Hong Leong Industries Berhad

(Incorporated in Malaysia)
(Company No. 5486-P)

and its subsidiaries

Financial statements for the financial year ended 30 June 2013

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Hong Leong Industries Berhad

(Incorporated in Malaysia)
(Company No. 5486-P)

and its subsidiaries

Directors' report for the financial year ended 30 June 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2013.

Principal activities

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

Results

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

Reserves and provisions

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

Dividends

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

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

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

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

Directors of the Company

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

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

Directors' interests

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

		Number of ordinary shares			
	Nominal value per share RM	**At 1.7.2012**	**Acquired**	**Sold**	**At 30.6.2013**
Shareholdings in which <u>Directors have direct interests</u>					
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
Interests of YBhg Datuk Kwek Leng San in:					
Malaysian Pacific Industries Berhad	0.50	1,260,000	-	-	1,260,000
Hong Leong Capital Berhad	1.00	119,000	-	(119,000)	-
Hong Leong Bank Berhad	1.00	462,000	-	-	462,000
Guoco Group Limited	US$0.50	209,120	-	-	209,120
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000

Company No. 5486-P

Directors' interests (continued)

	Nominal value per share RM	Number of ordinary shares At 1.7.2012	Acquired	Sold	At 30.6.2013
Shareholdings in which <u>Directors have direct interests (continued)</u>					
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 <u>Directors have indirect interests</u>					
Interests of Mr Chuah Chuan Thye in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Financial Group Berhad	1.00	9,347,949	-	(10,000)	9,337,949
Hong Leong Industries Berhad	0.50	2,298,036	-	-	2,298,036
Narra Industries Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	168,000	-	(50,000)	118,000
GuocoLand (Malaysia) Berhad	0.50	2,285,485	-	-	2,285,485
GuocoLeisure Limited	US$0.20	2,036,775	-	-	2,036,775
Malaysian Pacific Industries Berhad	0.50	861,764	-	-	861,764
Southern Steel Berhad	1.00	8,293,288	-	-	8,293,288
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	560,140	-	-	560,140

Directors' benefits

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for (a) Mr Chuah Chuan Thye who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between related corporations and corporations in which Mr Chuah Chuan Thye is deemed to have interests; and (b) YBhg Dato' Ahmad Johari bin Tun Abdul Razak who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between the Company or its related corporations and a firm in which YBhg Dato' Ahmad Johari bin Tun Abdul Razak has interests.

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

Issue of shares and debentures

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

Options granted over unissued shares

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

Executive share option scheme ("ESOS")

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

The New ESOS enables the Company to have a fresh duration of 10 years to implement the Scheme and to provide an opportunity for eligible executives who have contributed to the growth and development of the Group to participate in the equity of the Company.

Executive share option scheme ("ESOS") (continued)

The main features of the New ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares comprised in:
   (i) exercised options;
   (ii) unexercised options;
   (iii) unexpired offers of options pending acceptance by all the eligible executives; and
   (iv) exercised options, unexercised options and unexpired offers of options pending acceptance, under any other ESOS established by the Company which are still subsisting,

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

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

4. The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The exercise of the options may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares of RM0.50 each in the Company (unless otherwise adjusted); transfer of existing shares; or a combination of both new shares and existing shares.

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

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

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

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

Other statutory information

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

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

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

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

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

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

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

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

At the date of this report there does not exist:

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

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

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

In the opinion of the Directors, except as disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2013 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

On behalf of the Board,

....
Datuk Kwek Leng San

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

Kuala Lumpur

Date: 6 September 2013

Hong Leong Industries Berhad
(Incorporated in Malaysia)
(Company No. 5486-P)
and its subsidiaries

Statements of financial position as at 30 June 2013

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Company No. 5486-P

Statements of financial position as at 30 June 2013
(continued)

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Hong Leong Industries Berhad
(Incorporated in Malaysia)
(Company No. 5486-P)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 30 June 2013

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Company No. 5486-P

Statements of profit or loss and other comprehensive income for the year ended 30 June 2013
(continued)

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Hong Leong Industries Berhad

(Incorporated in Malaysia)
(Company No. 5486-P)

and its subsidiaries

Statements of changes in equity for the year ended 30 June 2013

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Company No. 5486-P

Statements of changes in equity for the year ended 30 June 2013

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

` The notes on pages 19 to 121 are an integral part of these financial statements.

