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Hong Leong Industries Berhad Laporan Tahunan 2005 Annual Report

2005

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COMPANY PROFILE

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

The activities of the subsidiaries are designing, manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes, manufacture and assembly of motorcycles, scooters and related parts and products, distribution of motorcycles and motorcycle components and manufacture and sale of ceramic tiles.

Associated companies are involved in the production of motorcycles, motorcycle engines and spare parts.

CORPORATE INFORMATION

DIRECTORS

YBhg Tan Sri Quek Leng Chan
(Executive Chairman)

Mr Kwek Leng San
(President & Chief Executive Officer)

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

YBhg Dato' Ahmad Johari bin
Tun Abdul Razak

Mr Chuah Chuan Thye

Mr David Edward Comley

Mr Quah Thain Khan

SECRETARY

Ms Joanne Leong Wei Yin

AUDITORS

Ling Kam Hoong & Co
No. 6-1, Jalan 3/64A
Udarama Complex
Off Jalan Ipoh
50350 Kuala Lumpur
Tel : 03-4042 3288
Fax : 03-4042 0149

REGISTRAR

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

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION / DOMICILE

A public limited liability company,
incorporated and domiciled in
Malaysia

DIRECTORS' PROFILE

YBhg Tan Sri Quek Leng Chan

Executive Chairman/Non-Independent

Tan Sri Quek Leng Chan, aged 62, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is currently the Executive Chairman of Hong Leong Industries Berhad ("HLI") and was appointed to the Board of HLI on 12 May 1969. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee of HLI.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCo(M)"), Executive Chairman of Hong Leong Credit Berhad, GuocoLand (Malaysia) Berhad (formerly known as Hong Leong Properties Berhad), Hume Industries (Malaysia) Berhad ("HIMB"), Narra Industries Berhad ("Narra"), O.Y.L. Industries Bhd ("OYL") and Camerlin Group Berhad and Chairman of Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, HLG Capital Berhad and Hong Leong Assurance Berhad.

Tan Sri Quek has attended all the Board meetings of HLI held during the financial year ended 30 June 2005.

He has no conflict of interest with HLI and has no conviction for offences within the past ten years.

Mr Kwek Leng San

President & Chief Executive Officer/Non-Independent

Mr Kwek Leng San, aged 50, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University, London. He was appointed as a Director of Malaysian Pacific Industries Berhad ("MPI") on 27 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. Presently, he is the Executive Chairman of MPI, President & Chief Executive Officer of HLI and HIMB, Managing Director of Narra, Chairman of Southern Steel Berhad and a Director of OYL and HLCo(M).

Mr Kwek was appointed to the Board of HLI on 1 September 1990 before assuming his present position as the President & Chief Executive Officer on 16 August 1993. He is a member of the ESOS Committee and Board Audit & Risk Management Committee of HLI.

He has attended all the Board meetings of HLI held during the financial year ended 30 June 2005.

Mr Kwek, Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLI, are brothers. Mr Kwek has no conflict of interest with HLI and has no conviction for offences within the past ten years.

DIRECTORS' PROFILE (cont'd)

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

Non-Executive Director/Independent

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar, aged 60, a Malaysian, graduated from University of Cairo with a Bachelor of Economics/Political Science degree. She also holds a Diploma in Public Relations from the Malaysian Institute of Public Relations. YAM Tunku Dara is a founder and governor of Kolej Tuanku Ja'afar and is a shareholder and Director of Syarikat Pesaka Antah.

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

She has attended four (4) out of five (5) Board meetings of HLI held during the financial year ended 30 June 2005.

YAM Tunku Dara has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

Non-Executive Director/Independent

Dato' Ahmad Johari bin Tun Abdul Razak, aged 51, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in law and qualified as a Barrister-at-Law from Lincoln's Inn.

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

He is currently the Executive Chairman of Ancom Berhad and Chairman of Courts Mammoth Berhad and Daiman Development Berhad, Vice Chairman of Nylex (Malaysia) Berhad and a Director of Deutsche Bank (Malaysia) Berhad.

He has attended three (3) out of five (5) Board meetings of HLI held during the financial year ended 30 June 2005.

Dato' Ahmad Johari has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

Mr Chuah Chuan Thye

Non-Executive Director/Non-Independent

Mr Chuah Chuan Thye, aged 49, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 20 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Company, Sdn Berhad ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

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

He has attended all the Board meetings of HLI held during the financial year ended 30 June 2005.

Mr Chuah has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

DIRECTORS' PROFILE (cont'd)

Mr David Edward Comley

Non-Executive Director/Non-Independent

Mr David Edward Comley, aged 56, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to his appointment as the Group Managing Director of MPI, he was with ITEQ Europe and AMKOR ANAM Europe Ltd ("AMKOR"). In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

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

Mr David Comley has attended four (4) out of five (5) Board meetings of HLI held during the financial year ended 30 June 2005.

Mr David Comley has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

Mr Quah Thain Khan

Non-Executive Director/Non-Independent

Mr Quah Thain Khan, aged 47, a Malaysian, graduated from Monash University, Australia with a Bachelor of Mechanical Engineering (Honours) degree. He also holds a Master of Business Administration degree from Cranfield School of Management, United Kingdom. He is a member of the Institute of Engineers, Malaysia and the Malaysian chapter of the American Concrete Institute. He started his career as an engineer in 1982 with the UMW Group, where his last position was Factory Manager before joining PA Consultancy Group in 1988 as a management consultant. In 1993, he joined Lafarge Malayan Cement Berhad ("LMC"), where he held senior management positions in the manufacturing and marketing subsidiaries before becoming President & Chief Executive Officer of LMC on 1 March 2002, a position he held until 30 June 2004.

Mr Quah joined the MZ Motorrad Division of HLI as Managing Director on 18 October 2004.

He was appointed to the Board of HLI on 22 October 2004. He does not sit on any committee of HLI.

He has attended four (4) Board meetings of HLI held during his office as Director for the financial year ended 30 June 2005.

Mr Quah has no family relationship with other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no conviction for offences within the past ten years.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

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

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

Mr Kwek Leng San
Non-Independent Executive Director

SECRETARY

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

TERMS OF REFERENCE

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT (cont'd)

AUTHORITY

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

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

MEETINGS

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

The head of finance, head of internal audit and external auditors are invited to attend Committee meetings. At least once a year, the Committee will have a separate session with the external auditors without the presence of executive directors.

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

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

ACTIVITIES

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

During the financial year ended 30 June 2005, six (6) Committee meetings were held and all the meetings were attended by all the Committee members.

