiscal stimulus programme and recent uncertain global political and fiscal events are factors to watch going forward as these may impact the Malaysian operating environment. Nevertheless, the Malaysian economy is expected to grow at around 5% in spite of the increase in benchmark interest rate by Bank Negara Malaysia. GDP growth is driven in large part by major infrastructure projects being planned and implemented by the Government.

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory in the financial year ending 30 June 2015.

DIVIDEND

The Company declared and paid a first and second interim dividends totaling 25 sen per share tax exempt for FY2014. The Board does not recommend a final dividend for FY2014.

APPRECIATION

Mr Jonathan Forrest Wilson joined us as Group Managing Director on 27 January 2014 and we welcome him to the Board.

I would like to extend my sincere appreciation to the Board of Directors, our management team and all our employees for their contribution, dedication and commitment to the Group. My sincere appreciation goes also to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

GROUP MANAGING DIRECTOR'S REVIEW

There were significant operating challenges throughout the financial year ended 30 June 2014 ("FY2014"). Increased raw material and energy costs had adverse impact on the industrial segment, and programmes were implemented to mitigate the impact. Cheap building material imports into Malaysia depressed local pricing in some products. However, anti-dumping actions in the area of fibre cement boards starting in April 2014 helped to contribute to early signs of local price recovery. The tightening of consumer credit in the fourth quarter ("Q4") of FY2014 has generally slowed demand in some of Hong Leong Industries Berhad's market. However, the broader market demand in both consumer and industrial segments remained buoyant.

OPERATING SEGMENT REVIEW

CONSUMER PRODUCTS

The Group's Consumer Products segment performed well in FY2014 on resilient domestic private consumption and continued strong Gross Domestic Product growth as well as consumer wage gains. The ceramic tiles business benefited from a strong project market in the year under review.

Motorcycles

Total industry volume declined in FY2014 by 6% to 556,680 units compared with 592,126 units in the financial year ended 30 June 2013 (''FY2013''). In spite of this decline, Hong Leong Yamaha Motor Sdn Bhd ("HLYM") maintained its market share of over 30% with the successful introduction of five new models.

In FY2014, HLYM further improved its manufacturing operations through greater use of automation and information technology to increase productivity and quality. HLYM has increased its manufacturing capacity for large cc motorcycles, as there is good growth potential in this segment. In addition to the manufacturing and process upgrades, HLYM continuously invests in employee training and development. HLYM offers its employees personal development opportunities through diverse work and career assignments.

HLYM is active in Corporate Social Responsibility ("CSR") programmes and community outreach. HLYM is in its third year of sponsorship of the 1MCC Football League for teens in the under 12, 14 and 16 categories. Road safety is a cornerstone of HLYM's community outreach and CSR efforts. HLYM conducts a road safety programme which is taught at our learning centre and at several educational institutions. The annual Yamaha Balik Kampung Road Safety Campaign is now in its sixteenth year. HLYM is strongly committed to promoting road safety awareness and education within the motorcyclists' community.

Yamaha Motor Vietnam

Sales at our associate company, Yamaha Motor Vietnam Co., Ltd, dropped by 27% to 653,456 units as compared with 895,396 units recorded in FY2013. A sluggish economy and strong competition in the market place contributed to this drop. The Vietnamese motorcycle industry is expected to remain soft in the near term; however, the long term outlook remains positive.

Ceramic Tiles

Overall, revenue decreased by 1%, largely due to lower international sales especially to the European, Indonesian and Middle Eastern markets, which was moderated by increased sales to the other Asian and Australian markets.

Sales in the domestic market increased by 9% compared to sales in the last financial year, driven by strong sales from ongoing construction projects particularly for residential developments. The domestic retail tiles sector slowed down significantly in the last quarter. However, the project sales market continued to perform satisfactorily. The recent Government announcement of the expansion of the affordable homes programme in Malaysia is a potential opportunity for our Guocera tiles.

Despite the higher energy price and cheaper foreign imports, Guocera has recorded improvement in profit before tax against the last financial year due to productivity improvements, improved product mix and generally higher selling prices.

GROUP MANAGING DIRECTOR'S REVIEW
... continued

While the domestic and global markets will remain competitive, Guocera is expected to perform satisfactorily in the coming year by focusing on profitable growth, productivity improvements and new product development.

INDUSTRIAL PRODUCTS

The industrial products segment faced significant challenges in FY2014 in both its operating environment and markets. Competition from cheap imports, increased energy costs as well as price increases in raw materials posed challenges for the businesses. Productivity programmes and cost reduction initiatives were implemented during the year to mitigate these impacts. Emphasis was placed on bringing continuous improvement to the marketing, supply chain and manufacturing functions. Additional resources and programmes were put in place across the industrial group in new product development to strengthen product-margin mix and enhance our value proposition to customers.

Fibre Cement Products

The business was affected throughout the year by increases in raw material costs, namely cement, sand, fibre pulp as well as increases in energy costs. Since the enforcement of the anti-dumping action in April 2014, prices of fibre cement boards began to show some improvement in Q4 of FY2014.

Our PJ factory has completed a productivity improvement project in FY2014 while our Ipoh factory will complete its upgrading by the first half of financial year ending 30 June 2015 ("FY2015"). This is a significant step in plant capacity expansion and product quality improvement as well as productivity improvements in our manufacturing process.

Over the course of FY2014, sales of new engineered laminated boards continued to grow. For the new FY2015, research and new product development are being emphasised to maximise the full potential of fibre cement based products in Malaysia.

Demand for fibre cement products is expected to remain firm in FY2015, predicated on continuing private sector projects and Government's infrastructure projects and affordable housing initiatives. The performance of the fibre cement business is expected to improve in FY2015.

Concrete Roofing Products

Our concrete roofing tiles business performed well in the year under review in spite of increased costs in raw materials and energy.

Continued emphasis on operation improvements using tools such as lean manufacturing, 5S and inventory management has helped this business improve its position in the Malaysian market.

Two new products were developed and introduced during the June 2014 Archidex Exhibition in Kuala Lumpur. Marina Plus and Marina Zen have received encouraging market feedback. Focus is being placed on bringing to market, improved technology in concrete roofing tiles to broaden our applications base in roofing solutions.

OUTLOOK

Barring any unforeseen circumstances, the Group expects to perform satisfactorily in FY2015. The business will continue to improve its operating capabilities through productivity programmes and supply chain improvements. New product development and marketing efforts will be enhanced and strengthened in FY2015 across both consumer and industrial segments.

JONATHAN FORREST WILSON
Group Managing Director

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 relationship and reputation with employees, customers, business partners and other stakeholders.

Guided by our company value of Social Responsibility, we are committed to meeting the highest standards of corporate citizenship and protect 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 practising sustainable supply-chain in its operations.

Below is our commitment to each of the focus areas under the Group CSR:

WORKPLACE

The Group is committed to upholding the human rights of our employees and treating them with dignity and respect. We strive to deliver innovative solutions as well as create an inspiring and conducive working environment.

The Group also aims to ensure that the health, safety, and welfare of our employees are well taken care of and we acknowledge our responsibility towards employees who may be affected by our activities. Some examples of these are:

- Adequate Personal Protective Equipment is provided to employees whose job require such equipment.
- Industrial health and safety is exercised at all levels of the operating companies through direct involvement of management setting clear targets and goals with regular meetings and training.

CORPORATE SOCIAL RESPONSIBILITY
... continued

WORKPLACE *cont'd*

- The Group embarked on a 5S management programme in all its manufacturing and office locations, the cornerstone of a safe and productive work environment.

- In-house clinics in Guocera Tile Industries Sdn Bhd and Hong Leong Yamaha Motor Sdn Bhd are in place to provide on-site health advice and treatment for the workers.

- All new employees are trained in Safety, Health and Environment policies and procedures specific to their assignment prior to being deployed. The Group adheres to ISO 14001:2004 and OSHAS 18001 SHE processes and certifications in most of the companies.

The Group identifies and hires local talent through our Graduate Development Programme – a programme in which we hire fresh local graduates to undergo a training programme for 2 years. This programme aims to identify and develop young graduates into relevant fields of talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring. For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

Since its founding, the Group has demonstrated an on-going commitment to people and to fair employment practices. The Group's growth and expansion throughout the region has created a more diverse workforce by tapping on our people who have different experiences, perspectives and cultures. The Group has a diverse workforce with managers and employees from over 8 different countries including North America and Europe as well as Asia. Additionally, the Group believes in diversity as a source of future development and growth. This has allowed the Group to build on its creativity and innovation which helps the organisation to realise its full potential.

We believe that a well-managed, diverse workforce 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 throughout the world. 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 and we comply with all applicable laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients.

CORPORATE SOCIAL RESPONSIBILITY
... continued

ENVIRONMENT

The Group endeavours to identify and minimise the negative environmental impacts of our products and business activities. We take steps to reduce environmental impact wherever possible.

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

Many of our products sold into the construction industry are certified by the Malaysia Green Building Confederation (MGBC), US Green Building Council (USBGC), and Vietnam Green Building Council (VGBC). The Group is actively involved with these bodies on policy development. Various Green/Eco Labels have been attained for the Group's products such as the Singapore Green Label, Singapore Green Building Product, SIRIM Eco-Label, Korea Eco-Label, Korea Healthy Building (HB) Mark, Good Environmental Choice Australia (GECA), Taiwan Green Building Material and Shanghai Green Building Materials.

As part of OSHAS 18001, we adhere to a policy of product total lifecycle assessment across the Group's products in an effort to understand and minimise the environmental impact. Every operating company within the Group has an energy management team to oversee a programme to reduce energy usage year on year basis.

Malaysian Newsprint Industries Sdn Bhd ("MNI") in collaboration with local authorities initiated community recycling campaigns involving 15 primary schools, 9 secondary schools, 2 boarding schools and 8 government offices. This programme aims to raise awareness of environmental preservation and 3R (reduce, reuse, recycle). The collected waste papers from the participants are forwarded to MNI, hence completing the product lifecycle from paper to paper.

Our commitment to the environment has guided us to continually strive to reduce our waste in our manufacturing plants in Malaysia and elsewhere in the world by offering more environmentally friendly and sustainable operations.

CORPORATE SOCIAL RESPONSIBILITY
... continued

MARKETPLACE

The Group is committed to good business ethics and integrity. 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:

- Established Financial Management Disciplines 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 is clearly set out to guide management.
- A code of business conduct and ethics of financial reports which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, and with 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 practice of responsible selling and marketing of products and services.

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. It is funded by contributions from Hong Leong Group Malaysia companies and is effectively its charitable arm through which most of the Group's philanthropic activities are conducted. The Foundation expended a total of RM20 million over the last 3 years and has the following programmes in place to assist less privileged and deserving Malaysians:

- Community Welfare Programme to address the daily needs of homes, shelters and community centres.
- Towards Self-Sufficiency:
  - o Tertiary Scholarship Programme
  - o Reach out and Rise Education Development Programme
  - o The Hong Leong Masters Scholarship Programme
  - o After School Care Programme.
- Community Partner Programme to enable furtherance of the charity's mission and vision:
  - o Good Jobs: Employment Development Programme
  - o Better Homes: Welfare Home Transformation Programme
  - o Hong Leong Foundation NGO Accelerator Programme.