Company No. 5486-P

Statements of changes in equity for the year ended 30 June 2013
(continued)

	<---- Attributable to owners of the Company						---->
	<---- Non-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 RM'000	Total Equity RM'000
Company							
At 1 July 2011	163,953	387,096	3,943	(33,995)	(63,318)	(36,465)	421,214
Profit for the year/total comprehensive income for the year	-	-	-	-	-	42,008	42,008
Distributions to owners of the Company							
Dividends (Note 24)	-	-	-	-	-	(68,269)	(68,269)
Share issue expenses	-	(58)	-	-	-	-	(58)
Total transactions with owners of the Company	-	(58)	-	-	-	(68,269)	(68,327)
At 30 June 2012/1 July 2012	163,953	387,038	3,943	(33,995)	(63,318)	(62,726)	394,895

The notes on pages 19 to 121 are an integral part of these financial statements.

Company No. 5486-P

Statements of changes in equity for the year ended 30 June 2013
(continued)

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Hong Leong Industries Berhad
(Incorporated in Malaysia)
(Company No. 5486-P)
and its subsidiaries

Statements of cash flows for the year ended 30 June 2013

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

Company No. 5486-P

Statements of cash flows for the year ended 30 June 2013
(continued)

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

Company No. 5486-P

Statements of cash flows for the year ended 30 June 2013
(continued)

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

Cash and cash equivalents

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

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

The notes on pages 19 to 121 are an integral part of these financial statements.

Hong Leong Industries Berhad

(Incorporated in Malaysia)
(Company No. 5486-P)

and its subsidiaries

Notes to the financial statements

1. Corporate information

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

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

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

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

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

2.2 Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Accounting for business combinations

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

Acquisitions on or after 1 July 2011

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

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

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Accounting for business combinations (continued)

Acquisitions before 1 July 2011

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

(iii) Accounting for acquisitions of non-controlling interests

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

(iv) Special purpose entities

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

(v) Loss of control

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Associates

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Non-controlling interests

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

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

(viii) Transactions eliminated on consolidation

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the dates of the acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(b) Foreign currency (continued)

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

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

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

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

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

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

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

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

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

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

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

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

(iv) Derecognition

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

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

Leasehold land	Over period of lease
Buildings (Freehold and Leasehold)	10 – 50 years
Plant & equipment & motor vehicles	2 – 20 years

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

(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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Leased assets (continued)

(ii) Operating leases

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

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

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

(f) Intangible assets

(i) Goodwill

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

(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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Amortisation (continued)

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

• Development expenditure	3 years
• Computer software	5 years

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

(g) Investment properties

(i) Investment properties carried at fair value

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(g) Investment properties (continued)

(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 properties based on their judgement and, where available, made with reference to current price in an active market for similar properties from independent valuers.

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(h) Inventories

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

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

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

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets

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

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

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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

(k) Assets held for sale

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

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(m) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Defined benefit plan

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

(iii) Share-based payments

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(m) Employee benefits (continued)

(iii) Share-based payments (continued)

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

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

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

(n) Provisions

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

(i) Warranties

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(n) Provisions (continued)

(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.

(o) Revenue and other income

(i) Goods sold

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

(ii) Services

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

(iii) Dividend income

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(o) Revenue and other income (continued)

(iv) Interest income

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

(v) Rental income

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

(p) Borrowings costs

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

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

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

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

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(q) Taxation

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

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

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.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(r) Earnings per ordinary share

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

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

(s) Operating segments

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

2.3 Statement of compliance

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

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

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

2. Significant accounting policies (continued)

2.3 Statement of compliance (continued)

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.3 Statement of compliance (continued)