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

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

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

INTERNAL AUDIT

During the financial year ended 30 June 2005, the Internal Audit Department carried out its duties covering business audit, system and financial audit.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-second Annual General Meeting of Hong Leong Industries Berhad (“the Company”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 14 October 2005 at 3.00 p.m. in order:

1. to lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the year ended 30 June 2005;
2. to approve the payment of Directors’ fees of RM326,068/- to be divided amongst the Directors in such manner as the Directors may determine; **(Resolution 1)**
3. to re-elect the following retiring Directors:
 - a) Mr Chuah Chuan Thye **(Resolution 2)**
 - b) Mr David Edward Comley **(Resolution 3)**
 - c) Mr Quah Thain Khan; **(Resolution 4)**
4. to re-appoint Messrs Ling Kam Hoong & Co as Auditors of the Company and authorise the Directors to fix their remuneration; **(Resolution 5)**
5. as a special business, to consider and, if thought fit, pass the following ordinary motion:

Authority To Directors To Issue Shares

“**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”; and **(Resolution 6)**

6. to consider any other business of which due notice shall have been given.

By Order of the Board

Joanne Leong Wei Yin
Secretary

Kuala Lumpur
22 September 2005

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting.
3. **Ordinary Resolution On Authority To Directors To Issue Shares**
The Ordinary Resolution, if passed, will give authority to the Directors of the Company to issue ordinary shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad)

1. Directors who are standing for re-election at the Forty-second Annual General Meeting of the Company

[Pursuant to Article 115 of the Company's Articles of Association](#)

- (a) Mr Chuah Chuan Thye; and
- (b) Mr David Edward Comley.

[Pursuant to Article 94 of the Company's Articles of Association](#)

Mr Quah Thain Khan.

2. Details of attendance of Directors at Board Meetings

There were five (5) Board meetings held during the financial year ended 30 June 2005. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 4 to 6 of the Annual Report.

3. Place, Date and Time of Forty-second Annual General Meeting

The Forty-second Annual General Meeting of the Company will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 14 October 2005 at 3.00 p.m.

4. Further details of individuals who are standing for election as Directors

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

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

A. DIRECTORS

I The Board

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

II Board Balance

The Board of Directors comprises seven (7) directors, five (5) of whom are non-executive. Of the non-executive directors, two (2) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Board met five (5) times during the financial year ended 30 June 2005.

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

III Supply of Information

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

All directors have access to the advice and services of the Company Secretary as well as to independent professional advice, including the internal auditors.

IV Appointments to the Board

The Company does not have a Nominating Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience.

The process of assessing the directors is an on-going responsibility of the entire Board.

The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, the Company has developed Directors’ Manual where each new director will be given a copy at the point of his appointment. The Directors’ Manual highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same. The new director will be given briefing on the business of the Group and regulatory issues. Directors of the Company will also be updated from time to time of any new or changes to companies and securities legislations, rules and regulations.

V Re-election

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

B. DIRECTORS' REMUNERATION

I Level and make-up of Remuneration

The Company does not have a Remuneration Committee.

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

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

II Procedure

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

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

III Disclosure

The aggregate remuneration of directors (including remuneration earned as executive directors of subsidiaries) for the financial year ended 30 June 2005 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	305,000	1,569,600	1,874,600
Non-Executive Directors	281,068	2,642,543	2,923,611

The number of directors whose remuneration fall into the following bands is as follows:

Range Of Remuneration (RM)	Executive Directors	Non-Executive Directors
50,000 and below	-	1
50,001 - 100,000	-	2
100,001 - 150,000	1	-
150,001 - 400,000	-	-
400,001 - 450,000	-	1
450,001 - 1,750,000	-	-
1,750,001 - 1,800,000	1	-
1,800,001 - 2,300,000	-	-
2,300,001 - 2,350,000	-	1

CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

C. SHAREHOLDERS

I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

II Annual General Meeting ("AGM")

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

D. ACCOUNTABILITY AND AUDIT

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

The Committee met six (6) times during the financial year ended 30 June 2005. Details of attendance of the Committee members are set out in the Board Audit & Risk Management Committee Report appearing on page 8 of the Annual Report.

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

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the Committee, which assesses the financial statements with the assistance of the external auditors.

II Internal Control

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group.

III Relationship with Auditors

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

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

CORPORATE GOVERNANCE AND INTERNAL CONTROL (cont'd)

E. STATEMENT ON INTERNAL CONTROL

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

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

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

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

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

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

These on going processes have been in place for the year under review, and reviewed periodically by the Committee.

The controls built into the risk management framework are intended to manage and not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

In associated companies, the Board nominates representatives to sit as directors and take a proactive stance in assessing the performance of the entity with the goal of safeguarding the investment of the Group. Where practical, the Group may request functional, financial and operating information as well as assurance that such information have been prepared in accordance with reporting standards and have been derived from control environments acceptable to the Group.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

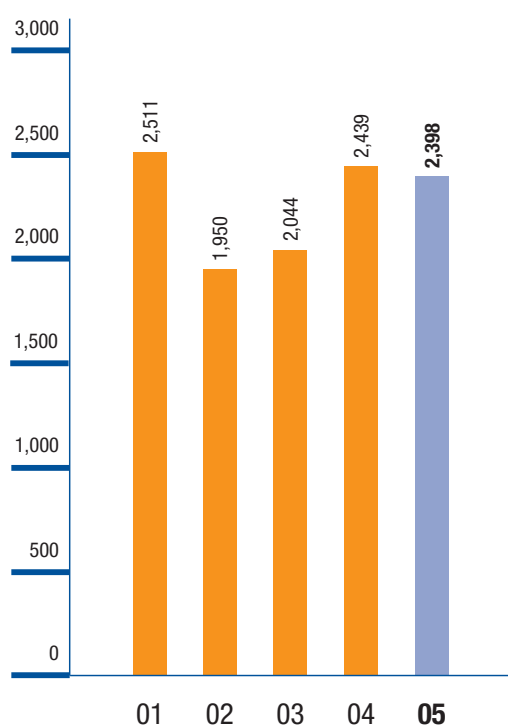
The Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2005, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