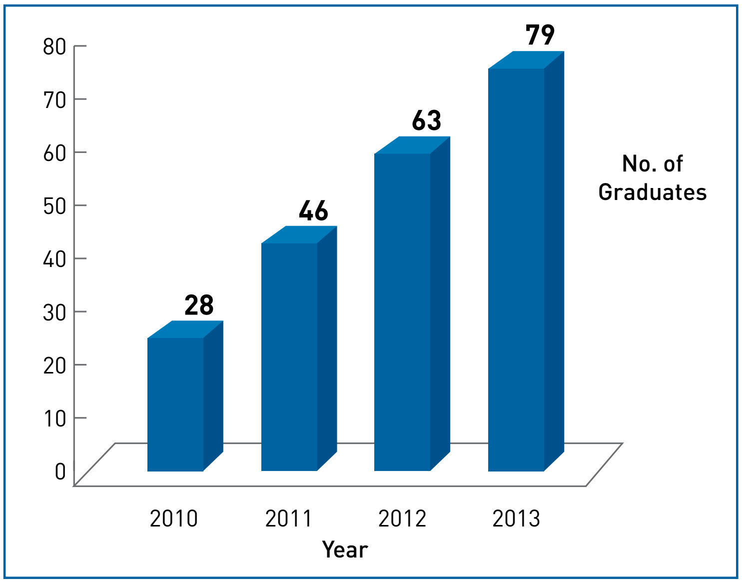
CORPORATE SOCIAL RESPONSIBILITY
... continued

COMMUNITY *cont'd*

The total funds disbursed by the Foundation in the financial year ended 30 June 2014 were RM12 million, benefiting 30 charity organisations. During the year, the Foundation disbursed RM3.7 million in scholarships to benefit around 200 scholars studying in various universities, all of whom are from financially-challenged families. On top of this amount, the Foundation has disbursed RM4.0 million under a new partnership programme with 4 major private universities. 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 RM26.3 million in scholarships to 1,204 scholars via its scholarship programmes for diplomas, degrees or masters.

Hong Leong Foundation Scholarship Graduates by Year:



This Corporate Social Responsibility Statement 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 ("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.

There is a clear division of responsibilities between the Chairman and the Group Managing Director, which are distinct and separate.

The Chairman leads the Board and ensures its smooth and effective functioning.

The Group Managing Director is responsible for the vision and strategic direction of the Group, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets for operating companies, overseeing the day-to-day operations and tracking compliance and business progress.

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 7 directors, 4 of whom are non-executive and 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

B. BOARD COMPOSITION *cont'd*

The Board will consider appropriate targets in Board diversity including gender, ethnicity and age 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.

II Nominating Committee ("NC")

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

YBhg Dato' 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, re-elections and removals of directors; appointments of Board committees and chief executive; and to review the criteria to be used.
- 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, re-election and removal of directors, and the appointment of chief executive, and the criteria used.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

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 the chief financial officer.

Having reviewed the assessments in respect of the financial year ended 30 June 2014 ("FY2014"), the NC is satisfied that the Board, Board committees, each individual director, each Board committee member and the Chief Financial Officer 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.

The NC met twice during FY2014 where all the NC members attended.

During FY2014, the NC has considered and reviewed the following:

- composition of the Board and Board committees;
- professional qualification and experience of the directors;
- independence of independent directors and their tenure;
- re-election and re-appointment of directors; and
- appointment of Group Managing Director.

The NC has also evaluated the performance of the Board and Board committees, benchmarking against their respective TOR.

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 benchmarked 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.

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

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

C. BOARD COMMITTEES *cont'd*

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

The aggregate remuneration of directors (including remuneration of a director appointed during FY2014, and remuneration earned as directors of subsidiaries) for FY2014 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	16,438	1,104,750	1,121,188
Non-Executive Directors	420,000	108,000	528,000

The number of directors 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 – 1,100,000	–	–
1,100,001 – 1,150,000	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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

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 of 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 qualified and competent 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 5 times during FY2014.

Details of attendance of each director are as follows:

Directors	**Attendance**
YBhg Datuk Kwek Leng San	5/5
Mr Jonathan Forrest Wilson	2/2
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	5/5
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	5/5
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	5/5
Mr Chuah Chuan Thye	5/5
YBhg Dato' Dr Zaha Rina binti Zahari	5/5

Mr Jonathan Forrest Wilson attended all the Board meetings held during his office as Group Managing Director of the Company for FY2014.

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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL ... continued

E. COMMITMENT *cont'd*

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.

In assessing the training needs of directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During FY2014, 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.

During FY2014, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Goods & Services Tax
- MBAM Technical Product Briefing
- Dealing and Disclosure Requirements for Directors to HK Listed Companies
- Environmental and Social Governance Reporting
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Advocacy Sessions on Corporate Disclosure for Directors
- Roles & Responsibilities of Directors under the Listing Requirements and Updates on Corporate Governance Guide – 2nd Edition
- An Integrated Assurance on Risk Management and Internal Control – Is Our Line of Defence Adequate and Effective?
- Financial Services Act 2013
- MIA International Accountants Conference 2013
- Briefing Session On Corporate Governance Guide: Towards Boardroom Excellence (2nd Edition) – An Update
- Board Chairman Series: The Role of the Chairman.

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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

F. ACCOUNTABILITY AND AUDIT *cont'd*

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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

H. SHAREHOLDERS *cont'd*

I Dialogue with Shareholders and Investors *cont'd*

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 FY2014, management has maintained 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's Chief Executive and authorised risk owners have 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.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

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.
- Recurring periodic 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 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 Group Managing Director and Chief Financial Officer 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 FY2014 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 consistently.

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

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

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

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

SECRETARY

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

TERMS OF REFERENCE

- To 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

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 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.

2 members of the Committee, who shall be independent, 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 2014, 5 Committee meetings were held and the attendance of the Committee members was as follows:

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

The Committee had 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

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 2014 amounted to RM1,591,014.

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 of Directors.

Financial Statements...

DIRECTORS' REPORT
for the financial year ended 30 June 2014

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 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	167,502	197,983
Non-controlling interests	40,468	–
	207,970	197,983

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 2014 on 20 December 2013; and

(ii) a second interim dividend of 15.0 sen per share tax exempt amounting to RM47,920,922 in respect of the financial year ended 30 June 2014 on 30 May 2014.

The Directors do not recommend a final dividend for the financial year ended 30 June 2014.

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San, Chairman
Mr Jonathan Forrest Wilson, Group Managing Director (Appointed on 27 January 2014)
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
YBhg Dato' Dr Zaha Rina binti Zahari

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

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 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share RM	Number of ordinary shares At 1.7.2013	Acquired	Sold	At 30.6.2014
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 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**
The Rank Group Plc	GBP13 8/9p	–	45,800#	–	**45,800**
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					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	–	10,661#^	–	**10,661 ^**
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	9,337,949	–	–	**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	118,000	–	70,000	**48,000**
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	1,120,280	–	–	**1,120,280**

Legend:
- \# Entitlement pursuant to the distribution of shares in The Rank Group Plc by Guoco Group Limited to its shareholders as special interim dividend in specie.
- ^ Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

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 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 SCHEME ("ESS")

The Company has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company for the benefit of eligible executives. The ESGS together with the existing executive share option scheme (''ESOS'') which was implemented on 8 March 2013 (''Effective Date'') have been renamed as ESS. The ESS will be in force for a period of 10 years from the Effective Date.

The main features of the ESS 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 or grants.

2. The aggregate number of shares comprised in:

   (i) exercised options;
   (ii) unexercised options;
   (iii) unexpired option offers and unexercised grant offers pending acceptances by the eligible executives;
   (iv) outstanding grants;
   (v) completed grants; and
   (vi) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

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

DIRECTORS' REPORT

for the financial year ended 30 June 2014

... continued

EXECUTIVE SHARE SCHEME ("ESS") *cont'd*

3. 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.

4. The exercise of the options or vesting of shares 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.

5. At any point in time during the existence of the ESS, 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.

6. The option offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of the ESOS, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

During the financial year, Guocera Tile Industries Sdn Bhd and Ceramic Research Company Sdn Bhd, both wholly-owned by Guocera Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, granted 195,000 ordinary shares of RM0.50 each in the Company ("Shares"), free of consideration, to certain eligible executives of the Group under the ESGS. There were no options granted under the ESOS during the financial year.

Since the commencement of the ESS, a total of 195,000 Shares had been granted. There were no options and/or grant of shares to Directors, chief executive or senior management of the Group.

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.

DIRECTORS' REPORT
for the financial year ended 30 June 2014
... continued

OTHER STATUTORY INFORMATION *cont'd*

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 2014 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,

Jonathan Forrest Wilson

Dato' Ahmad Johari bin Tun Abdul Razak

Kuala Lumpur
25 August 2014

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Assets					
Property, plant and equipment	4	**382,158**	416,300	**617**	338
Investment property	5	**4,000**	2,231	**–**	–
Investments in subsidiary companies	6	**–**	–	**804,052**	937,336
Investments in associated companies	7	**346,464**	328,390	**182,213**	182,573
Other investments	8	**547,963**	706,291	**12,397**	181,277
Intangible assets	9	**16,501**	14,681	**–**	–
Deferred tax assets	10	**13**	8,292	**–**	–
Tax credit receivable	11	**4,582**	–	**–**	–
Total non-current assets		**1,301,681**	1,476,185	**999,279**	1,301,524
Inventories	12	**180,442**	206,558	**–**	–
Trade and other receivables, including derivatives	13	**382,759**	427,560	**302**	143
Current tax assets		**36,728**	24,111	**34,523**	21,767
Cash and cash equivalents	14	**196,410**	354,347	**6,952**	20,836
		796,339	1,012,576	**41,777**	42,746
Assets pending distribution	15	**316,468**	–	**236,100**	–
Total current assets		**1,112,807**	1,012,576	**277,877**	42,746
Total assets		**2,414,488**	2,488,761	**1,277,156**	1,344,270

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2014
... continued

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Equity					
Share capital	16	**163,953**	163,953	**163,953**	163,953
Reserves	17	**1,160,954**	1,069,017	**433,385**	312,981
Treasury shares - at cost	18	**(63,318)**	(63,318)	**(63,318)**	(63,318)
Total equity attributable to owners of the Company		**1,261,589**	1,169,652	**534,020**	413,616
Non-controlling interests		**114,929**	113,166	**–**	–
Total equity		**1,376,518**	1,282,818	**534,020**	413,616
Liabilities					
Loans and borrowings	19	**50,000**	697,663	**50,000**	670,000
Deferred tax liabilities	10	**7,629**	7,481	**–**	–
Deferred income	20	**4,375**	–	**–**	–
Employee benefits	21(a)	**21,151**	19,838	**345**	340
Total non-current liabilities		**83,155**	724,982	**50,345**	670,340
Trade and other payables, including derivative	22	**287,020**	327,080	**243,791**	195,314
Loans and borrowings	19	**572,742**	137,430	**449,000**	65,000
Tax payable		**15,385**	16,451	**–**	–
		875,147	480,961	**692,791**	260,314
Liabilities pending distribution	15	**79,668**	–	**–**	–
Total current liabilities		**954,815**	480,961	**692,791**	260,314
Total liabilities		**1,037,970**	1,205,943	**743,136**	930,654
Total equity and liabilities		**2,414,488**	2,488,761	**1,277,156**	1,344,270

The notes on pages 51 to 118 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2014