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

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

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

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

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

MFRS 9, *Financial Instruments*

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

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

MFRS 10, *Consolidated Financial Statements*

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

2. Significant accounting policies (continued)

2.3 Statement of compliance (continued)

MFRS 11, *Joint Arrangements*

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

MFRS 13, *Fair Value Measurement*

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

3. Companies in the Group

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

Name of Company	Country of Incorporation	Effective Interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal Activities
Subsidiary Companies					
Guocera Holdings Sdn Bhd	Malaysia	100.0	100.0	100.0	Investment holding.
• Guocera Tile Industries Sdn Bhd	Malaysia	100.0	100.0	100.0	Manufacture of ceramic tiles.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	70.0	70.0	70.0	Manufacture of ceramic tiles.
• Century Touch Sdn Bhd	Malaysia	70.0	70.0	70.0	In members' voluntary liquidation.
• Guocera Tile Industries (Vietnam) Co., Ltd	Vietnam	-	97.0	97.0	Ceased operation. Disposed of during the year.
• Guocera Marketing Sdn Bhd	Malaysia	100.0	100.0	100.0	General trading in ceramic tiles and investment holding.
• Guocera Marketing Singapore Pte Ltd	Singapore	100.0	100.0	100.0	General trading in ceramic tiles.
• Ceramic Research Company Sdn Bhd	Malaysia	100.0	100.0	100.0	Research and development of ceramic tiles and related products.
• Guocera Marketing (International) Sdn Bhd	Malaysia	100.0	100.0	100.0	Procurement and sale of raw materials, parts and components, and finished products of ceramic tiles for the local and export markets.

Company No. 5486-P

3. Companies in the Group (continued)

Name of Company	Country of Incorporation	Effective Interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal Activities
Subsidiary Companies					
Hume Marketing Co. Sdn Bhd (formerly known as Hong Leong Marketing Co Berhad)	Malaysia	100.0	100.0	100.0	Distribution of building materials.
Hume Marketing (EM) Sdn Bhd (formerly known as Hume Marketing Sdn Bhd)	Malaysia	100.0	100.0	100.0	Distribution of building materials.
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	69.4	69.4	69.4	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.
Hume Industries (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	100.0	Manufacture of concrete products and investment holding.
• Hume Concrete (EM) Sdn Bhd	Malaysia	100.0	100.0	100.0	Manufacture and sale of concrete and related products.
• Hume Concrete Marketing Sdn Bhd	Malaysia	100.0	100.0	100.0	Marketing of concrete and related products.
• Hume Concrete Products Research Centre Sdn Bhd	Malaysia	100.0	100.0	100.0	Research and development of concrete products.
• Hume Cemboard Industries Sdn Bhd	Malaysia	100.0	100.0	100.0	Manufacture and sale of fibre cement products.
• Malex Industrial Products Sdn Bhd	Malaysia	100.0	100.0	100.0	Manufacture and sale of fibre cement products and investment holding.
• Hume Cemboard Marketing Sdn Bhd	Malaysia	100.0	100.0	100.0	Sale and distribution of fibre cement products.
• Hume Roofing Products Sdn Bhd	Malaysia	100.0	100.0	100.0	Manufacture and sale of concrete roofing tiles.
• Hume Fibreboard Sdn Bhd	Malaysia	100.0	100.0	100.0	Investment trading.

Company No. 5486-P

3. Companies in the Group (continued)

Name of Company	Country of Incorporation	Effective Interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal Activities
Subsidiary Companies					
MZ Holdings Limited*	Hong Kong	100.0	100.0	100.0	Investment holding.
MZ Motorrad Group Limited♦	Bermuda	100.0	100.0	100.0	Investment holding.
• MZ Engineering GmbH	Germany	-	100.0	100.0	Dissolved.
Stableview Sdn Bhd*	Malaysia	100.0	100.0	100.0	Investment holding.
Maxider Sdn Bhd*	Malaysia	100.0	100.0	100.0	Investment holding.
Megah Court Condominium Development Sdn Bhd*	Malaysia	100.0	100.0	100.0	Property management.
Taman Terang Sdn Bhd*	Malaysia	100.0	100.0	100.0	Investment holding.
HLI Trading Limited*	Hong Kong	100.0	100.0	100.0	Investment holding.
• Avenues Zone Inc*	Malaysia	100.0	100.0	100.0	Investment holding.
HLI Overseas Limited♦	Jersey, Channel Islands	100.0	100.0	100.0	Dormant.
RZA Logistics Sdn Bhd#	Malaysia	59.1	59.1	59.1	In members' voluntary liquidation.
Guotrade (Malaysia) Sdn Bhd #	Malaysia	100.0	100.0	100.0	In members' voluntary liquidation.
Varinet Sdn Bhd #	Malaysia	60.0	60.0	60.0	In members' voluntary liquidation.
Hong Leong Maruken Sdn Bhd #	Malaysia	70.0	70.0	70.0	In members' voluntary liquidation.
Prester Sdn Bhd #	Malaysia	-	100.0	100.0	Dissolved.
MZ Motorrad- und Zweiradwerk GmbH	Germany	-	100.0	100.0	Ceased operation. Disposed during the year
Associated Companies					
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd*	Malaysia	30.0	30.0	30.0	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	34.0	34.0	34.0	Provision of research and development services.