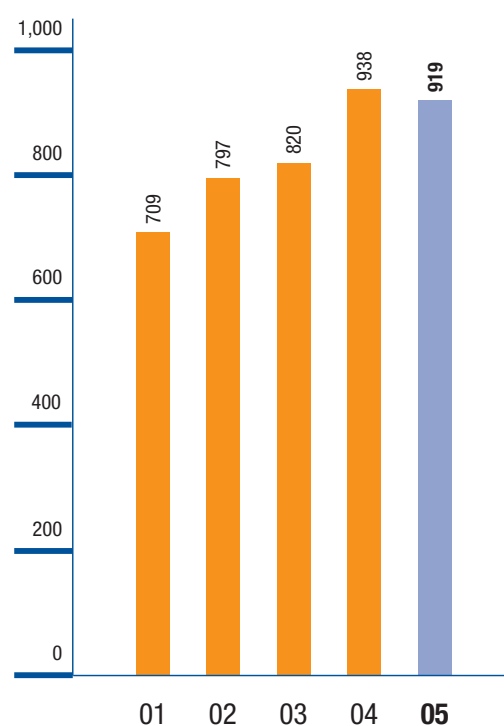
GROUP FINANCIAL HIGHLIGHTS

(RM 'mil)	2001	2002	2003	2004	2005
Revenue	2,511	1,950	2,044	2,439	2,398
Profit/(Loss) Before Taxation	127	(59)	51	199	97
Net Profit/(Loss)	(79)	(79)	9	108	64
Net Earnings/(Loss) Per Share (sen)	(36)	(36)	0	46	26
Net Dividend Per Share (sen)	21	16	2	5	7
Shareholders' Funds	709	797	820	938	919
Total Assets	4,197	4,034	3,813	3,888	3,344

REVENUE
(RM 'mil)



SHAREHOLDERS' FUND
(RM 'mil)



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2005.

OPERATING ENVIRONMENT

The Malaysian economy remained resilient throughout the financial year under review despite an environment of rising interest rates, a more volatile foreign exchange market as well as a downturn in the semiconductor industry. After delivering a strong 8% growth in the first half of year 2004, the Malaysian economy registered more moderate growth in the subsequent quarters, averaging 6% per quarter.

FINANCIAL REVIEW

The Group recorded a profit before tax ("PBT") of RM97.1 million for the financial year ended 30 June 2005 ("FY 2005") as compared with RM199.2 million achieved in the previous financial year.

The decline in the Group's PBT was mainly attributed to the decline in the performance of the semiconductor and building materials sectors coupled with the loss arising from the disposal of the Group's entire interests in Camerlin Group Berhad ("CGB").

The decline was however partly offset by the gains arising from the disposal of the Group's packaging

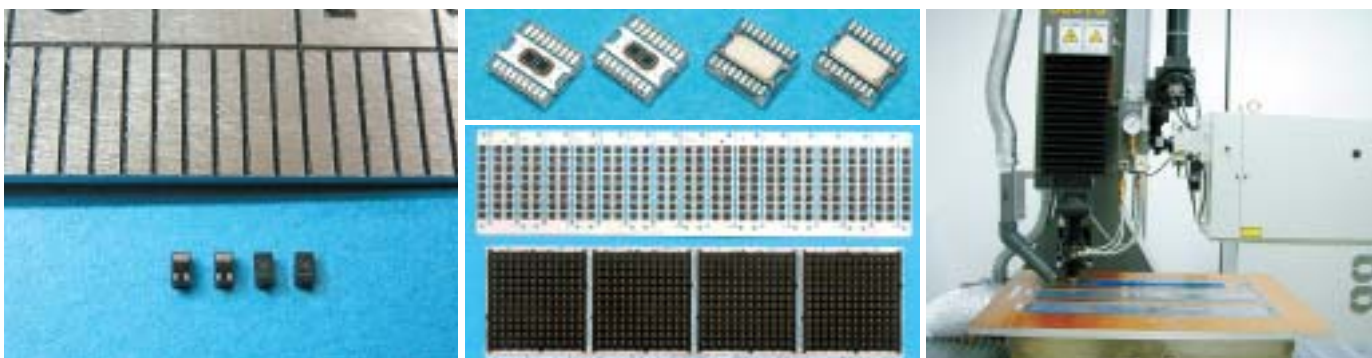
business held under Guolene Packaging Industries Berhad ("GPIB"), a 96.4% owned subsidiary of the Company and the Group's entire interests in MPI Polyester Industries Sdn Bhd ("MPI Polyester").

At Company level, a loss before taxation of RM19.7 million was recorded as compared with a PBT of RM128.2 million achieved in the previous financial year. The Company level loss was mainly due to the losses arising from the disposal of the Company's entire interests in CGB and MPI Polyester coupled with the lower dividend income received from its major subsidiaries.

BUSINESS REVIEW

Semiconductor

The FY 2005 saw the semiconductor industry undergo another round of inventory adjustment, though this downturn was not as drastic as the previous one that took place in year 2001. Despite the challenging operating environment, the Group's semiconductor division continued to generate positive results and contributed RM66.0 million to the Group's operating profit.



CHAIRMAN'S STATEMENT (cont'd)



After a strong financial year ended 30 June 2004 ("FY 2004"), which saw sales grew 34%, the first quarter of the financial year under review started with some concerns, leading to a sharp 18% dip in sales in the second quarter before a moderate recovery took place in the second half of the financial year. While orders are usually slow in the summer months, the rate at which bookings decelerated caught many in the industry by surprise. Excess inventory was the main cause of this slowdown in the sector.

During the FY 2004, the growth in the semiconductor industry was strong in anticipation of strong year-end seasonal demand. However, the stock build-up was far in excess of actual demand and new orders that had been expected were held back as companies worked to prevent excess stock from building up. With the exception of the automotive market, in which demand remained steady throughout the slowdown, the business felt the impact from all market sectors as customers cut back on their orders. The wireless sector was most badly affected due to over anticipation of

mobile phone demand, especially in the Chinese market. While electronics companies, especially those in consumer products like mobile phones, game sets, flat-panel TVs and personal computers enjoyed robust sales during the festive season, much of those sales came from inventories.

Our factories have been ramping-up production capacity since the last financial year, adding people, floor-space and equipment in anticipation of growth. The sudden and swift softening of business resulted in factory capacity under-utilisation and under-recovery of overheads, which in turn adversely affected profit. The division reacted quickly by implementing numerous strategic initiatives to improve operational performance and on-time delivery, to reduce costs and to shorten cycle-time. These initiatives helped to meet customers' increasingly demanding needs.

On the brighter side, most product lines saw improvement in orders during the last quarter, while test business continues to be in demand as more customers are requesting for turnkey services. Our MLP shipments hit a record 233 million units during the quarter and remain the strongest growth package. We have also come to an agreement with Intersil to set up a captive wafer probe and test centre in Carsem.

The division's venture into China, Carsem Semiconductor (Suzhou) Co. Ltd., became fully operational during the third quarter. Over the year, revenue increased strongly and the operation is expected to break-even in the new financial year and become profitable thereafter.

This business division has invested RM229 million over the past twelve months. A substantial portion of these investments went into enhancing new product capabilities, test, people skills, computer systems and research and development.

The division's MLP product line continues to see the highest growth, having shipped 40% more units than in FY 2004. MLP shipments are expected to further increase in future quarters as more new customers have come on board.