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue					
Sales of goods and services		**2,021,497**	2,006,359	**–**	–
Dividend income		**36,983**	40,681	**204,480**	127,869
		2,058,480	2,047,040	**204,480**	127,869
Cost of sales		**(1,644,548)**	(1,652,430)	**–**	–
Gross profit		**413,932**	394,610	**204,480**	127,869
Distribution costs		**(127,783)**	(126,519)	**–**	–
Administration expenses		**(64,214)**	(63,713)	**(8,528)**	(6,951)
Other operating expenses		**(8,125)**	(11,221)	**(859)**	(1,203)
Other operating income		**43,374**	34,138	**62,124**	22,006
Results from operations		**257,184**	227,295	**257,217**	141,721
Interest income		**2,601**	2,402	**259**	161
Finance costs		**(59,649)**	(58,023)	**(56,011)**	(53,994)
Share of profit in associated companies, net of tax		**37,541**	43,699	**–**	–
Profit before taxation	23	**237,677**	215,373	**201,465**	87,888
Taxation	24	**(34,075)**	(30,214)	**(3,482)**	(898)
Profit from continuing operations		**203,602**	185,159	**197,983**	86,990
Discontinued operation					
Profit from discontinued operation, net of tax	15	**4,368**	6,996	**–**	–
Profit for the year		**207,970**	192,155	**197,983**	86,990
Profit attributable to:					
Owners of the Company		**167,502**	147,591	**197,983**	86,990
Non-controlling interests		**40,468**	44,564	–	–
		207,970	192,155	**197,983**	86,990
Basic earnings per ordinary share (sen)					
- Continuing operations		**52.90**	45.59		
- Discontinued operation		**1.42**	2.27		
	25	**54.32**	47.86		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2014

... continued

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year		**207,970**	192,155	**197,983**	86,990
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
- Foreign currency translation differences for foreign operations		**1,226**	2,532	**–**	–
- Gain on fair value of available-for-sale financial assets		**4**	5,522	**–**	–
Total other comprehensive income for the year		**1,230**	8,054	**–**	–
Total comprehensive income for the year		**209,200**	200,209	**197,983**	86,990
Total comprehensive income attributable to:					
Owners of the Company		**168,732**	155,514	**197,983**	86,990
Non-controlling interests		**40,468**	44,695	–	–
		209,200	200,209	**197,983**	86,990

The notes on pages 51 to 118 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Attributable to owners of the Company											
	Non-distributable							Distributable				
	Share capital RM'000	Share premium RM'000	Exchange equalisation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 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 26)	-	-	-	-	-	-	-	-	(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 reserve	-	-	-	-	152	-	-	-	(152)	-	-	-
At 30 June 2013/1 July 2013	163,953	387,038	1,772	10	20,614	(41,459)	-	(63,318)	701,042	1,169,652	113,166	1,282,818

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2014

... continued

	Attributable to owners of the Company											
	Non-distributable							Distributable				
	Share capital RM'000	Share premium RM'000	Exchange equalisation reserve RM'000	Fair value reserve RM'000	Other reserves RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 30 June 2013/1 July 2013	163,953	387,038	1,772	10	20,614	(41,459)	–	(63,318)	701,042	1,169,652	113,166	1,282,818
Profit for the year	–	–	–	–	–	–	–	–	167,502	167,502	40,468	207,970
Other comprehensive income												
- Foreign currency translation differences	–	–	1,226	–	–	–	–	–	–	1,226	–	1,226
- Gain on fair value of available for-sale financial assets	–	–	–	4	–	–	–	–	–	4	–	4
Total comprehensive income for the year	–	–	1,226	4	–	–	–	–	167,502	168,732	40,468	209,200
Contributions by and distributions to owners of the Company												
Dividends (Note 26)	–	–	–	–	–	–	–	–	(77,088)	(77,088)	(38,485)	(115,573)
Share-based payments	–	–	–	–	–	–	293	–	–	293	–	293
Liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	(220)	(220)
Total transactions with owners of the Company	–	–	–	–	–	–	293	–	(77,088)	(76,795)	(38,705)	(115,500)
Transfer to capital reserve	–	–	–	–	854	–	–	–	(854)	–	–	–
At 30 June 2014	**163,953**	**387,038**	**2,998**	**14**	**21,468**	**(41,459)**	**293**	**(63,318)**	**790,602**	**1,261,589**	**114,929**	**1,376,518**

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2014
... continued

	Attributable to owners of the Company						
	Non-distributable					Distributable	
	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Reserve for own shares RM'000	Treasury shares RM'000	(Accumulated losses)/ retained earnings RM'000	Total equity RM'000
Company							
At 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 26)	–	–	–	–	–	(68,269)	(68,269)
Total transactions with owners of the Company	–	–	–	–	–	(68,269)	(68,269)
At 30 June 2013 / 1 July 2013	163,953	387,038	3,943	(33,995)	(63,318)	(44,005)	413,616
Profit for the year/ total comprehensive income for the year	–	–	–	–	–	197,983	197,983
Distributions to owners of the Company							
Dividends (Note 26)	–	–	–	–	–	(77,579)	(77,579)
Total transactions with owners of the Company	–	–	–	–	–	(77,579)	(77,579)
At 30 June 2014	**163,953**	**387,038**	**3,943**	**(33,995)**	**(63,318)**	**76,399**	**534,020**

The notes on pages 51 to 118 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from operating activities					
Profit before taxation					
- From continuing operations		**237,677**	215,373	**201,465**	87,888
- From discontinued operation		**5,543**	8,554	**–**	–
		243,220	223,927	**201,465**	87,888
Adjustments for:					
Amortisation of deferred income		**(207)**	–	**–**	–
Amortisation of intangible assets					
- Computer software		**669**	511	**–**	–
- Development expenditure		**2,537**	2,221	**–**	–
Depreciation of property, plant and equipment		**49,467**	47,236	**133**	111
Dividend income		**(40,560)**	(42,870)	**(204,480)**	(127,869)
Finance costs		**60,468**	58,023	**56,011**	53,994
Fair value gain on investment property		**(1,769)**	–	**–**	–
Fair value loss/(gain) on derivative instruments		**756**	(2,079)	**(1,016)**	(953)
(Gain)/loss on disposal of property, plant and equipment		**(7,418)**	(569)	**(4)**	27
Gain on disposal of assets held for sale		**–**	(7,428)	**–**	–
Gain on liquidation of a subsidiary company		**–**	–	**(318)**	(1,458)
Gain on disposal of other investments		**–**	(1,643)	**–**	–
Gain on disposal of subsidiary companies		**–**	(5,953)	**–**	–
Gain on capital distribution		**–**	–	**(46,689)**	–
Goodwill written off		**–**	477	**–**	–
Interest income		**(2,827)**	(2,659)	**(259)**	(161)
(Gain)/loss on fair value of financial assets at fair value through profit or loss		**(16,668)**	1,024	**(6,120)**	1,024
Property, plant and equipment written off		**36**	538	**–**	85
Retirement benefits provision		**2,421**	2,645	**5**	4
Reversal of impairment loss in investment in a subsidiary company		**–**	–	**(7,810)**	(10,700)
Share-based payments		**293**	–	**–**	–
Share of profit in associated companies		**(37,541)**	(43,699)	**–**	–
Unrealised loss on foreign exchange		**154**	1,098	**–**	–
Other non-cash items		**–**	72	**–**	(552)
Operating profit/ (loss) before working capital changes		**253,031**	230,872	**(9,082)**	1,440

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2014
... continued

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Operating profit/(loss) before working capital changes *cont'd*					
Inventories		**(18,462)**	13,325	**–**	–
Trade and other receivables		**(18,401)**	(33,548)	**(159)**	(12)
Trade and other payables		**11,784**	55,858	**49,493**	(23,270)
Cash generated from/(used in) operations		**227,952**	266,507	**40,252**	(21,842)
Taxation (paid)/refund		**(48,380)**	(40,768)	**324**	4,313
Interest income received		**2,827**	2,659	**259**	161
Finance costs paid		**(60,468)**	(58,023)	**(56,011)**	(53,994)
Dividends received from					
- Subsidiary companies		**–**	–	**166,654**	88,065
- Associated companies		**19,997**	24,190	**19,631**	24,190
- Other investments		**51,434**	28,830	**1,633**	1,393
Retirement benefits paid		**(156)**	(616)	**–**	–
Net cash generated from operating activities		**193,206**	222,779	**172,742**	42,286
Cash flows from investing activities					
Acquisition of subsidiary companies		**–**	–	**(123,881)**	–
Addition in other investments		**–**	(272,421)	**–**	–
Addition of development expenditure		**(4,344)**	(2,518)	**–**	–
Addition of computer software		**(1,177)**	(1,025)	**–**	–
Additional investment in subsidiary companies		**–**	–	**(7,200)**	(270,000)
Net cash and cash equivalents pending distribution		**(12,247)**	–	**–**	–
Cash distribution to non-controlling shareholder of a subsidiary company		**(220)**	(6,825)	**–**	–
Cash distribution from subsidiary companies		**–**	–	**170,888**	9,875
Cash distribution from an associate company		**360**	–	**360**	–
Purchase of property, plant and equipment		**(45,288)**	(64,574)	**(478)**	(141)
Proceeds from disposal of property, plant and equipment		**11,300**	3,131	**70**	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 subsidiary companies		**–**	–	**87,194**	19,700
Net cash outflow from disposal of subsidiary companies	27	**–**	(447)	**–**	–
Net cash outflow from dissolution of a subsidiary company		**–**	(38)	**–**	–
Net cash (used in)/ generated from investing activities		**(51,616)**	(261,869)	**126,953**	(239,945)

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2014
... continued

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Cash flows from financing activities					
Dividends paid to					
- Owners of the Company		**(77,088)**	(67,838)	**(77,579)**	(68,269)
- Non-controlling shareholders of subsidiary companies		**(38,485)**	(27,739)	**–**	–
Drawdown of borrowings		**551,825**	552,521	**243,000**	335,000
Repayment of borrowings		**(736,476)**	(278,696)	**(479,000)**	(60,000)
Net cash (used in)/ generated from financing activities		**(300,224)**	178,248	**(313,579)**	206,731
Net change in cash and cash equivalents		**(158,634)**	139,158	**(13,884)**	9,072
Effect of exchange rate fluctuations on cash held		**697**	(428)	**–**	–
Cash and cash equivalents at 1 July		**354,347**	215,617	**20,836**	11,764
Cash and cash equivalents at 30 June		**196,410**	354,347	**6,952**	20,836

Cash and cash equivalents

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

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Deposits with licensed financial institutions	**130,327**	289,507	**309**	3,036
Cash and bank balances	**66,083**	64,840	**6,643**	17,800
	196,410	354,347	**6,952**	20,836

The notes on pages 51 to 118 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Hong Leong Industries Berhad (''the Company'') 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 2014 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 2014 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 25 August 2014.

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 Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, 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.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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.

(ii) 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.

For new acquisitions, 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations *cont'd*

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.

(iii) 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.

(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 ESS Trust set up as mentioned in Note 2.2(n)(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 former subsidiary, any non-controlling interests and the other components of equity related to the former 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 former 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(vi) Associates *cont'd*

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 associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

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 if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured 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.

(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 investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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 are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that 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 denominated 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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 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.

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)).

NOTES TO THE FINANCIAL STATEMENTS
... continued

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 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 that do not have a quoted price in an active market for identical 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

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 between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

The 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 based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(iii) Depreciation *cont'd*

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.

(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 associates.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(f) Intangible assets *cont'd*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(g) Investment property

(i) Investment property carried at fair value

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

(iii) Determination of fair value

The Directors estimate the fair values of the Company's investment property 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 knowledgeable willing parties 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(i) Cash and cash equivalents

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

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Impairment *cont'd*

(ii) Other assets *cont'd*

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 / pending distribution

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

Immediately before classification as held for sale or distribution, 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.

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 or distribution 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(m) 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Employee benefits *cont'd*

(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.

(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 Scheme (''ESS'').

In connection with the ESS, trusts have been set up and are administered by an appointed trustee ("ESS 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 ESS Trusts ("Trust Shares").