3. Companies in the Group (continued)

Name of Company	Country of Incorporation	Effective Interest 30.6.2013 %	30.6.2012 %	1.7.2011 %	Principal Activities
Associated Companies (continued)					
Yamaha Motor Vietnam Co., Ltd	Vietnam	24.0	24.0	24.0	Procure and assemble motorcycles, motorcycle spare parts and components and provision of maintenance and repair service for motorcycles.
Malaysian Newsprint Industries Sdn Bhd	Malaysia	33.7	33.7	33.7	Manufacture and sale of newsprint and related paper products.
Laras Perkasa Sdn Bhd	Malaysia	30.0	30.0	30.0	Dormant.

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

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

Notes:

- • Sub-subsidiary companies.
- * The financial statements of these subsidiary and associated companies are not audited by member firms of KPMG International.
- ♦ These sub-subsidiary companies are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.
- + The Group’s share of profit is based on the latest audited financial statements and latest management financial statements available.
- # These subsidiaries are in member’s voluntary liquidation and have been consolidated based on unaudited financial statements.

Company No. 5486-P

4. Property, plant and equipment

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

Company No. 5486-P

4. Property, plant and equipment (continued)

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Accumulated depreciation and impairment losses							
At 1 July 2011	-	44,000	1,605	484	456,251	-	502,340
Charge for the year	-	5,015	863	1,199	43,673	-	50,750
Impairment loss	-	-	-	2,675	10,122	-	12,797
Reclassified to assets held for sale	-	-	(1,368)	-	-	-	(1,368)
Disposals	-	(2,976)	-	-	(2,730)	-	(5,706)
Write off	-	-	-	-	(694)	-	(694)
Effect of movements in exchange rates	-	-	-	102	425	-	527
At 30 June 2012/1 July 2012							
Accumulated depreciation	-	46,039	1,100	1,785	496,925	-	545,849
Accumulated impairment loss	-	-	-	2,675	10,122	-	12,797
	-	46,039	1,100	4,460	507,047	-	558,646
Charge for the year	-	4,897	816	1,059	40,464	-	47,236
Disposals	-	-	-	-	(11,573)	-	(11,573)
Disposal of subsidiary companies	-	-	-	(2,994)	(12,735)	-	(15,729)
Write off	-	-	-	-	(5,126)	-	(5,126)
Effect of movements in exchange rates	-	-	-	-	101	-	101
At 30 June 2013	-	50,936	1,916	2,525	518,178	-	573,555

4. Property, plant and equipment (continued)

	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							
Carrying amounts							
At 1 July 2011	47,416	145,578	43,368	19,319	194,029	220	449,930
At 30 June 2012/1 July 2012	46,968	138,764	32,988	15,730	162,239	7,780	404,469
At 30 June 2013	46,968	136,781	32,172	15,108	161,859	23,412	416,300

4. Property, plant and equipment (continued)

Company	**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**
Cost							
At 1 July 2011	-	-	-	-	820	-	820
Addition	-	-	-	-	529	-	529
At 30 June 2012/1 July 2012	-	-	-	-	1,349	-	1,349
Additions	-	-	-	-	141	-	141
Disposals	-	-	-	-	(887)	-	(887)
Write off	-	-	-	-	(88)	-	(88)
At 30 June 2013	-	-	-	-	515	-	515
Accumulated depreciation							
At 1 July 2011	-	-	-	-	68	-	68
Charge for the year	-	-	-	-	240	-	240
At 30 June 2012/1 July 2012	-	-	-	-	308	-	308
Charge for the year	-	-	-	-	111	-	111
Disposals	-	-	-	-	(239)	-	(239)
Write off	-	-	-	-	(3)	-	(3)
At 30 June 2013	-	-	-	-	177	-	177