CHAIRMAN'S STATEMENT (cont'd)

Already an industry leader in MLP technologies, Carsem is well poised to improve this position by working on technologies such as Clear, Power, Ultra-Thin and Mini MLPs. With the proliferation of our high-density low-cost MLP programmes and going by the high number of qualification runs that Carsem continues to receive, it is apparent that our MLPs are the preferred package and are being designed into many new applications.

Another area of high growth is in test services. Many of our customers have either already stopped or downsized their in-house test operations and now rely heavily on independent test houses. Also, the emergence of many fabless companies is further raising the demand for test services. It is clear that in order to attract customers today, one has to provide a complete assembly and test turnkey solution. With its continuous focus and investments into test, the Group is well positioned for this business.

Dynacraft has also grown to support an extensive range of new MLP products and this growth is expected to continue in the following year. It has also made major investments in acquiring the latest industry technology to support the growing

demand for nickel palladium gold lead-free plating, as the industry drives for environmentally friendly plating solutions. Dynacraft will treble its current installed capacity and will position itself to be the most competitive and technologically advanced nickel palladium gold plating supplier. The current financial year has seen its nickel palladium business grow significantly, and this is expected to double in the following period. This is further complemented by the successful development and implementation of the MEP ("Mould Enhancement Process"), which improves the moisture sensitivity of its customers' packages, which is a key product requirement. This process can be applied to both silver plated products and lead-free nickel palladium gold products. By equipping itself with these technologies and capabilities and increasing its capacity, Dynacraft is positioning itself well to increase market share in a number of key accounts and new customers.

This past year also saw the emergence of competitors from China. The majority of these companies compete on very low prices. They focus on the mature packages but in time, one would expect them to expand their product offerings as they acquire more technology. Pricing pressures will continue to pose a challenge and the division is positioning itself to meet these challenges.

As we exit the financial year, it would appear that the excess inventory that caused the pull back of the industry has sorted itself out and hereafter, orders should start matching actual market demand. The Board believes that demands for the division's



CHAIRMAN'S STATEMENT (cont'd)

products will very much depend on new applications, affordability and the global economic conditions. While the semiconductor industry is expected to make a stable recovery, growth for next year is forecasted to be moderate. As such, in order for the division to grow at a faster rate, it will have to focus on high growth areas like MLP & test services, as well as increase its market share.

Solid business fundamentals, an experienced management team, a strong balance sheet and healthy cash flow, as well as being a leader in new packaging and leadframe technologies, will ensure the prospects of this business division remain sound.

BUILDING MATERIALS

The ceramic tiles division's revenue for FY 2005 was flat at RM363.4 million when compared with the previous year, due principally to negative growth in the domestic construction industry for the second half of the financial year.



For the next three years, the division will focus on building sustainability internally through various structured programmes and the continuous shaping of human resources to strengthen the backbone of this organisation. Externally, the division's focus will still be on developing the domestic retail market and core export market.

For the period under review, the division launched 5 series of vibrant and innovative ceramic tiles that create a lifestyle statement. These minimalist concepts provide customers with a naturally random stone, slate, marble or concrete look for the floor tiles, coordinated with a subtle pattern in elongated rectangle-sized definite motif wall tiles as well as floral or geometric designed decorative. In view of customers' desire to see and touch the products, as well as customers' difficulty in choosing from such a wide and comprehensive ranges of tiles, Guocera extended the current showroom by another 5,000 sq feet thus allowing Guocera to create life-sized mock-ups of every single room in a house/condominium. Guocera have also compiled a library of tiles and provided the use of the computer graphic programme, Virtual Décor, a programme that is able to simulate and provide a visual of your dream bedroom or any room in the house. The ceramic tiles division will benefit from the above investments in the next few years.



CHAIRMAN'S STATEMENT (cont'd)

MOTORCYCLES

The domestic motorcycles' market size grew by 15% year-on-year from 366,169 units in FY 2004 to 422,548 units in FY 2005. Yamaha out-performed the industry growth by recording an increase of 51% on a year-on-year basis.

In tandem with the growth of the motorcycles industry, Yamaha introduced Nouvo S, a new 4 stroke model in April 2005, to compete in the automatic segment. Since its introduction, this model has earned widespread acceptance and it will contribute positively to Yamaha's market share and profitability.

During the financial year under review, Hong Leong Yamaha Motor Sdn Bhd ("HLYM") celebrated its 25th Anniversary with a series of customer loyalty programmes and a brand enhancement exercise with "YAMAHA – Powers Your Passion" theme. These major events were well supported and will contribute towards building a strong brand image.

With Yamaha's continued drive for quality, productivity in manufacturing, cost reduction and innovation, the division is expected to further strengthen its market share and profitability in the next financial year.

Our investment in Yamaha Motor Vietnam Co Ltd continued to show significant improvement in its operations for the financial year under review. The market in Vietnam remained challenging and Yamaha was able to capitalise on its increased market share with its newly launched models and high quality image model line-up. We expect this investment to continue to contribute positively to the overall motorcycles division.

The MZ operations in Germany continued to be difficult as market conditions in Europe remained soft. The Group is planning to revamp its MZ operations in Germany, focusing on research and development.

The business of MZ in Malaysia continued its steady growth. The Moskito 125RX doubled its market share in the scooter segment to more than 20%, making it one of the best selling scooters in the country. Growth was further enhanced by the launch of the Mantizz 125 in August 2004 for the moped segment. New models are currently being planned to further widen the product range.



CHAIRMAN'S STATEMENT (cont'd)

SIGNIFICANT CORPORATE DEVELOPMENTS

During the financial year,

- i) GPIB had completed the disposal of its entire equity interests in Guolene Packaging & Printing Sdn Bhd, Guolene Woven Products (Melaka) Sdn Bhd, Guolene Plastic Films Sdn Bhd and Packaging Research Centre Sdn Bhd to San Miguel Corporation for a total cash consideration of RM135.6 million;
- ii) the Company and its wholly-owned subsidiary company, HLI Trading Limited, had completed the disposal of an aggregate of 80,827,163 ordinary shares of RM1.00 each and RM54,520,949 nominal value of 5.5% 5-year irredeemable convertible unsecured loan stocks, representing their entire interests in CGB to Brightspring Holdings Limited for an aggregate cash consideration of RM153.7 million;
- iii) the Company had completed the disposal of 40,000,000 ordinary shares of RM1.00 each and 6,800 redeemable preference shares of RM100.00 each, representing the entire issued

and paid-up share capital of MPI Polyester to Deltrone Investments Ltd for a cash consideration of RM24.5 million; and

- iv) the Company had completed an internal rationalisation exercise involving its Yamaha motorcycles operations in Malaysia which entailed the following steps:-
 - (a) HLYM acquired the Company's entire 49% equity interest in HL Yamaha Motor Research Centre Sdn Bhd, comprising 588,000 ordinary shares of RM1.00 each, for a cash consideration of RM588,000; and
 - (b) HLYM acquired from Hong Leong Yamaha Distributors Sdn Bhd, a 74% subsidiary company of the Company, its business of distributing and selling the "Yamaha" brand of motorcycles and related activities together with certain assets and liabilities in connection with the said business for a cash consideration of RM13.2 million.