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

The fair value of the share options or grant offers 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 ESS 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 ESS Trusts are eliminated against the Company's dividend payment.

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(o) Provisions *cont'd*

(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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(q) 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.

(r) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(r) Taxation *cont'd*

The Group and the Company regard the unutilised reinvestment allowance as investment tax credits ("ITCs") and these ITCs are recognised using accounting treatment similar to that of a government grant. Unutilised reinvestment allowance to the extent that it is probable that the future taxable profit will be available against the unutilised reinvestment allowance can be utilised are recognised as a tax credit receivable and correspondingly deferred income.

The tax credit receivable will be charged out to the profit or loss based on the utilisation of reinvestment allowance in each financial period. Deferred income, on the other hand, will be amortised over the estimated remaining useful lives of the assets concerned.

(s) Earnings per ordinary share ("EPS")

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

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.

(t) 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.

(u) Fair value measurement

From 1 July 2013, the Group adopted MFRS 13, Fair Value Measurement which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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 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*
- Amendments to MFRS 136, *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretations 21, *Levies*

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 116, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*
- Amendments to MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Amortisation*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisition of Interest in Joint Operations*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- MFRS 9, Financial Instruments – *Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

NOTES TO THE FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

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

- from the annual period beginning on 1 July 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014; and
- from the annual period beginning on 1 July 2016 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact on the financial statements of the Group and Company.

3. COMPANIES IN THE GROUP

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

Name of Company	Country of incorporation	Principal activities	Effective ownership interest 2014 %	2013 %
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	Investment holding.	**100**	100
• Guocera Tile Industries Sdn Bhd	Malaysia	Manufacture of ceramic tiles.	**100**	100
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	Manufacture of ceramic tiles.	**70**	70
• Century Touch Sdn Bhd#	Malaysia	In members' voluntary liquidation.	**70**	70
• Guocera Marketing Sdn Bhd	Malaysia	General trading in ceramic tiles and investment holding.	**100**	100
• Guocera Marketing Singapore Pte Ltd	Singapore	General trading in ceramic tiles.	**100**	100
• Ceramic Research Company Sdn Bhd	Malaysia	Research and development of ceramic tiles and related products.	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
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3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Principal activities	Effective ownership interest 2014 %	2013 %
Subsidiary Companies				
• Guocera Marketing (International) Sdn Bhd	Malaysia	Procurement and sale of raw materials, parts and components, and finished products of ceramic tiles for the local and export markets.	**100**	100
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.	**69.4**	69.4
Hume Cemboard Industries Sdn Bhd^	Malaysia	Manufacture and sale of fibre cement products.	**100**	100
Malex Industrial Products Sdn Bhd^	Malaysia	Manufacture and sale of fibre cement products and investment holding.	**100**	100
• Hume Cemboard Marketing Sdn Bhd^	Malaysia	Sale and distribution of fibre cement products.	**100**	100
Hume Roofing Products Sdn Bhd^	Malaysia	Manufacture and sale of concrete roofing tiles.	**100**	100
Hume Fibreboard Sdn Bhd^	Malaysia	Investment trading.	**100**	100
Hume Marketing Co Sdn Bhd	Malaysia	Distribution of building materials.	**100**	100
Hume Marketing (EM) Sdn Bhd	Malaysia	Distribution of building materials.	**100**	100
Hume Concrete Sdn Bhd (formerly known as Hume Industries (Malaysia) Sdn Bhd)^^	Malaysia	Manufacture of concrete products and investment holding.	**100**	100
• Hume Concrete (EM) Sdn Bhd^^	Malaysia	Manufacture and sale of concrete and related products.	**100**	100
• Hume Concrete Marketing Sdn Bhd^^	Malaysia	Marketing of concrete and related products.	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
... continued

3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Principal activities	Effective ownership interest 2014 %	2013 %
Subsidiary Companies				
• Hume Concrete Products Research Centre Sdn Bhd^^	Malaysia	Research and development of concrete products.	**100**	100
Stableview Sdn Bhd*	Malaysia	Investment holding.	**100**	100
Maxider Sdn Bhd*	Malaysia	Investment holding.	**100**	100
Megah Court Condominium Development Sdn Bhd*	Malaysia	Property management.	**100**	100
Taman Terang Sdn Bhd*	Malaysia	Investment holding.	**100**	100
HLI Trading Limited*	Hong Kong	Investment holding.	**100**	100
• Avenues Zone Inc*	Malaysia	Investment holding.	**100**	100
HLI Overseas Limited♦	Jersey, Channel Islands	Dormant.	**100**	100
RZA Logistics Sdn Bhd @#	Malaysia	In members' voluntary liquidation.	**59.1**	59.1
Guotrade (Malaysia) Sdn Bhd	Malaysia	Dissolved.	**–**	100
Varinet Sdn Bhd #	Malaysia	In members' voluntary liquidation.	**60**	60
Hong Leong Maruken Sdn Bhd #	Malaysia	In members' voluntary liquidation.	**70**	70
MZ Holdings Limited*	Hong Kong	Investment holding.	**100**	100
MZ Motorrad Group Limited♦	Bermuda	Investment holding.	**100**	100
Associated Companies				
HICOM-Yamaha Manufacturing Malaysia Sdn Bhd*	Malaysia	Manufacture and assembly of motorcycle engines and parts.	**30**	30
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	Provision of research and development services.	**34**	34

NOTES TO THE FINANCIAL STATEMENTS
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3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Principal activities	Effective ownership interest 2014 %	2013 %
Associated Companies *cont'd*				
Yamaha Motor Vietnam Co., Ltd	Vietnam	Procure and assemble motorcycles, motorcycle and components and provision of maintenance and repair service for motorcycles.	**24**	24
Malaysian Newsprint Industries Sdn Bhd	Malaysia	Manufacture and sale of newsprint and related paper products.	**33.7**	33.7
Laras Perkasa Sdn Bhd#	Malaysia	In members' voluntary liquidation.	**30**	30

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 members' voluntary liquidation and have been consolidated based on unaudited financial statements.
- ^ These subsidiaries became direct subsidiaries of Hong Leong Industries Berhad upon disposal from Hume Concrete Sdn Bhd (formerly known as Hume Industries (Malaysia) Sdn Bhd) ("HCCT").
- ^^ The investment in HCCT and its subsidiaries have been classified as pending distribution disclosed in Note 15.
- @ This subsidiary will be dissolved on 30 September 2014.

NOTES TO THE FINANCIAL STATEMENTS
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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 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/ 1 July 2013	46,968	187,717	34,088	17,633	680,037	23,412	989,855
Additions	793	914	–	21	24,895	18,665	45,288
Reclassification	–	79	–	–	28,041	(28,120)	–
Reclassified to assets pending distribution	–	–	(8,293)	(12,858)	(12,363)	–	(33,514)
Disposals	(2,405)	(1,219)	–	–	(11,980)	–	(15,604)
Write off	–	–	–	–	(3,938)	–	(3,938)
Effect of movements in exchange rates	–	–	–	–	9	–	9
At 30 June 2014	**45,356**	**187,491**	**25,795**	**4,796**	**704,701**	**13,957**	**982,096**

NOTES TO THE FINANCIAL STATEMENTS
... continued

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 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/ 1 July 2013	–	50,936	1,916	2,525	518,178	–	573,555
Charge for the year	–	4,916	815	1,029	42,707	–	49,467
Reclassified to assets pending distribution	–	–	(854)	(2,371)	(4,239)	–	(7,464)
Disposals	–	(212)	–	–	(11,510)	–	(11,722)
Write off	–	–	–	–	(3,902)	–	(3,902)
Effect of movements in exchange rates	–	–	–	–	4	–	4
At 30 June 2014	**–**	**55,640**	**1,877**	**1,183**	**541,238**	**–**	**599,938**
Carrying amounts							
At 1 July 2012	46,968	138,764	32,988	15,730	162,239	7,780	404,469
At 30 June 2013/ 1 July 2013	46,968	136,781	32,172	15,108	161,859	23,412	416,300
At 30 June 2014	**45,356**	**131,851**	**23,918**	**3,613**	**163,463**	**13,957**	**382,158**

NOTES TO THE FINANCIAL STATEMENTS
... continued

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

	Office equipment & motor vehicles RM'000	Total RM'000
Company		
Cost		
At 1 July 2012	1,349	1,349
Additions	141	141
Disposals	(887)	(887)
Write off	(88)	(88)
At 30 June 2013/ 1 July 2013	515	515
Additions	478	478
Disposals	(86)	(86)
At 30 June 2014	**907**	**907**
Accumulated depreciation		
At 1 July 2012	308	308
Charge for the year	111	111
Disposals	(239)	(239)
Write off	(3)	(3)
At 30 June 2013/ 1 July 2013	177	177
Charge for the year	133	133
Disposals	(20)	(20)
At 30 June 2014	**290**	**290**
Carrying amounts		
At 1 July 2012	1,041	1,041
At 30 June 2013/ 1 July 2013	338	338
At 30 June 2014	**617**	**617**

NOTES TO THE FINANCIAL STATEMENTS
... continued

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

Land

Leasehold land are analysed by:

	Group 2014 RM'000	Group 2013 RM'000
Unexpired lease period more than 50 years	**19,818**	24,507
Unexpired lease period less than 50 years	**4,100**	7,665
	23,918	32,172

5. INVESTMENT PROPERTY

	Group 2014 RM'000	Group 2013 RM'000
At 1 July	**2,231**	2,231
Fair value gain recognised in profit or loss	**1,769**	–
At 30 June	**4,000**	2,231

Included in the above are:

	Group 2014 RM'000	Group 2013 RM'000
At fair value:-		
Leasehold land with unexpired lease period of more than 50 years	**4,000**	2,231

Fair value information

Fair value of investment property is categorised as Level 3:

Level 3 fair values of the leasehold land have been determined by Directors' valuation using sales comparison approach. Sales price of comparable properties are adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation is price per square feet of comparable properties.

NOTES TO THE FINANCIAL STATEMENTS
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6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2014 RM'000	2013 RM'000
At cost:		
Unquoted shares	**954,490**	1,121,629
Less: Impairment loss	**(150,438)**	(184,293)
	804,052	937,336

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At cost/written down value:				
- Unquoted shares	**266,940**	267,300	**112,073**	112,433
- Unquoted redeemable preference shares	**36,429**	36,429	**70,140**	70,140
	303,369	303,729	**182,213**	182,573
Share of capital reserves	**(46,670)**	(47,194)	**–**	–
Share of post-acquisition reserves	**89,765**	71,855	**–**	–
	346,464	328,390	**182,213**	182,573

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

7. INVESTMENTS IN ASSOCIATED COMPANIES *cont'd*

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

	2014 RM'000	2013 RM'000
Summarised financial information		
As at 30 June		
Non-current assets	**1,097,437**	1,229,713
Current assets	**692,503**	629,629
Non-current liabilities	**(144,265)**	(336,439)
Current liabilities	**(410,717)**	(488,810)
Net assets	**1,234,958**	1,034,093
Year ended 30 June		
Total comprehensive income	**131,164**	167,835
Included in the total comprehensive income is:		
Revenue	**3,405,054**	4,333,691
Reconciliation of net assets to carrying amount:		
As at 30 June		
Group's share of net assets other than goodwill of the associated companies	**346,183**	328,109
Premium on acquisition	**281**	281
Carrying amount in the statement of financial position	**346,464**	328,390
Group's share of results		
Year ended 30 June		
Group's share of total comprehensive income	**37,541**	43,699

NOTES TO THE FINANCIAL STATEMENTS
... continued

8. OTHER INVESTMENTS

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current					
Available-for-sale financial assets					
- Unquoted shares	8.1	**10**	175,010	**10**	175,010
- Shares quoted in Malaysia		**18**	14	**–**	–
		28	175,024	**10**	175,010
Financial assets at fair value through profit or loss					
- Investment in unit trust	8.2	**535,548**	525,000	**–**	–
- Shares quoted in Malaysia		**12,387**	6,267	**12,387**	6,267
		547,935	531,267	**12,387**	6,267
		547,963	706,291	**12,397**	181,277

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Representing items:					
At cost					
- Unquoted shares	8.1	**10**	175,010	**10**	175,010

Note 8.1

In the previous financial year ended 30 June 2013, includes the subscription for the 175 million Irredeemable Convertible Preference Shares at par value of RM1.00 each ("ICPS") in Hume Cement Sdn Bhd ("HCMT"), 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 HCMT. 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 HCMT.