4. Property, plant and equipment (continued)

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Company							
Carrying amounts							
At 1 July 2011	-	-	-	-	752	-	752
At 30 June 2012/1 July 2012	-	-	-	-	1,041	-	1,041
At 30 June 2013	-	-	-	-	338	-	338

4. Property, plant and equipment (continued)

Land

Leasehold land are analysed by:

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

5. Investment properties

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

Included in the above are:

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

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

5. Investment properties (continued)

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

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

6. Investments in subsidiary companies

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

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

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

7. Investments in associated companies

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

7. Investments in associated companies (continued)

Investments in associated companies are represented by:

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

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

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

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

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

8. Other investments

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

Representing items:

	Note	Group 30.6.2013 RM'000	Group 30.6.2012 RM'000	Group 1.7.2011 RM'000	Company 30.6.2013 RM'000	Company 30.6.2012 RM'000	Company 1.7.2011 RM'000
At cost							
- Unquoted shares	**8.1**	175,010	175,010	161,010	175,010	175,010	161,010

8. Other investments (continued)

Note 8.1

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

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

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

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

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

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

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

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

Note 8.2

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

Company No. 5486-P

9. Intangible assets

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

9. Intangible assets (continued)

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

Impairment testing for cash-generating units containing goodwill

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

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

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

Company No. 5486-P

10. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

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

10. Deferred tax assets/(liabilities) (continued)

Unrecognised deferred tax assets

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

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

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

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

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

Company No. 5486-P

11. Inventories

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

12. Trade and other receivables, including derivatives

		Group			Company		
	Note	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000	30.6.2013 RM'000	30.6.2012 RM'000	1.7.2011 RM'000
Trade							
Trade receivables							
- Third parties		398,663	418,526	378,104	-	-	-
- Related companies	**12.1**	6,761	6,697	4,430	-	-	-
- Associated companies		8	44	20	-	-	-
		405,432	425,267	382,554	-	-	-
Less: Allowance for impairment losses		(16,033)	(17,110)	(24,605)	-	-	-
		389,399	408,157	357,949	-	-	-

12. Trade and other receivables, including derivatives (continued)

	Note	Group 30.6.2013 RM'000	Group 30.6.2012 RM'000	Group 1.7.2011 RM'000	Company 30.6.2013 RM'000	Company 30.6.2012 RM'000	Company 1.7.2011 RM'000
Non-trade							
Amounts due from:							
- Subsidiary companies	**12.2**	-	-	-	68	25	18,010
- Related companies	**12.2**	207	264	12	-	-	-
Other receivables and deposits		21,851	21,240	31,120	45	74	15,499
Prepayments		14,412	16,934	14,027	30	52	52
Derivative financial assets							
- Interest rate swap contract		-	-	92	-	-	92
- Foreign currency forward contract		1,691	439	136	-	-	-
		427,560	447,034	403,336	143	151	33,653

Note 12.1

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

Note 12.2

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

13. Cash and cash equivalents

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

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

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

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

14. Assets held for sale

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

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

15. Share capital

	Group and Company			
	2013		2012	
	No. of Shares '000	Amount RM'000	No. of Shares '000	Amount RM'000
Ordinary shares of RM0.50 each				
Authorised:-				
At 1 July/30 June	600,000	300,000	600,000	300,000
Issued and fully paid:-				
At 1 July/30 June	327,905	163,953	327,905	163,953

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

16. Reserves

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

16. Reserves (continued)

Note 16.1

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

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

Note 16.2

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

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

Section 108 tax credit

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

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

17. Treasury shares – At cost

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

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

18. Loans and borrowings

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

The non-current borrowings are payable as follows:

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

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

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

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

19. Employee benefits

(a) Retirement benefits

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

(b) Share-based payments

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

The HLI ESOS which was approved by the shareholders of the Company on 14 October 2005, established on 23 January 2006 and to be in force for a period of ten (10) years, was terminated on 8 March 2013.