CHAIRMAN'S STATEMENT (cont'd)



FUTURE AND PROSPECTS

Notwithstanding the challenging operating environment ahead and barring any unforeseen circumstances, the Board expects the businesses of the Group to perform satisfactorily in the new financial year ending 30 June 2006.

DIVIDEND

The Company had declared and paid a first and second interim dividend of 3.75 sen per share tax exempt and 5.0 sen per share less tax respectively during the financial year under review. The Board does not recommend any final dividend for the FY 2005.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to the management team and all the employees for their dedication and commitment to the Group.

I would also like to extend my appreciation to our shareholders and the authorities for their continued support and confidence in the Group.

QUEK LENG CHAN
Chairman

Kuala Lumpur



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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2005.

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. Other than as disclosed in Note 1 to the financial statements, there have been no significant changes in the nature of these activities during the year.

RESULTS

	Group	Company
	RM'000	RM'000
Net profit/(loss) for the financial year	64,089	(9,721)

DIVIDENDS

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

- (i) a first interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax amounting to RM6,649,531 in respect of the financial year ended 30 June 2005 on 30 December 2004; and
- (ii) a second interim dividend of 2.50 sen per share tax exempt and 2.50 sen per share less tax amounting to RM9,393,712 in respect of the financial year ended 30 June 2005 on 22 June 2005.

The Directors do not recommend any final dividend for the financial year ended 30 June 2005.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

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

YBhg Tan Sri Quek Leng Chan (*Executive Chairman*)
Mr Kwek Leng San (*President & Chief Executive Officer*)
YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar
YBhg Dato' Ahmad Johari bin Tun Abdul Razak
Mr Chuah Chuan Thye
Mr David Edward Comley
Mr Quah Thain Khan (Appointed on 22-10-2004)

In accordance with Article 115 of the Company's Articles of Association, Mr Chuah Chuan Thye and Mr David Edward Comley retire by rotation from the Board and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr Quah Thain Khan retires from the Board and, being eligible, offers himself for re-election.

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS

No Director holding office at the end of the financial year had any beneficial interest in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, except as follows:-

	Nominal value per share RM	Number of ordinary shares/ new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*			At 30-6-2005
		At 1-7-2004	Acquired	Sold	
<i>Shareholdings in which Directors have direct interests</i>					
Interests of YBhg Tan Sri Quek Leng Chan in:-					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Credit Berhad	1.00	11,046,600	-	-	11,046,600
Hong Leong Industries Berhad	0.50	1,268,000	1,244,000	-	2,512,000
	-	40,000*	-	-	40,000*
Guoco Group Limited	US\$0.50	1,656,325	-	-	1,656,325
GuocoLand Limited	S\$1.00	14,047,224	-	-	14,047,224
Malaysian Pacific Industries Berhad	0.50	53,500	-	-	53,500
Hong Leong Bank Berhad	1.00	40,000	-	-	40,000
Hume Industries (Malaysia) Berhad	1.00	4,034,000	-	-	4,034,000
Narra Industries Berhad	1.00	8,170,200	-	-	8,170,200
Interest of YBhg Dato' Ahmad Johari bin Tun Abdul Razak in:-					
Hong Leong Industries Berhad	0.50	17,600	-	-	17,600
Interests of Mr Kwek Leng San in:-					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	0.50	1,550,000	-	-	1,550,000
	-	650,000*	-	400,000@	250,000*
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Guoco Group Limited	US\$0.50	209,120	-	-	209,120
Hong Leong Credit Berhad	1.00	-	600,000	-	600,000
Camerlin Group Berhad	1.00	197,000 [▲]	-	197,000	-
	-	84,913* [▲]	-	84,913*	-

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/ new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*			At 30-6-2005
		At 1-7-2004	Acquired	Sold	
<i>Shareholdings in which Directors have direct interests</i>					
Interest of Mr David Edward Comley in:-					
Malaysian Pacific Industries Berhad	0.50	262,000	-	262,000	-
	-	400,000*	-	400,000@	-
<i>Shareholdings in which Directors have indirect interests</i>					
Interests of YBhg Tan Sri Quek Leng Chan in:-					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
MEHY Sdn Bhd (In members' voluntary liquidation)	1.00	650,000	-	-	650,000
Hong Leong Credit Berhad	1.00	813,823,554	-	56,256	813,767,298
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	951,573,500	2,112,100	-	953,685,600
Hong Leong Industries Berhad	0.50	130,134,500	1,165,400	-	131,299,900
	-	39,440,435*	-	894,100*	38,546,335*
Hong Leong Yamaha Distributors Sdn Bhd	1.00	10,360,000	-	-	10,360,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	9,195,270	-	1,379,290∞	7,815,980B
Malaysian Pacific Industries Berhad	0.50	113,977,609	123,400	204,200	113,896,809
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400	-	-	22,400
		(Redeemable Preference Shares)			(Redeemable Preference Shares)

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/ new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*			At 30-6-2005
		At 1-7-2004	Acquired	Sold	
<i>Shareholdings in which Directors have indirect interests</i>					
Interests of YBhg Tan Sri Quek Leng Chan in:-					
Guolene Packaging Industries Berhad (In members' voluntary liquidation)	1.00	69,920,528	3,606	-	69,924,134
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	9,350,002	-
Hume Industries (Malaysia) Berhad	1.00	115,605,894	2,950,000	19,466	118,536,428
Narra Industries Berhad	1.00	38,304,000	-	-	38,304,000
Camerlin Group Berhad	1.00	219,866,017 [▲] 2,699,793 [▲]	19,872,762 1,189,132*	-	239,738,779 3,888,925*
Guoco Group Limited	US\$0.50	218,168,884	1,020,000	327,575	218,861,309
Citywide International Limited	US\$1.00	-	9	-	9
GuocoLand Limited	S\$1.00	458,785,229	622,000	-	459,407,229
First Changi Development Pte Ltd	S\$1.00	40,002,075	-	-	40,002,075
First Garden Development Pte Ltd	S\$1.00	72,000,000	-	-	72,000,000
Melville Park Development Pte Ltd	S\$1.00	57,840,000	-	-	57,840,000
Sanctuary Land Pte Ltd	S\$1.00	54,000,000	-	-	54,000,000
Beijing Minghua Property Development Co., Ltd	^	150,000,000	-	-	150,000,000
Beijing Xinhaoyi Property Development Co., Ltd (In members' voluntary liquidation)	^	138,000,000	-	-	138,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	#	19,600,000	-	-	19,600,000
Beijing Jiang Sheng Property Development Co., Ltd	^	-	247,600,000	-	247,600,000
Lam Soon (Hong Kong) Limited	HK\$1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HK\$100.00	9,800	-	-	9,800
LS Golden Oils & Fats Limited	HK\$1.00	185,000,000	-	-	185,000,000
M.C. Packaging Offshore Limited	HK\$0.01	471,793	-	-	471,793
Lam Soon Ball Yamamura Inc	NT\$10	23,725,995	5	-	23,726,000
Guangzhou Lam Soon Food Products Limited	Ω	6,570,000	-	-	6,570,000
Shekou Lam Soon Silo Company Limited	#	8,464,500	-	-	8,464,500
Shenzhen Lam Soon Edible Oils Company Limited	#	11,400,000	600,000	-	12,000,000