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

NOTES TO THE FINANCIAL STATEMENTS
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8. OTHER INVESTMENTS *cont'd*

Note 8.1 *cont'd*

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 HCMT.

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

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 HCMT 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 HCMT held by each holder.

As a result of the Company's corporate exercise as disclosed in Note 33, the investment in the ICPS in HCMT has been classified as assets pending distribution (see Note 15).

Note 8.2

The Group's investment in unit trust is managed by Hong Leong Asset Management Berhad. The investment in unit trust has been fully redeemed by the Group subsequent to the financial year end.

9. INTANGIBLE ASSETS

	Goodwill RM'000	Development expenditure RM'000	Computer software RM'000	Total RM'000
Group				
Cost				
At 1 July 2012	66,975	8,322	2,922	78,219
Additions	–	2,518	1,025	3,543
At 30 June 2013/ 1 July 2013	66,975	10,840	3,947	81,762
Additions	–	4,344	1,177	5,521
Reclassified to assets pending distribution	–	–	(1,538)	(1,538)
At 30 June 2014	**66,975**	**15,184**	**3,586**	**85,745**

NOTES TO THE FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS *cont'd*

	Goodwill RM'000	Development expenditure RM'000	Computer software RM'000	Total RM'000
Group				
Amortisation and impairment loss				
At 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/ 1 July 2013				
Accumulated amortisation	–	6,577	1,781	8,358
Accumulated impairment loss	58,723	–	–	58,723
	58,723	6,577	1,781	67,081
Amortisation for the year	–	2,537	669	3,206
Reclassified to assets pending distribution	–	–	(1,043)	(1,043)
Accumulated amortisation	–	9,114	1,407	10,521
Accumulated impairment loss	58,723	–	–	58,723
At 30 June 2014	**58,723**	**9,114**	**1,407**	**69,244**
Group				
Carrying amounts				
At 1 July 2012	8,729	3,966	1,652	14,347
At 30 June 2013/1 July 2013	8,252	4,263	2,166	14,681
At 30 June 2014	**8,252**	**6,070**	**2,179**	**16,501**

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 6.8% (2013: 5.8%) The gross margins used in the projections were based on past experience and expectations of market developments.

NOTES TO THE FINANCIAL STATEMENTS
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10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Property, plant and equipment	**–**	–	**(22,303)**	(24,426)	**(22,303)**	(24,426)
Provisions	**14,687**	15,756	**–**	–	**14,687**	15,756
Unabsorbed tax losses	**–**	9,481	**–**	–	**–**	9,481
Deferred tax assets/(liabilities)	**14,687**	25,237	**(22,303)**	(24,426)	**(7,616)**	811
Set off of tax	**(14,674)**	(16,945)	**14,674**	16,945	**–**	–
Net tax assets/(liabilities)	**13**	8,292	**(7,629)**	(7,481)	**(7,616)**	811

Unrecognised deferred tax assets

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

	Group	
	2014 RM'000	**2013 RM'000**
Accelerated capital allowances	**(1,663)**	(1,459)
Provisions	**10,640**	15,037
Unabsorbed capital allowances	**39,110**	41,457
Unabsorbed tax losses	**58,431**	59,590
	106,518	114,625

The accelerated capital allowances, provisions, 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.

NOTES TO THE FINANCIAL STATEMENTS
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10. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

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

	At 1.7.2012 RM'000	Recognised in profit or loss (Note 24) RM'000	At 30.6.2013 / 1.7.2013 RM'000	Recognised in profit or loss (Note 24) RM'000	Reclassified to assets/ liabilities pending distribution (Note 15) RM'000	At 30.6.2014 RM'000
Group						
Accelerated capital allowances	(24,338)	(88)	(24,426)	(2,108)	4,231	**(22,303)**
Provisions	13,099	2,657	15,756	800	(1,869)	**14,687**
Unabsorbed tax losses	9,434	47	9,481	536	(10,017)	**–**
	(1,805)	2,616	811	(772)	(7,655)	**(7,616)**

11. TAX CREDIT RECEIVABLE

This represents unutilised investment tax allowance recognised during the financial year.

12. INVENTORIES

	Group 2014 RM'000	Group 2013 RM'000
Raw materials and consumables	**61,863**	74,097
Work-in-progress	**14,408**	12,394
Finished goods	**104,171**	120,067
	180,442	206,558

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Trade					
Trade receivables					
- Third parties		**348,327**	398,663	**–**	–
- Related companies	13.1	**17,369**	6,761	**–**	–
- Associated companies		**7**	8	**–**	–
		365,703	405,432	**–**	–
Less: Allowance for impairment losses		**(12,814)**	(16,033)	**–**	–
		352,889	389,399	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
... continued

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES *cont'd*

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-trade					
Amounts due from:					
- Subsidiary companies	13.2	**–**	–	**50**	68
- Related companies	13.2	**135**	207	**–**	–
Other receivables and deposits		**18,049**	21,851	**96**	45
Prepayments		**11,684**	14,412	**156**	30
Derivative financial assets					
- Forward exchange contract		**2**	1,691	**–**	–
		382,759	427,560	**302**	143

Note 13.1

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

Note 13.2

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed financial institutions	**130,327**	289,507	**309**	17,800
Cash and bank balances	**66,083**	64,840	**6,643**	3,036
	196,410	354,347	**6,952**	20,836

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits with licensed financial institutions	**20,122**	66,177	**–**	–
Cash and bank balances	**19,681**	56,048	**737**	227
	39,803	122,225	**737**	227

Cash and bank balances of the Group amounting to RM23,649,000 (2013: RM31,198,000) and RM339,000 (2013: RM156,000) are denominated in US Dollar and Euro respectively.

NOTES TO THE FINANCIAL STATEMENTS
... continued

15. ASSETS / LIABILITIES PENDING DISTRIBUTION

Pending the completion of the Proposed Disposal and Proposed Capital Distribution pursuant to the corporate exercise as disclosed in Note 33, the related assets and liabilities of Hume Concrete Sdn Bhd (formerly known as Hume Industries (Malaysia) Sdn Bhd) ("HCCT") and Irredeemable Convertible Preference Shares in Hume Cement Sdn Bhd have been classified as assets pending distribution and liabilities pending distribution respectively.

The results of HCCT have been separately disclosed as discontinued operation during the financial year.

Profit attributable to the discontinued operation was as follows:

Results of discontinued operation

	2014 RM'000	2013 RM'000
Revenue		
Sales of goods and services	**215,980**	213,907
Dividend income	**58**	–
	216,038	213,907
Cost of sales	**(183,846)**	(179,353)
Gross profit	**32,192**	34,554
Distribution costs	**(20,037)**	(19,876)
Administration expenses	**(9,155)**	(8,284)
Other operating expenses	**(442)**	(53)
Other operating income	**3,578**	1,956
Results from operations	**6,136**	8,297
Interest income	**226**	257
Finance costs	**(819)**	–
Profit before taxation	**5,543**	8,554
Taxation	**(1,175)**	(1,558)
Profit from discontinued operation, net of tax	**4,368**	6,996

At 30 June 2014, the assets and liabilities pending distribution are as follows:

	2014 RM'000
Assets pending distribution	
Property, plant and equipment	**26,050**
Other investments	**175,000**
Intangible assets	**495**
Deferred tax assets	**7,655**
Inventories	**44,578**
Trade and other receivables	**50,119**
Current tax assets	**324**
Cash and cash equivalents	**12,247**
	316,468

NOTES TO THE FINANCIAL STATEMENTS
... continued

15. ASSETS / LIABILITIES PENDING DISTRIBUTION *cont'd*

	2014 RM'000
Liabilities pending distribution	
Trade and other payables	**50,911**
Loans and borrowings	**27,700**
Tax payable	**105**
Employee benefits	**952**
	79,668

Statement of Cash Flows

	2014 RM'000	2013 RM'000
The cash flows attributable to distribution group are as follows:		
Operating	**(5,098)**	7,904
Investing	**(4,273)**	(1,381)
Financing	**9,200**	1,811
Net cash (outflows)/inflows	**(171)**	8,334

16. SHARE CAPITAL

	Group and Company			
	Number of shares 2014 '000	Amount 2014 RM'000	Number of shares 2013 '000	Amount 2013 RM'000
Authorised				
Ordinary shares of RM0.50 each	**600,000**	**300,000**	600,000	300,000
Issued and fully paid classified as equity instruments:				
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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

17. RESERVES

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Reserves consist of:-					
Share premium		**387,038**	387,038	**387,038**	387,038
Exchange equalisation reserve		**2,998**	1,772	**–**	–
Fair value reserve		**14**	10	**–**	–
Other reserves	17.1	**21,468**	20,614	**3,943**	3,943
Reserve for own shares	17.2	**(41,459)**	(41,459)	**(33,995)**	(33,995)
Executive share scheme reserve		**293**	–	**–**	–
Retained earnings		**790,602**	701,042	**76,399**	(44,005)
		1,160,954	1,069,017	**433,385**	312,981

Note 17.1

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 17.2

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

As at 30 June 2014, the total number of HLI Shares held by the ESS Trust was 11,117,133 (2013: 11,117,133) HLI Shares.

18. TREASURY SHARES – AT COST

	Group and Company			
	Amount 2014 RM'000	Number of shares 2014 '000	Amount 2013 RM'000	Number of shares 2013 '000
Ordinary shares of RM0.50 each	**63,318**	**8,432**	63,318	8,432

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

19. LOANS AND BORROWINGS

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Non-current (unsecured)				
Medium term notes	**–**	510,000	**–**	510,000
Term loans	**50,000**	187,663	**50,000**	160,000
	50,000	697,663	**50,000**	670,000
Current (unsecured)				
Medium term notes	**270,000**	–	**270,000**	–
Term loans	**12,337**	7,500	**–**	–
Bankers acceptances	**38,552**	31,430	**–**	–
Revolving credit	**251,853**	98,500	**179,000**	65,000
	572,742	137,430	**449,000**	65,000
Total	**622,742**	835,093	**499,000**	735,000

The non-current borrowings are payable as follows:

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
One to two years	**–**	537,663	**–**	585,000
Two to five years	**50,000**	160,000	**50,000**	85,000
	50,000	697,663	**50,000**	670,000

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

	Group 2014 %	Group 2013 %	Company 2014 %	Company 2013 %
Terms loans	**4.1 to 4.5**	4.1 to 4.4	**4.1 to 4.2**	4.1 to 4.3
Bankers acceptances	**3.3 to 3.9**	3.4 to 3.7	**–**	–
Revolving credit	**3.5 to 4.3**	3.5 to 4.3	**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 Company had, on 30 June 2014, redeemed RM240 million nominal value medium term notes issued under the medium term note programme.