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

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

20. Trade and other payables, including derivative

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

Note 20.1

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

Note 20.2

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

Company No. 5486-P

21. Profit before taxation

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

21. Profit before taxation (continued)

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

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

21. Profit before taxation (continued)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Executive Directors	18	31	18	31
	=====	=====	=====	=====

22. Taxation

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

Company No. 5486-P

22. Taxation (continued)

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

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

23. Earnings per ordinary share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM147,591,000 (2012: RM131,975,000) by the weighted average number of ordinary shares outstanding during the financial year of 308,356,000 (2012: 308,356,000) calculated as follows:

Weighted average number of ordinary shares (basic)

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

23. Earnings per ordinary share (continued)

Diluted earnings per ordinary share

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

24. Dividends

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

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

25. Disposal of subsidiary companies

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

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

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

26. Operating segments

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

The Group's reportable segments are as follows:

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

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

Segment profit

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

Segment assets

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

Segment liabilities

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

Company No. 5486-P

26. Operating segments (continued)

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

26. Operating segments (continued)

Reconciliation of reportable segment profit

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

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

Geographical segments

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

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

26. Operating segments (continued)

Geographical segments (continued)

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

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

Major customer

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

27. Commitments

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

28. Related parties

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

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

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

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

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

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

28. Related parties (continued)

Significant transactions with related parties are as follows:

	Transaction	Related Party	Group 2013 RM'000	Group 2012 RM'000
(a)	Sales of goods and services	Subsidiary and associated companies of HLCM	100	50
		Hong Bee Hardware and Hong Bee Motors	50,858	50,506
		Syarikat Motor Singa and Sing Heng Motor	11,782	11,400
		YMC Group	542	689
(b)	Purchase of goods and services	Subsidiary and associated companies of HLCM	191,586	154,980
		Hong Bee Hardware	6,999	12,459
		YMC Group	207,614	222,046
		Tasek and a subsidiary of Tasek	22,771	38,735
		Associated companies of HLI	207,889	207,509
(c)	Rental of properties	Subsidiary and associated companies of HLCM	274	189
		YMC Group	148	148
(d)	Receipt of services	Subsidiary and associated companies of HLCM	969	924
(e)	Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	16,945	16,378
(f)	Payment for usage of the Hong Leong logo and trade mark	A subsidiary company of HLCM	28	28
(g)	Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support	YMC	11,455	10,810
(h)	Receipt of research and development services	YMC	2,518	2,477

28. Related parties (continued)

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

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

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

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

29. Financial instruments

29.1 Categories of financial instruments

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

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

	Carrying Amount RM'000	L&R/OL RM'000	FVTPL-HFT RM'000	AFS RM'000
30 June 2013				
Financial assets				
Group				
Other investments	706,291	-	531,267	175,024
Trade and other receivables, including derivatives (excluding prepayments)	413,148	411,457	1,691	-
Cash and cash equivalents	354,347	354,347	-	-
	1,473,786	765,804	532,958	175,024

29. Financial instruments (continued)

29.1 Categories of financial instruments (continued)

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

29. Financial instruments (continued)

29.1 Categories of financial instruments (continued)

	Carrying Amount RM'000	L&R/OL RM'000	FVTPL-HFT RM'000	AFS RM'000
30 June 2012				
Financial assets				
Company				
Other investments	182,301	-	7,291	175,010
Trade and other receivables, including derivatives (excluding prepayments)	99	99	-	-
Cash and cash equivalents	11,764	11,764	-	-
	194,164	11,863	7,291	175,010
Financial liabilities				
Group				
Loans and borrowings	563,394	563,394	-	-
Trade and other payables, including derivatives	332,008	329,723	2,285	-
	895,402	893,117	2,285	-
Company				
Loans and borrowings	460,000	460,000	-	-
Trade and other payables, including derivatives	220,109	217,883	2,226	-
	680,109	677,883	2,226	-

Company No. 5486-P

29. Financial instruments (continued)

29.1 Categories of financial instruments (continued)

	Carrying Amount RM'000	L&R/OL RM'000	FVTPL-HFT RM'000	AFS RM'000
1 July 2011				
Financial assets				
Group				
Other investments	172,993	-	10,972	162,021
Trade and other receivables, including derivatives (excluding prepayments)	389,309	389,081	228	-
Cash and cash equivalents	376,155	376,155	-	-
	938,457	765,236	11,200	162,021
Company				
Other investments	171,983	-	10,972	161,011
Trade and other receivables, including derivatives (excluding prepayments)	33,601	33,509	92	-
Cash and cash equivalents	100,917	100,917	-	-
	306,501	134,426	11,064	161,011
Financial liabilities				
Group				
Loans and borrowings	464,846	464,846	-	-
Trade and other payables	297,707	297,707	-	-
	762,553	762,553	-	-
Company				
Loans and borrowings	356,000	356,000	-	-
Trade and other payables	149,663	149,663	-	-
	505,663	505,663	-	-