DIRECTORS' REPORT (cont'd)

DIRECTORS' INTERESTS (cont'd)

	Nominal value per share RM	Number of ordinary shares/ new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*			At 30-6-2005
		At 1-7-2004	Acquired	Sold	
<i>Shareholdings in which Directors have indirect interests</i>					
Interests of					
Mr Chuah Chuan Thye in:-					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Credit Berhad	1.00	9,284,949	-	-	9,284,949
Hong Leong Industries Berhad	0.50	1,998,800	-	-	1,998,800
	-	341,778*	-	-	341,778*
Narra Industries Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	120,000	-	-	120,000
Camerlin Group Berhad	1.00	3,133,500 [▲]	-	-	3,133,500
	-	666,500* [▲]	-	-	666,500*

Legend:

∞ Cancellation pursuant to capital reduction.

^ Capital contribution in RMB.

Capital contribution in US\$.

Ω Capital contribution in HK\$.

β Remaining shares held after capital reduction.

▲ Shareholding as at 6 April 2005 as the corporation became a related corporation.

@ The unexercised option to subscribe for shares pursuant to the Executive Share Option Scheme lapsed on 24 December 2004.

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties, and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest and Mr Chuah Chuan Thye who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between related corporations and corporations in which Mr Chuah Chuan Thye is deemed to have interest.

There were no arrangements during and at the end of the financial year which had 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.

DIRECTORS' REPORT (cont'd)

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The shareholders of the Company approved the implementation of the Scheme at the Extraordinary General Meeting held on 14 December 1999. On 12 November 2002, shareholders approved a proposal to extend the duration of the Scheme for an additional period of 5 years from 24 December 2004 up to and including 23 December 2009 and to amend the Bye-Laws of the Scheme to inter alia incorporate revisions to Securities Commission Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Company to issue new shares and/or transfer existing shares to option holders upon the exercise of their options.

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

1. Eligible executives are those executives (including full-time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of the Company in a general meeting.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 24 December 1999.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.50.
5. An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.
6. The options granted to eligible executives will lapse when they are no longer in employment of the Group.

The details of options over ordinary shares of the Company granted under the ESOS are as follows:-

	Number of unissued ordinary shares of RM0.50 each under the ESOS			
	Offer date	Balance at 1.7.2004	Options lapsed	Balance at 30.6.2005
Option price of RM8.83	28-12-1999	3,831,800	3,831,800	-
Option price of RM15.64	17-04-2000	527,000	527,000	-
		4,358,800	4,358,800	-

The balance of the unexercised options granted under the Company's ESOS have lapsed on 24 December 2004.

DIRECTORS' REPORT (cont'd)

SHARE CAPITAL AND DEBENTURE

During the financial year, the issued and paid-up share capital of the Company was increased from 225,321,416 ordinary shares of RM0.50 each to 225,802,416 ordinary shares of RM0.50 each arising from the conversion of RM2,982,200 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") at the conversion price of RM6.20 per share by the ICULS holders.

There was no share buy back from the open market during the financial year. As at 30 June 2005, the total number of shares bought back was 7,344,000 shares which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

OPTIONS GRANTED OVER UNISSUED SHARES

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

WARRANTS

The Company had, on 30 June 1997, issued 35,083,500 detachable warrants.

The details of the warrants are as follows:-

- (a) The warrants were constituted by a Deed Poll dated 22 October 1996 supplemented by a Supplemental Deed Poll dated 5 May 1997 and a Second Supplemental Deed Poll dated 15 June 1999 (collectively referred to as the "Deed Poll").

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share. The subscription of the outstanding warrants was extended for a further period of 5 years from the existing expiry date of 13 November 2001 to 13 November 2006.

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.

- (c) There were no conversion of warrants into new ordinary shares of the Company during the financial year. As at the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2004: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

LOAN STOCKS

The Company issued RM208,152,780 nominal value of 4% Five (5)-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2002/2007 at 100% nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 each held as at 21 May 2002.

The ICULS were constituted by the Trust Deed dated 22 May 2002.

DIRECTORS' REPORT (cont'd)

LOAN STOCKS (cont'd)

The ICULS, which are irredeemable, have a maturity date of 28 June 2007 and carry a coupon rate of 4% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM0.50 each in the Company at any time from the date of issuance and all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares after the maturity date. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion. Upon conversion, all new ordinary shares rank pari passu with the ordinary shares then in issue except that these shares shall not be entitled to any rights and/or distributions, the entitlement date of which precedes or falls on the relevant conversion date and any dividends declared in respect of the financial quarter(s) immediately preceding the relevant conversion date.

During the financial year, RM2,982,200 nominal value of ICULS were converted into 481,000 ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 30 June 2005 was RM203,974,500.

OTHER STATUTORY INFORMATION

Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

- (i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

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

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

DIRECTORS' REPORT (cont'd)

OTHER STATUTORY INFORMATION (cont'd)

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

In the opinion of the Directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2005 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

On behalf of the Board

Kwek Leng San

David Edward Comley

Kuala Lumpur
23 August 2005

BALANCE SHEETS

as at 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
PROPERTY, PLANT AND EQUIPMENT	4	1,386,896	1,483,051	-	-
INVESTMENTS IN SUBSIDIARY COMPANIES	5	-	-	1,120,370	1,171,367
INVESTMENTS IN ASSOCIATED COMPANIES	6	79,705	242,727	26,897	180,306
OTHER INVESTMENTS	7	294,234	371,596	293,531	348,203
INTANGIBLE ASSETS	8	437,365	460,088	-	-
OTHER ASSETS	9	10,590	73,921	6,465	11,243
DEFERRED TAX ASSETS	22	3,306	4,853	-	-
CURRENT ASSETS					
Property assets	10	21,063	21,063	-	-
Inventories	11	241,172	273,669	-	-
Trade and other receivables	12	429,541	502,454	4,694	39,612
Tax recoverable		38,052	80,594	28,758	61,614
Short term investments	13	1,105	1,105	1,105	1,105
Deposits, cash and bank balances	14	400,487	373,091	94,127	103,156
		1,131,420	1,251,976	128,684	205,487
CURRENT LIABILITIES					
Trade and other payables	15	403,951	509,612	18,718	70,518
Borrowings	16	504,010	767,169	211,626	308,939
Redeemable bonds	17	-	250,000	-	125,000
Taxation		4,247	6,539	-	-
		912,208	1,533,320	230,344	504,457
NET CURRENT ASSETS/(LIABILITIES)		219,212	(281,344)	(101,660)	(298,970)
		2,431,308	2,354,892	1,345,603	1,412,149