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% (2013: 8.9%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
... continued

20. DEFERRED INCOME

	Group	
	2014 RM'000	2013 RM'000
Non-current		
Reinvestment allowance	**4,375**	–

The tax benefits arising from reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which reinvestment allowances were claimed. During the financial year, a total of RM207,000 has been amortised and recognised as other operating income in profit or loss of the Group.

21. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 July	**19,838**	17,809	**340**	336
Provision	**2,421**	2,645	**5**	4
Payments	**(156)**	(616)	**–**	–
Reclassified to liabilities pending distribution	**(952)**	–	**–**	–
At 30 June	**21,151**	19,838	**345**	340

(b) Share-based payments

The Company has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company for the benefit of eligible executives. The ESGS together with the existing executive share option scheme ("ESOS") which was implemented on 8 March 2013 ("Effective Date") have been renamed as ESS. The ESS will be in force for a period of 10 years from the Effective Date.

During the financial year, Guocera Tile Industries Sdn Bhd and Ceramic Research Company Sdn Bhd, both wholly-owned by Guocera Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, granted 195,000 ordinary shares of RM0.50 each in the Company ("Shares"), free of consideration, to certain eligible executives of the Group under the ESGS. There were no options granted under the ESOS during the financial year.

Since the commencement of the ESS, a total of 195,000 Shares had been granted. There were no options and/or grant of shares to Directors, chief executive or senior management of the Group.

NOTES TO THE FINANCIAL STATEMENTS
... continued

22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVE

		Group		Company	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade					
Trade payables					
- Third parties		**107,910**	142,015	**–**	–
- Related companies	22.1	**27,270**	27,960	**–**	–
- Associated companies		**16,503**	11,778	**–**	–
		151,683	181,753	**–**	–
Non-trade					
Amounts due to					
- Subsidiary companies	22.2	**–**	–	**240,751**	192,570
- Related companies	22.2	**67**	725	**–**	–
- Associated company	22.2	**–**	168	**–**	–
Other payables		**25,147**	36,097	**–**	–
Accrued liabilities		**109,598**	106,879	**2,783**	1,471
Derivative financial liabilities					
- Interest rate swap contract		**257**	1,273	**257**	1,273
- Forward exchange contracts		**268**	185	**–**	–
		287,020	327,080	**243,791**	195,314

Note 22.1

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

Note 22.2

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

23. PROFIT BEFORE TAXATION

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Continuing operations				
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration				
Statutory audits				
- Holding company's auditors and its affiliates	**482**	467	**90**	90
- Other auditors	**31**	31	**–**	–
Other services				
- Holding company's auditors	**104**	12	**104**	12
Amortisation of deferred income	**(207)**	–	**–**	–
Amortisation of intangible assets				
- Computer software	**669**	511	**–**	–
- Development expenditure	**2,537**	2,221	**–**	–
Bad debts recovered	**–**	(9)	**–**	–
Depreciation of property, plant and equipment	**46,503**	44,206	**133**	111
Dividend income				
- Unquoted associated companies in Malaysia	**–**	–	**(5,190)**	(1,350)
- Unquoted associated company outside Malaysia	**–**	–	**(15,401)**	(23,178)
- Quoted investment in Malaysia	**(366)**	(253)	**(366)**	(253)
- Unquoted subsidiary companies	**–**	–	**(182,256)**	(101,915)
- Investment in unit trust	**(32,700)**	(36,399)	**–**	–
- Short term investments	**(7,407)**	(6,204)	**(1,267)**	(1,173)
Employee benefits expense				
- Directors remuneration				
- Executive Directors of the Company				
- Fees N1	**16**	25	**–**	–
- Salaries and bonuses	**1,092**	640	**1,092**	640
- Contributions to Employees Provident Fund	**–**	58	**–**	58
	1,108	723	**1,092**	698
- Non-Executive Directors of the Company				
- Fees	**420**	420	**350**	350
- Other emoluments	**108**	101	**108**	101
	528	521	**458**	451
- Staff costs				
- Staff salaries and other expenses	**156,257**	148,163	**287**	1,193
- Contribution to Employees Provident Fund	**14,849**	13,986	**49**	136
- Retirement benefits	**2,436**	2,642	**5**	4
- Share-based payments	**293**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
... continued

23. PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Continuing operations *cont'd*				
Profit before taxation is arrived at after charging/(crediting):- cont'd				
Finance costs				
- Bank overdrafts	**6**	20	**–**	1
- Term loans	**6,092**	12,639	**5,514**	9,734
- Others	**53,551**	45,364	**50,497**	44,259
Fair value gain on investment property	**(1,769)**	–	**–**	–
Fair value loss/(gain) on derivative instruments	**756**	(2,079)	**(1,016)**	(953)
(Gain)/loss on disposal of property, plant and equipment	**(7,399)**	(458)	**(4)**	27
Gain on disposal of assets held for sale	**–**	(7,428)	**–**	–
Gain on liquidation of a subsidiary company	**–**	–	**(318)**	(1,458)
Gain on disposal of other investments	**–**	(1,643)	**–**	–
Gain on disposal of subsidiary companies	**–**	(5,953)	**–**	–
Gain on capital distribution N2	**–**	–	**(46,689)**	–
Goodwill written off	**–**	477	**–**	–
(Gain)/loss on foreign exchange				
- Realised	**(5,408)**	(6,117)	**–**	–
- Unrealised	**154**	1,098	**–**	–
Interest income	**(2,601)**	(2,402)	**(259)**	(161)
Inventories written down	**3,761**	502	**–**	–
(Gain)/loss on fair value of financial assets at fair value through profit or loss	**(16,668)**	1,024	**(6,120)**	1,024
Property, plant and equipment written off	**36**	538	**–**	85
Reversal of impairment loss in investment in a subsidiary company	**–**	–	**(7,810)**	(10,700)
(Reversal of impairment loss)/impairment loss on trade receivables	**(8)**	563	**–**	–
Rental income	**(170)**	(425)	**–**	–
Rental of plant and equipment	**5,390**	4,824	**–**	–
Rental of premises				
- Related companies	**199**	274	**199**	274
- Others	**6,075**	5,108	**–**	–
Research and development expenditure	**2,950**	2,929	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
... continued

23. PROFIT BEFORE TAXATION *cont'd*

	Group 2014 RM'000	Group 2013 RM'000
Discontinued operation		
Profit is arrived at after charging/(crediting):-		
Auditors' remuneration		
Statutory audits		
- Holding company's auditors and its affiliates	**99**	76
Depreciation of property, plant and equipment	**2,964**	3,030
Dividend income		
- Short term investments	**(87)**	(14)
Employee benefits expense		
- Staff costs		
- Staff salaries and other expenses	**13,441**	13,901
- Contribution to Employees Provident Fund	**1,187**	1,400
- Retirement benefits	**(15)**	3
Finance costs		
- Others	**819**	–
Gain on disposal of property, plant and equipment	**(19)**	(111)
Gain on foreign exchange		
- Realised	**(653)**	(272)
Interest income	**(226)**	(257)
Inventories written down	**2,336**	339
Reversal of impairment losses on trade receivables	**(347)**	(787)
Rental income	**(228)**	(228)
Rental of plant and equipment	**3,774**	3,016
Rental of premises		
- Others	**373**	240
Research and development expenditure	**1,456**	1,446

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

N2 The gain on capital distribution is arising from the Hume Concrete Sdn Bhd (formerly known as Hume Industries (Malaysia) Sdn Bhd)'s internal restructuring exercise as disclosed in Note 33.

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

	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Continuing operations				
Executive Directors	**13**	18	**13**	18

NOTES TO THE FINANCIAL STATEMENTS
... continued

24. TAXATION

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Continuing operations				
Current taxation				
Malaysian				
- Current year	**32,038**	34,228	**3,500**	570
- Prior years	**1,368**	(695)	**(18)**	328
Overseas				
- Current year	**185**	221	**–**	–
- Prior years	**–**	(26)	**–**	–
	33,591	33,728	**3,482**	898
Deferred taxation				
Malaysian				
- Current year	**1,302**	(3,479)	**–**	–
- Prior years	**(818)**	(35)	**–**	–
	484	(3,514)	**–**	–
Income tax attributable to continuing operations	**34,075**	30,214	**3,482**	898
Discontinued operation				
Current taxation				
Malaysian				
- Current year	**870**	691	**–**	–
- Prior years	**17**	(31)	**–**	–
	887	660	**–**	–
Deferred taxation				
Malaysian				
- Current year	**539**	1,041	**–**	–
- Prior years	**(251)**	(143)	**–**	–
	288	898	**–**	–
Income tax attributable to discontinued operation (Note 15)	**1,175**	1,558	**–**	–
Total taxation	**35,250**	31,772	**3,482**	898

NOTES TO THE FINANCIAL STATEMENTS
... continued

24. TAXATION *cont'd*

The reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Profit before taxation				
- From continuing operations	**237,677**	215,373	**201,465**	87,888
- From discontinued operation	**5,543**	8,554	**–**	–
	243,220	223,927	**201,465**	87,888
Taxation at Malaysian statutory tax rates of 25%	**60,805**	55,982	**50,366**	21,972
Difference of tax rates in foreign jurisdictions	**(107)**	(243)	**–**	–
Non allowable expenses	**3,983**	5,138	**2,704**	1,588
Non taxable income	**(18,192)**	(15,736)	**(49,570)**	(22,990)
Difference attributable to associated companies	**(9,385)**	(10,925)	**–**	–
Utilisation of temporary differences not recognised	**(2,027)**	(437)	**–**	–
Tax incentive	**(143)**	(1,077)	**–**	–
	34,934	32,702	**3,500**	570
Under/(over) provision in prior years	**316**	(930)	**(18)**	328
	35,250	31,772	**3,482**	898

25. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding, calculated as follows:

	2014 RM'000	**2013 RM'000**
Profit attributable to owners of the Company:		
- Continuing operations	**163,134**	140,595
- Discontinued operation	**4,368**	6,996
	167,502	147,591

NOTES TO THE FINANCIAL STATEMENTS
... continued

25. EARNINGS PER ORDINARY SHARE *cont'd*

	2014 '000	**2013 '000**
Weighted average number of ordinary shares (basic):		
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

	2014	**2013**
Basic earnings per ordinary share (sen):		
- Continuing operations	**52.90**	45.59
- Discontinued operation	**1.42**	2.27
	54.32	47.86

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.

26. DIVIDENDS

	Group		**Company**	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
First interim				
10 sen per share tax exempt (2013: 10 sen per share tax exempt)	**30,835**	30,835	**31,031**	31,031
Second interim				
15 sen per share tax exempt (2013: 16 sen per share less tax)	**46,253**	37,003	**46,548**	37,238
	77,088	67,838	**77,579**	68,269

Dividends received by the ESS Trusts amounting to RM2,780,000 (2013: RM2,446,000) and RM2,289,000 (2013: RM2,015,000) for the Group and the Company respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(n)(iii).

NOTES TO THE FINANCIAL STATEMENTS
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27. DISPOSAL OF SUBSIDIARY COMPANIES

During the previous financial year ended 30 June 2013, the Group had 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 effect of the disposal of the subsidiary companies on the prior year's 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)

28. 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 and concrete roofing products.

(c) Industrial products - Manufacture and sale of industrial products comprising concrete products (Discontinued operation).

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.