29. Financial instruments (continued)

29.2 Net gains and losses arising from financial instruments

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

29.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

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

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

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

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

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
30 June 2013				
Not past due	254,629	(506)	(1)	254,122
Past due 1 - 30 days	76,162	(1,472)	(6)	74,684
Past due 31 - 120 days	63,614	(3,808)	(46)	59,760
Past due > 120 days	11,027	(6,368)	(3,826)	833
	405,432	(12,154)	(3,879)	389,399

	Gross RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Net RM'000
30 June 2012				
Not past due	318,560	(1,023)	-	317,537
Past due 1 - 30 days	59,957	(1,793)	(261)	57,903
Past due 31 - 120 days	38,853	(4,981)	(1,226)	32,646
Past due > 120 days	7,897	(6,137)	(1,689)	71
	425,267	(13,934)	(3,176)	408,157
1 July 2011				
Not past due	264,053	(1,950)	(4,755)	257,348
Past due 1 - 30 days	57,377	(762)	(940)	55,675
Past due 31 - 120 days	46,044	(3,656)	(1,060)	41,328
Past due > 120 days	15,080	(8,790)	(2,692)	3,598
	382,554	(15,158)	(9,447)	357,949

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

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

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

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

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

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

The investments and other financial assets are unsecured.

Impairment losses

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

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(a) Credit risk (continued)

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.

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.

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(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 rate/ coupon**	**Contractual Cash Flows RM'000**	**Within 1 Year RM'000**	**1 to 5 Years RM'000**
30 June 2013					
Group					
Non-derivative financial liabilities					
Trade and other payables	325,622		325,622	325,622	-
Loans and borrowings	835,093	3.4%-8.9%	905,514	140,481	765,033
	1,160,715		1,231,136	466,103	765,033
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	185		18,175	18,175	-
Inflow	-		(17,990)	(17,990)	-
Interest rate swap	1,273		1,273	-	1,273
	1,162,173		1,232,594	466,288	766,306
	=======		=======	======	======

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual Cash Flows RM'000	Within 1 Year RM'000	1 to 5 Years RM'000
30 June 2013					
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
30 June 2012					
Group					
Non-derivative financial liabilities					
Trade and other payables	329,723		329,723	329,723	-
Loans and borrowings	563,394	3.3% - 12.0%	616,338	147,673	468,665
	893,117		946,061	477,396	468,665
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	59		12,939	12,939	-
Inflow	-		(12,880)	(12,880)	-
Interest rate swap	2,226		2,226	-	2,226
	895,402		948,346	477,455	470,891

Company No. 5486-P

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual Cash Flows RM'000	Within 1 Year RM'000	1 to 5 Years RM'000
30 June 2012					
Company					
Non-derivative financial liabilities					
Trade and other payables	217,883		217,883	217,883	-
Loans and borrowings	460,000	3.7% - 8.9%	510,786	62,334	448,452
	677,883		728,669	280,217	448,452
Derivative financial liabilities					
Interest rate swap	2,226		2,226	-	2,226
	680,109		730,895	280,217	450,678
1 July 2011					
Group					
Non-derivative financial liabilities					
Trade and other payables	297,707		297,707	297,707	-
Loans and borrowings	464,846	3.2% - 5.1%	487,299	356,891	130,408
	762,553		785,006	654,598	130,408
Company					
Non-derivative financial liabilities					
Trade and other payables	149,663		149,663	149,663	-
Loans and borrowings	356,000	3.5% - 5.1%	376,258	245,850	130,408
	505,663		525,921	395,513	130,408

29. Financial instruments (continued)

29.3 Financial risk management (continued)

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

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

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

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

(ii) Interest rate risk

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

Exposure to interest rate risk

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

	Effective Interest Rate %	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
Group				
30 June 2013				
Fixed rate instruments				
Deposits with licensed financial institutions	2.63	289,507	289,507	-
Loans and borrowings	8.57	(538,930)	(28,930)	(510,000)
Floating rate instruments				
Loans and borrowings	4.09	(296,163)	(108,500)	(187,663)