BALANCE SHEETS (cont'd)

as at 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
SHARE CAPITAL AND RESERVES					
Share capital	18	112,901	112,661	112,901	112,661
Reserves		662,295	678,331	426,889	458,126
Treasury shares - at cost	19	(59,835)	(59,835)	(59,835)	(59,835)
Irredeemable convertible unsecured loan stocks ("ICULS")	20	203,975	206,957	203,975	206,957
		919,336	938,114	683,930	717,909
MINORITY SHAREHOLDERS' INTERESTS					
		573,753	587,250	-	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings	16	538,590	241,250	293,904	164,597
Redeemable Bonds	17	250,000	250,000	250,000	250,000
EuroConvertible Bonds	21	117,386	279,224	117,386	279,224
Deferred tax liabilities	22	20,670	46,386	-	-
Retirement benefits	23	11,573	12,668	383	419
		938,219	829,528	661,673	694,240
		2,431,308	2,354,892	1,345,603	1,412,149

The financial statements were approved and authorised for issue by the Board of Directors on 23 August 2005.

The notes on pages 40 to 79 form part of these financial statements.

INCOME STATEMENTS

for the financial year ended 30 June 2005

	Note	Group		Company	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue					
Sales of goods and services		2,397,349	2,438,157	-	-
Dividend income		453	415	125,664	155,908
Cost of sales		2,397,802	2,438,572	125,664	155,908
		(2,098,451)	(2,004,881)	-	-
Gross profit		299,351	433,691	125,664	155,908
Distribution costs		(92,756)	(77,400)	-	-
Administration expenses		(108,252)	(118,174)	(3,547)	(3,199)
Other operating expenses		(52,034)	(100,069)	(50,015)	(85,492)
Other operating income		25,035	103,484	3,868	113,036
Operating profit		71,344	241,532	75,970	180,253
Loss on disposal of associated companies		(25,483)	-	(60,309)	-
Gain on disposal of discontinued operations	24	79,795	-	14,706	-
Interest income		13,500	15,300	3,817	5,364
Finance costs		(85,212)	(89,010)	(53,905)	(57,374)
Share of profit of associated companies		43,173	31,427	-	-
Profit/(loss) before taxation	25	97,117	199,249	(19,721)	128,243
Taxation	26	36,223	31,661	10,000	2,500
Share of taxation of associated companies		280	25	-	-
Profit/(loss) after taxation		133,620	230,935	(9,721)	130,743
Less: Minority interests		(69,531)	(122,508)	-	-
Net profit/(loss) for the financial year		64,089	108,427	(9,721)	130,743
Basic earnings per ordinary share (sen)	27	25.61	45.95		
Diluted earnings per ordinary share (sen)	27	24.58	42.21		
Dividends per ordinary share - net (sen)	28	7.35	4.85		

The notes on pages 40 to 79 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2005

	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	ICULS RM'000	Total RM'000
Group									
At 1 July 2003	112,564	289,396	948	6,500	34,084	227,961	(59,835)	208,153	819,771
Net profit for the financial year	-	-	-	-	-	108,427	-	-	108,427
Dividends (Note 28)	-	-	-	-	-	(10,568)	-	-	(10,568)
Interest on ICULS	-	-	-	-	-	(8,321)	-	-	(8,321)
Realisation of foreign currency reserve	-	-	-	(451)	-	-	-	-	(451)
Foreign currency translation differences	-	-	-	2,303	-	-	-	-	2,303
Associated companies	-	-	-	28,628	(1,836)	-	-	-	26,792
Change in equity in a subsidiary company	-	-	-	161	-	-	-	-	161
Conversion of ICULS into ordinary shares	97	1,099	-	-	-	-	-	(1,196)	-
Transfer of capital reserve	-	-	-	(48)	78	(30)	-	-	-
At 30 June 2004	112,661	290,495	948	37,093	32,326	317,469	(59,835)	206,957	938,114
Net profit for the financial year	-	-	-	-	-	64,089	-	-	64,089
Dividends (Note 28)	-	-	-	-	-	(16,044)	-	-	(16,044)
Interest on ICULS	-	-	-	-	-	(8,214)	-	-	(8,214)
Realisation of foreign currency reserve	-	-	-	(58,342)	-	-	-	-	(58,342)
Foreign currency translation differences	-	-	-	(267)	-	-	-	-	(267)
Conversion of ICULS into ordinary shares	240	2,742	-	-	-	-	-	(2,982)	-
Transfer of capital reserve	-	-	-	-	(29,303)	29,303	-	-	-
At 30 June 2005	112,901	293,237	948	(21,516)	3,023	386,603	(59,835)	203,975	919,336

(Note 18)

(Note 19) (Note 20)

STATEMENTS OF CHANGES IN EQUITY (cont'd)

for the financial year ended 30 June 2005

	Share Capital RM'000	Share Premium* RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	ICULS RM'000	Total RM'000
Company							
At 1 July 2003	112,564	289,396	3,943	51,834	(59,835)	208,153	606,055
Net profit for the financial year	-	-	-	130,743	-	-	130,743
Dividends (Note 28)	-	-	-	(10,568)	-	-	(10,568)
Interest on ICULS	-	-	-	(8,321)	-	-	(8,321)
Conversion of ICULS into ordinary shares	97	1,099	-	-	-	(1,196)	-
At 30 June 2004	112,661	290,495	3,943	163,688	(59,835)	206,957	717,909
Net loss for the financial year	-	-	-	(9,721)	-	-	(9,721)
Dividends (Note 28)	-	-	-	(16,044)	-	-	(16,044)
Interest on ICULS	-	-	-	(8,214)	-	-	(8,214)
Conversion of ICULS into ordinary shares	240	2,742	-	-	-	(2,982)	-
At 30 June 2005	112,901	293,237	3,943	129,709	(59,835)	203,975	683,930
	(Note 18)				(Note 19)	(Note 20)	

* Non Distributable

The notes on pages 40 to 79 form part of these financial statements.