NOTES TO THE FINANCIAL STATEMENTS
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28. OPERATING SEGMENTS *cont'd*

	Consumer Products		Industrial Products		Industrial Products (Discontinued operation)		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Segment profit	**190,273**	172,647	**21,575**	19,652	**6,136**	8,297	**217,984**	200,596
Included in the measure of segment profit are:								
Revenue from external customers	**1,483,589**	1,450,416	**537,925**	555,943	**216,038**	213,907	**2,237,552**	2,220,266
Depreciation and amortisation	**39,501**	37,240	**10,075**	9,587	**2,964**	3,030	**52,540**	49,857
Property, plant and equipment written off	**13**	–	**23**	453	**–**	–	**36**	453

Reconciliation of reportable segment profit

	Group	
	2014 RM'000	2013 RM'000
Profit		
Reportable segment	**217,984**	200,596
Non-reportable segment	**45,336**	34,996
Profit on discontinued operation	**(6,136)**	(8,297)
Interest income	**2,601**	2,402
Finance costs	**(59,649)**	(58,023)
Share of profit in associated companies	**37,541**	43,699
Consolidated profit before taxation - Continuing operations	**237,677**	215,373

	2014		2013	
	External revenue RM'000	Depreciation & amortisation RM'000	External revenue RM'000	Depreciation & amortisation RM'000
Reportable segments	**2,237,552**	**52,540**	2,220,266	49,857
Non-reportable segments	**36,966**	**133**	40,681	111
Discontinued operation	**(216,038)**	**(2,964)**	(213,907)	(3,030)
Total	**2,058,480**	**49,709**	2,047,040	46,938

NOTES TO THE FINANCIAL STATEMENTS
... continued

28. OPERATING SEGMENTS *cont'd*

Geographical information

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

	Revenue	
	2014	**2013**
	RM'000	**RM'000**
Malaysia	**2,040,939**	2,003,241
Asia	**150,361**	162,762
Europe	**15,806**	35,450
Australasia	**54,293**	40,442
Others	**13,119**	19,052
Discontinued operation	**(216,038)**	(213,907)
	2,058,480	2,047,040

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

	Non-current assets	
	2014	**2013**
	RM'000	**RM'000**
Malaysia	**402,499**	433,017
Singapore	**160**	195
	402,659	433,212

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.

29. COMMITMENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital commitments:				
Authorised and contracted for				
- Property, plant and equipment	**33,203**	9,020	**–**	–
Authorised but not contracted for				
- Property, plant and equipment	**14,956**	33,438	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
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30. 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, other than as disclosed in the financial statements, are as follows:-

Transaction	Related Party	Group 2014 RM'000	Group 2013 RM'000
(a) Sales of goods and services	Subsidiary and associated companies of HLCM	**255**	100
	Hong Bee Hardware and Hong Bee Motors	**52,655**	50,858
	Syarikat Motor Singa and Sing Heng Motor	**12,706**	11,782
	YMC Group	**473**	542
(b) Purchase of goods and services	Subsidiary and associated companies of HLCM	**174,696**	191,586
	Hong Bee Hardware and Hong Bee Motors	**15,490**	6,999
	YMC Group	**247,909**	207,614
	Tasek and a subsidiary of Tasek	**16,542**	22,771
	Associated companies of HLI	**219,606**	207,889
(c) Rental of properties	Subsidiary and associated companies of HLCM	**199**	274
	YMC Group	**148**	148
(d) Receipt of services	Subsidiary and associated companies of HLCM	**1,534**	969

NOTES TO THE FINANCIAL STATEMENTS
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30. RELATED PARTIES

Transaction		Related Party	Group 2014 RM'000	Group 2013 RM'000
(e)	Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	**16,392**	16,945
(f)	Payment for usage of the Hong Leong logo and trade mark	A subsidiary company of HLCM	**33**	28
(g)	Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support	YMC	**12,315**	11,455
(h)	Receipt of research and development services	YMC	**4,344**	2,518

Significant balances with related parties at the reporting date are disclosed in Note 13 and Note 22.

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 23.

31. FINANCIAL INSTRUMENTS

31.1 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 2014				
Financial assets				
Group				
Other investments	**547,963**	**–**	**547,935**	**28**
Trade and other receivables, including derivatives (excluding prepayments)	**371,075**	**371,073**	**2**	**–**
Cash and cash equivalents	**196,410**	**196,410**	**–**	**–**
	1,115,448	**567,483**	**547,937**	**28**

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL- HFT RM'000	AFS RM'000
30 June 2014				
Financial assets				
Company				
Other investments	**12,397**	**–**	**12,387**	**10**
Trade and other receivables, including derivatives (excluding prepayments)	**146**	**146**	**–**	**–**
Cash and cash equivalents	**6,952**	**6,952**	**–**	**–**
	19,495	**7,098**	**12,387**	**10**
Financial liabilities				
Group				
Loans and borrowings	**622,742**	**622,742**	**–**	**–**
Trade and other payables, including derivatives	**287,020**	**286,495**	**525**	**–**
	909,762	**909,237**	**525**	**–**
Company				
Loans and borrowings	**499,000**	**499,000**	**–**	**–**
Trade and other payables, including derivatives	**243,791**	**243,534**	**257**	**–**
	742,791	**742,534**	**257**	**–**
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
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

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.1 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 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	–

31.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gains/(losses) arising from:				
Loans and receivables	**16,415**	13,485	**1,526**	1,274
Fair value through profit or loss	**48,612**	37,454	**7,136**	(71)
Available-for-sale financial assets				
- Recognised in other comprehensive income	**4**	5,522	**–**	–
Other liabilities	**(60,468)**	(58,023)	**(56,011)**	(53,994)
	4,563	(1,562)	**(47,349)**	(52,791)

31.3 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

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(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.

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	
	2014 RM'000	**2013 RM'000**
Malaysia	**314,953**	348,564
Asia	**12,230**	3,830
Europe	**3,678**	12,573
Others	**22,028**	24,432
	352,889	389,399

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Impairment losses

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

	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2014				
Not past due	**292,398**	**(1,021)**	**–**	**291,377**
Past due 1 - 30 days	**45,491**	**(334)**	**(132)**	**45,025**
Past due 31 - 120 days	**22,449**	**(4,985)**	**(1,051)**	**16,413**
Past due > 120 days	**5,365**	**(3,715)**	**(1,576)**	**74**
	365,703	**(10,055)**	**(2,759)**	**352,889**
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

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

	Group 2014 RM'000	Group 2013 RM'000
At 1 July	**16,033**	17,110
Disposal of a subsidiary	**–**	(364)
Written off	**(1,257)**	(489)
Reclassified to assets pending distribution	**(1,607)**	–
Reversal	**(355)**	(224)
At 30 June	**12,814**	16,033

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

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

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.

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 %	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000
30 June 2014					
Group					
Non-derivative financial liabilities					
Trade and other payables	286,495		286,495	286,495	–
Loans and borrowings	622,742	3.5%-8.9%	630,141	574,308	55,833
Derivative financial liabilities	909,237		916,636	860,803	55,833
Forward exchange contracts (gross settled):					
Outflow	268		271	271	–
Inflow	–		(3)	(3)	–
Interest rate swap	257		257	–	257
	909,762		917,161	861,071	56,090

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(b) Liquidity risk *cont'd*

	Carrying amount RM'000	Contractual interest %	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000
30 June 2014 *cont'd*					
Company					
Non-derivative financial liabilities					
Trade and other payables	**243,534**		**243,534**	**243,534**	**–**
Loans and borrowings	**499,000**	**3.5%-8.9%**	**507,012**	**451,179**	**55,833**
	742,534		**750,546**	**694,713**	**55,833**
Derivative financial liabilities					
Interest rate swap	**257**		**257**	**–**	**257**
	742,791		**750,803**	**694,713**	**56,090**
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

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(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.

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	
	2014	**2013**
	RM'000	**RM'000**
Group		
Trade and other receivables	**19,130**	22,101
Cash and cash equivalents	**23,649**	31,198
Trade and other payables	**(28,969)**	(27,617)
Net exposure	**13,810**	25,682

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 by RM691,000 (2013: RM1,284,000). 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.

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(ii) Interest rate risk

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

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:

	Group		Company	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fixed rate instruments				
Deposits with licensed financial institutions	**130,327**	289,507	**309**	17,800
Loans and borrowings	**(349,107)**	(538,930)	**(270,000)**	(510,000)
	(218,780)	(249,423)	**(269,691)**	(492,200)
Floating rate instruments				
Loans and borrowings	**(273,635)**	(296,163)	**(229,000)**	(225,000)

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 RM1,368,000 (2013: RM1,481,000) and RM1,145,000 (2013: RM1,125,000) respectively without impact on equity. This analysis assumes that all other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments

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

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(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 RM1,240,500 (2013: RM628,100). A 10% weakening in BMSB would have had equal but opposite effect on profit before taxation.

31.4 Fair value information

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. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

In the prior year, it was not practicable to estimate the fair value of the Group's investment in unquoted shares (ICPS) for disclosure purposes due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs. The measurement basis was at cost in accordance with Note 2.2 (c)(ii)(c). These investments in unquoted shares have been reclassified to current assets pending distribution during the year as disclosed in Note 8 and 15, and are measured in accordance with Note 2.2 (u).

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Fair value information *cont'd*

Group 2014	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets										
Investment in quoted shares	12,405	–	–	12,405	–	–	–	–	12,405	12,405
Investment in unquoted shares	–	–	–	–	–	–	10	10	10	10
Investment in unit trust	–	535,548	–	535,548	–	–	–	–	535,548	535,548
Forward foreign exchange contracts	–	2	–	2	–	–	–	–	2	2
Financial liabilities										
Forward foreign exchange contracts	–	268	–	268	–	–	–	–	268	268
Interest rate swap	–	257	–	257	–	–	–	–	257	257
Loans and borrowings (non-current)	–	–	–	–	–	–	50,000	50,000	50,000	50,000

Group 2013	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value * Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets							
Investment in quoted shares	6,281	–	–	6,281	–	6,281	6,281
Investment in unit trust	–	525,000	–	525,000	–	525,000	525,000
Forward foreign exchange contracts	–	1,691	–	1,691	–	1,691	1,691
Financial liabilities							
Forward foreign exchange contracts	–	185	–	185	–	185	185
Interest rate swap	–	1,273	–	1,273	–	1,273	1,273
Loans and borrowings (non-current)	–	–	–	–	697,663	697,663	697,663

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Fair value information *cont'd*

Company 2014	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets										
Investment in quoted shares	12,387	-	-	12,387	-	-	-	-	12,387	12,387
Investment in unquoted shares	-	-	-	-	-	-	10	10	10	10
Financial liabilities										
Loans and borrowings (non-current)	-	-	-	-	-	-	50,000	50,000	50,000	50,000

Company 2013	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value * Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets							
Investment in quoted shares	6,267	–	–	6,267	–	6,267	6,267
Financial liabilities							
Loans and borrowings (non-current)	–	–	–	–	670,000	670,000	670,000

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

NOTES TO THE FINANCIAL STATEMENTS
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31. FINANCIAL INSTRUMENTS *cont'd*

31.4 Fair value information *cont'd*

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives and Unit trust

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. Unit trust fair value is dependent on the net asset values quoted by a related party as disclosed in Note 8.2.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2013: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

In respect of financial instruments not carried at fair value, the fair value is derived based on the discounted cash flow valuation method.

NOTES TO THE FINANCIAL STATEMENTS
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32. 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 are determined to maintain an optimal debt-to-equity ratio.

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

	Group	
	2014 RM'000	**2013 RM'000**
Total loans and borrowings	**622,742**	835,093
Less: Cash and cash equivalents	**(196,410)**	(354,347)
Net debt	**426,332**	480,746
Total equity	**1,376,518**	1,282,818
Debt-to-equity ratios	**0.31**	0.37

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.