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	Effective Interest Rate %	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
Group				
30 June 2012				
Fixed rate instruments				
Deposits with licensed financial institutions	2.11	148,242	148,242	-
Loans and borrowings	8.10	(278,048)	(38,048)	(240,000)
Floating rate instruments				
Loans and borrowings	4.19	(285,346)	(106,683)	(178,663)
1 July 2011				
Fixed rate instruments				
Deposits with licensed financial institutions	2.74	286,686	286,686	-
Loans and borrowings	4.28	(90,846)	(90,846)	-
Floating rate instruments				
Loans and borrowings	3.93	(374,000)	(254,000)	(120,000)
Company				
30 June 2013				
Fixed rate instruments				
Deposits with licensed financial institutions	3.00	17,800	17,800	-
Loans and borrowings	8.85	(510,000)	-	(510,000)
Floating rate instruments				
Borrowings	4.02	(225,000)	(65,000)	(160,000)

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk (continued)

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

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate risk sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

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

Fair value sensitivity analysis for fixed rate instruments

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

(iii) Other price risk

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

Risk management objectives, policies and processes for managing securities

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

Equity price risk sensitivity analysis

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

29. Financial instruments (continued)

29.3 Financial risk management (continued)

(c) Market risk (continued)

(iii) Other price risk

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

29.4 Fair value of financial instruments

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

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

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

29.4.1 Fair value hierarchy

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

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

29. Financial instruments (continued)

29.4.1 Fair value hierarchy (continued)

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

29. Financial instruments (continued)

29.4.1 Fair value hierarchy (continued)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1 July 2011				
Financial assets				
Investment in quoted shares	10,980	-	-	10,980
Interest rate swap contracts	-	92	-	92
Forward exchange contracts	-	136	-	136
	10,980	228	-	11,208

30. Capital management

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

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

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

30. Capital management (continued)

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

31. Explanation of transition to MFRSs

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

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

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

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position

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

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

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

Company No. 5486-P

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

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

31. Explanation of transition to MFRSs (continued)

31.1 Reconciliation of financial position (continued)

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

31. Explanation of transition to MFRSs (continued)

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

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

Company No. 5486-P

31. Explanation of transition to MFRSs (continued)

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

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

31. Explanation of transition to MFRSs (continued)

31.3 Material adjustments to the statements of cash flows for 2012

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

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

31.4 Notes to reconciliations

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

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

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

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations (continued)

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

The impact arising from the change is summarised as follows:

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

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

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations (continued)

(b) Investments in associated companies

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

The impact arising from the change is summarised as follows:

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

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

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations (continued)

(c) Foreign currency translation differences

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

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

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

(d) Designation of previously recognised financial instruments

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

The impact arising from the change is summarised as follows:

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

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations (continued)

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

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

(e) Retained earnings

The changes in retained earnings are as follows:

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

31. Explanation of transition to MFRSs (continued)

31.4 Notes to reconciliations (continued)

(f) Reserves

The changes in reserves are as follows:

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

Company No. 5486-P

32. Supplementary financial information on the breakdown of realised and unrealised profits or losses

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

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

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

Hong Leong Industries Berhad

(Incorporated in Malaysia)
(Company No. 5486-P)

and its subsidiaries

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 8 to 120 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 121 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

....
Datuk Kwek Leng San

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

Kuala Lumpur

Date: 6 September 2013

Hong Leong Industries Berhad
(Incorporated in Malaysia)
(Company No. 5486-P)
and its subsidiaries

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 8 to 121 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named, Soon Seong Keat at Kuala Lumpur in the Federal Territory on 6 September 2013.

…………………………………………….
Soon Seong Keat

Before me

Commissioner for Oaths
Kuala Lumpur

Independent auditors' report to the members of Hong Leong Industries Berhad

(Incorporated in Malaysia)
(Company No. 5486-P)

Report on the Financial Statements

We have audited the financial statements of Hong Leong Industries Berhad, which comprise the statements of financial position as at 30 June 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 120.

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.

Company No. 5486-P

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 121 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.

Company No. 5486-P

Other Matters

As stated in Note 2.1 to the financial statements, Hong Leong Industries Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 30 June 2012 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as of 30 June 2013 and financial performance and cash flows for the year then ended.

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/13(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 6 September 2013