33. SIGNIFICANT EVENTS

The Company had, on 10 September 2013, entered into shares sale agreements with Narra Industries Berhad ("Narra") for the proposed disposal of the entire ordinary share capital in Hume Concrete Sdn Bhd (then known as Hume Industries (Malaysia) Sdn Bhd) (''HCCT''), a wholly-owned subsidiary of the Company, and 175,000,000 irredeemable convertible preference shares in Hume Cement Sdn Bhd ("HCMT") to Narra for 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 ("Proposed Disposals").

On 19 December 2013, HCCT had completed its internal restructuring exercise which involved, among others, the following:

(i) Disposal by HCCT of its entire equity interests in the following companies to the Company for a total cash consideration of RM123,881,461:

(a) Hume Cemboard Industries Sdn Bhd ("HCI");
(b) Malex Industrial Products Sdn Bhd ("MIP");
(c) Hume Roofing Products Sdn Bhd ("HRP"); and
(d) Hume Fibreboard Sdn Bhd ("HFB").

Consequently, HCI, MIP, HRP and HFB have become direct wholly-owned subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS
... continued

33. SIGNIFICANT EVENTS *cont'd*

(ii) Reduction of the issued and paid-up share capital of HCCT from RM183,142,871 comprising 182,932,871 ordinary shares of RM1.00 each ("Ordinary Shares") and 210,000 Class B ordinary shares of RM1.00 each ("Class B Shares") to RM30,000,000 comprising 30,000,000 ordinary shares of RM1.00 each by the cancellation of all of its Class B Shares and part of its Ordinary Shares, reduction of share premium account and capital redemption reserve and thereby returning the excess funds of RM170,569,793 to the Company.

As such, the restructured HCCT to be disposed of by the Company to Narra comprised HCCT and its subsidiaries which are involved in the manufacturing and sale of concrete products.

Prior to the completion of the Proposed Disposals, Narra had completed on 15 August 2014 the capital restructuring involving a share capital reduction via the cancellation of RM0.50 of the par value of every existing ordinary share of RM1.00 in Narra and a share consolidation of 2 resultant ordinary shares of RM0.50 each into 1 ordinary share of RM1.00 each in Narra ("New Narra Shares").

All conditions precedent of the shares sale agreements for the Proposed Disposals and the proposed acquisition by Narra of the entire ordinary share capital in HCMT from Hong Leong Manufacturing Group Sdn Bhd had been met and accordingly, the Proposed Disposals had become unconditional.

Concurrently with the completion of the Proposed Disposals, the Company will implement a proposed capital distribution involving the distribution of New Narra Shares to its shareholders on the basis of 1,080 New Narra Shares for every 1,000 ordinary shares of RM0.50 each held in the Company ("Proposed Capital Distribution"). The Proposed Capital Distribution will be implemented through a reduction of the capital of the Company in accordance with Section 64 of the Companies Act, 1965 involving a reduction of the share premium reserve of the Company. The petition for the reduction of share premium reserve for the Proposed Capital Distribution is now pending at the High Court.

The Proposed Disposals and Proposed Capital Distribution are expected to be completed by the first half of the financial year ending 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS
... continued

34. 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	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries				
- realised	**872,540**	661,394	**76,656**	(44,958)
- unrealised	**(10,427)**	(1,192)	**(257)**	953
	862,113	660,202	**76,399**	(44,005)
Total share of retained earnings from associated companies				
- realised	**86,782**	62,998	**–**	–
- unrealised	**2,983**	8,857	**–**	–
	89,765	71,855	**–**	–
Add: Consolidation adjustments	**(161,276)**	(31,015)	**–**	–
Total retained earnings/ (accumulated losses)	**790,602**	701,042	**76,399**	(44,005)

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.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 41 to 117 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 2014 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 34 on page 118 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,

Jonathan Forrest Wilson

Dato' Ahmad Johari bin Tun Abdul Razak

Kuala Lumpur
25 August 2014

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 41 to 118 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 25 August 2014.

Soon Seong Keat

Before me

Mohan A. S. Maniam
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
to the members of Hong Leong Industries Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Industries Berhad, which comprise the statements of financial position as at 30 June 2014 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 41 to 117.

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 2014 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.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Industries Berhad

... continued

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 34 on page 118 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

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: 2679/11/15(J)
Chartered Accountant

Petaling Jaya, Selangor
25 August 2014

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2014

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 2014 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	18	49,787
5 1/4 miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	32	720
5 1/2 miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	23-33	23,295
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	29	6,186
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	24	4,942
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	21	16,576
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	5	38,793
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	19	13,582
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	18	9,529
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Vacant industrial land	2014	43,560	–	793
PT11979 & Lot 2353 Beranang Industrial Estate Selangor Darul Ehsan	Leasehold 99 years expiring 2085	Industrial land with office and factory buildings	1982	1,928,421	28	8,159
Lot 2407, Mukim 1, Prai Industrial Estate, Pulau Pinang	Leasehold 60 years expiring 2035	Industrial land with office and factory buildings	1982	653,400	39	3,190
Lot 244, Pasir Gudang Industrial Estate, Johor Bahru, Johor Darul Takzim	Leasehold 60 years expiring 2045	Industrial land with office and factory buildings	1985	609,840	29	4,572

OTHER INFORMATION
... continued

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2014 *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 2014 (RM'000)
Lot 46, Semambu Industrial Estate, Kuantan Pahang Darul Makmur	Leasehold 66 years expiring 2041	Industrial land with office and factory buildings	1982	522,720	39	766
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	46/50	1,240
Lot 312490, 127221, 127222 Kawasan Perusahaan Kanthan, Chemor, Perak Darul Ridzuan	Freehold	Industrial land with office and factory buildings	1990	3,159,821	23	13,004
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	54	20,009
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	32	3,819
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	12	1,710
No 367 A & B Jalan Melaka Raya Taman Melaka Raya 75000 Melaka	4 October 2082	3 storey mid terrace shop office	1996	1,399	31	159
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	17	847
Lot 1616, Mukim Chembong, Daerah Rembau, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2084	Vacant industrial land	2002	731,279	29	987
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	–	4,000

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014

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 29 August 2014

Size of Holdings	No. of Shareholders	%	No. of Shares *	%
Less than 100	511	13.36	10,696	0.00
100 – 1,000	944	24.68	725,878	0.23
1,001 – 10,000	1,748	45.70	7,198,440	2.25
10,001 – 100,000	523	13.67	16,873,935	5.28
100,001 – less than 5% of issued shares	98	2.56	56,446,826	17.67
5% and above of issued shares	1	0.03	238,217,035	74.57
	3,825	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 29 August 2014

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn Bhd	238,217,035	74.57
2.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (ESOS)	9,153,133	2.87
3.	Amanahraya Trustees Berhad - Public Smallcap Fund	4,385,133	1.37
4.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (Norges Bk Lend)	2,630,200	0.82
5.	Kenanga Investment Bank Berhad - IVT (Naga 8-Do)	2,613,200	0.82
6.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,512,000	0.79
7.	Hong Bee Hardware Company, Sdn. Berhad	2,019,333	0.63
8.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	1,964,000	0.61
9.	HSBC Nominees (Asing) Sdn Bhd - Coutts & Co Ltd HK for Kwek Leng San	1,800,000	0.56
10.	Hong Leong Assurance Berhad - As Beneficial Owner	1,612,902	0.51

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 *cont'd*

List Of Thirty Largest Shareholders As At 29 August 2014 *cont'd*

	Name of Shareholders	No. of Shares	%
11.	Grandeur Holdings Sdn Bhd	1,500,000	0.47
12.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,276,600	0.40
13.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	1,257,300	0.39
14.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	1,083,367	0.34
15.	Maybank Nominees (Tempatan) Sdn Bhd - Exempt AN for Areca Capital Sdn Bhd	1,000,000	0.31
16.	Citigroup Nominees (Asing) Sdn Bhd - GSI for Lofty Dragon Management Limited	750,000	0.23
17.	YBhg Datuk Kwek Leng San	720,000	0.23
18.	HLIB Nominees (Tempatan) Sdn Bhd - Hong Leong Fund Management Sdn Bhd for Hong Leong Bank Berhad	701,600	0.22
19.	Olive Lim Swee Lian	692,000	0.22
20.	Chong Ah Suan	636,000	0.20
21.	AIBB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	616,733	0.19
22.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	605,900	0.19
23.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Siew Wah (021)	587,700	0.18
24.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for UBS AG Singapore (Foreign)	500,000	0.16
25.	Sai Yee @ Sia Say Yee	437,000	0.14
26.	Soon Li Voon	432,500	0.14
27.	Neoh Choo Ee & Company, Sdn. Berhad	410,000	0.13
28.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	382,667	0.12
29.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	364,800	0.11
30.	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB for Noble Sound Sdn Bhd (PB)	360,000	0.11
		281,221,103	88.03

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 29 AUGUST 2014 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2014 are as follows:

	Name of Shareholders	Direct Interest No. of Shares	%	Indirect Interest 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 29 AUGUST 2014

Subsequent to the financial year end, there was no change, as at 29 August 2014, 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 37 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

OTHER INFORMATION
... continued

4. SHARE BUY BACK

The Company did not buy back any of its shares during the financial year ended 30 June 2014.

5. MATERIAL CONTRACTS

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

(a) a conditional shares sale agreement dated 10 September 2013 entered into between Hong Leong Industries Berhad ("HLI") and Narra Industries Berhad ("Narra") for the proposed disposal to Narra of the entire issued and paid-up share capital of Hume Concrete Sdn Bhd (then known as Hume Industries (Malaysia) Sdn Bhd) (''HCCT''), comprising 30,000,000 ordinary shares of RM1.00 each for a disposal consideration of RM48,000,000 to be satisfied by the issuance of 48,000,000 new ordinary shares of RM1.00 each in Narra ("New Narra Shares") at an issue price of RM1.00 per New Narra Share; and

(b) a conditional shares sale agreement dated 10 September 2013 entered into between HLI and Narra for the proposed disposal to Narra of the entire 175,000,000 6-year 2% non-cumulative irredeemable convertible preference shares of RM1.00 each in Hume Cement Sdn Bhd ("HCMT") for a disposal consideration of RM300,000,000 to be satisfied by the issuance of 300,000,000 New Narra Shares at an issue price of RM1.00 per New Narra Share.

YBhg Datuk Kwek Leng San is a Director of Hong Leong Company (Malaysia) Berhad ("HLCM"), HLI, Narra, HCCT and HCMT, and a shareholder of HLI and HLCM.

YBhg Tan Sri Quek Leng Chan, a brother of YBhg Datuk Kwek Leng San, is a major shareholder of HLI, Narra, HCCT and HCMT, and a Director and a major shareholder of HLCM.

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

FORM OF PROXY

I/We ____
NRIC/Passport/Company No. ____
of ____
being a member of **HONG LEONG INDUSTRIES BERHAD** (the "Company"), hereby appoint ____________________
____
____
NRIC/Passport No. ____
of ____
____
or failing him/her ____
NRIC/Passport No. ____
of ____
____

or failing him/her, the Chairman of the meeting, as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-first 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, 16 October 2014 at 2.30 p.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Dato' Ahmad Johari bin Tun Abdul Razak as a Director		
3.	To re-elect YBhg Dato' Dr Zaha Rina binti Zahari 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 for 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 for 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 for 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 for 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 for 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 allocation of options and/or grants to Mr Jonathan Forrest Wilson		

Dated this ________________________ day of ____________________ 2014

_____________________________   _____________________________
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 2014 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 appointed for holding 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	*CDS Account No.*	*% of shareholdings to be represented*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
Hong Leong Industries Berhad (5486-P)
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

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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