CASH FLOW STATEMENTS

for the financial year ended 30 June 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation	97,117	199,249	(19,721)	128,243
Adjustments for:-				
Share of profit of associated companies	(43,173)	(31,427)	-	-
Depreciation and amortisation of property, plant and equipment	269,387	261,947	-	-
Dividend income	(453)	(415)	(125,664)	(155,908)
Loss/(gain) on disposal of property, plant and equipment	1,979	(3,625)	-	-
Property, plant and equipment written off	802	4,002	-	-
Retirement benefits	1,832	(7,541)	(36)	(616)
Unrealised loss/(gain) on foreign exchange	682	(3,154)	(3,807)	(489)
Interest income	(13,500)	(15,300)	(3,817)	(5,364)
Finance costs	85,212	89,010	53,905	57,374
Loss/(gain) on liquidation of subsidiary companies	-	1,186	-	(35,475)
Goodwill written off	5,145	-	-	-
Development expenditure amortised	3,039	2,425	-	-
Gain on disposal of shares in a subsidiary company	-	(70,983)	-	(75,458)
Loss/(gain) on disposal of				
- Associated companies	25,483	-	60,309	-
- Discontinued operations	(79,795)	-	(14,706)	-
- Investments	(8,270)	(11,713)	-	-
Impairment in value of investments	-	70,832	40,000	79,546
EuroConvertible Bond Put Premiums	6,583	4,985	6,583	4,985
Bad and doubtful debts	1,924	7,184	-	-
Loss on disposal of property assets	-	358	-	-
Other non-cash items	(6,685)	750	85	-
Operating profit/(loss) before working capital changes	347,309	497,770	(6,869)	(3,162)
Changes in working capital:				
Inventories	(24,776)	(23,124)	-	-
Trade and other receivables	(67,186)	(104,547)	43,525	(31,673)
Trade and other payables	163,311	111,942	(58,404)	(612)
Cash generated from/(used in) operations	418,658	482,041	(21,748)	(35,447)
Net income taxes refunded	51,993	16,340	58,392	27,479
Net finance costs paid	(71,712)	(73,710)	(50,088)	(52,010)
Net dividends received	447	411	110,128	139,648
Retirement benefits paid	(331)	(1,014)	-	(3)
Net cash generated from operating activities	399,055	424,068	96,684	79,667

CASH FLOW STATEMENTS (cont'd)

for the financial year ended 30 June 2005

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Acquisition of subsidiary companies (Note 33)	-	(119)	-	-
Cash distribution from liquidation of subsidiary companies	-	-	124,815	35,200
Cash distribution to minority shareholders on liquidation of a subsidiary company	(4,846)	-	-	-
Addition of development expenditure	(1,262)	(1,951)	-	-
Purchase of property, plant and equipment	(274,855)	(311,911)	-	-
Proceeds from disposal of property, plant and equipment	1,931	6,238	-	-
Proceeds from disposal of shares in a subsidiary company	-	144,893	-	115,855
Proceeds from disposal of				
- Discontinued operations (Note 24)	141,026	-	27,089	-
- Associated companies	110,951	-	91,086	-
- Investments	87,663	122,858	56,685	-
Proceeds from capital reduction of a subsidiary company	-	-	1,379	-
Additional equity investment in subsidiary companies	-	(2,559)	(127,665)	(36,739)
Acquisition of other investments	(21)	(583)	-	(583)
Proceeds from disposal of property assets	-	3,865	-	-
Net cash generated from/(used in) investing activities	60,587	(39,269)	173,389	113,733
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital reduction in a subsidiary company paid to minority shareholders	(953)	-	-	-
Repayment of bonds	(286,838)	-	(286,838)	-
Dividends paid to:				
- shareholders	(16,044)	(10,568)	(16,044)	(10,568)
- minority shareholders	(56,947)	(109,956)	-	-
Payment of interest on ICULS	(8,214)	(8,321)	(8,214)	(8,321)
Net repayment of borrowings	(59,706)	(98,280)	33,336	(42,301)
Net cash used in financing activities	(428,702)	(227,125)	(277,760)	(61,190)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	30,940	157,674	(7,687)	132,210
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	368,530	210,391	101,814	(30,396)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS	189	465	-	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	399,659	368,530	94,127	101,814
CASH AND CASH EQUIVALENTS COMPRISE:-				
Deposits	301,808	313,778	54,827	103,000
Cash and bank balances	98,679	59,313	39,300	156
Bank overdrafts	(828)	(4,561)	-	(1,342)
	399,659	368,530	94,127	101,814

The notes on pages 40 to 79 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. 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.

During the financial year:-

- (a) Guolene Packaging Industries Berhad, a 96.4% subsidiary company of the Company, had completed the disposal of its entire equity interests in Guolene Packaging & Printing Sdn Bhd, Guolene Products (Melaka) Sdn Bhd, Guolene Plastic Films Sdn Bhd and Packaging Research Centre Sdn Bhd.
- (b) the Company had completed the disposal of its entire equity interest in MPI Polyester Industries Sdn Bhd.

Following the completion of the above disposals, the Group has ceased its activities in the manufacture, sale and research and development of packaging products and polyester resin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Group and of the Company are consistent with those adopted in the previous financial years.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment unless otherwise indicated in the accounting policies below and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies as listed under Note 3.

Subsidiary companies are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiary companies are consolidated using the acquisition method of accounting.

Under the acquisition method of accounting, the results of subsidiary companies acquired or disposed/distributed of during the year are included from the date of acquisition/distribution or up to the date of disposal. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiary companies' net assets is reflected as goodwill or reserve on consolidation as appropriate.

All significant inter-company balances, transactions and resulting unrealised profit are eliminated on consolidation. Unrealised losses resulting from inter-company transactions are eliminated unless cost cannot be recovered in full.

Minority shareholders' interest consist of the minority shareholders' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Associated companies

Associated companies are those companies in which the Group has significant influence, but not control through participation in the financial and operating policies of the associated companies.

Goodwill or reserve arising from acquisition represents the difference between the cost of investment and the Group's share of the net assets of the associated companies at the date of acquisition.

Unrealised profits arising on transactions between the Group and its associated companies which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associated companies. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

The Group's share of profits less losses of associated companies is included in the consolidated income statement and the Group's share of net assets and goodwill or reserve on acquisition is included in the consolidated balance sheet. Where the accounting policies of associated companies do not conform in all aspects to those of the Group, if material, adjustments are made to the consolidated financial statements.

(d) Property, plant and equipment and depreciation

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

Certain freehold and leasehold properties and plant and equipment of certain subsidiary companies were revalued by the Directors based upon an independent professional valuation determined on the open market value basis as disclosed in Note 4 to the financial statements.

It is the policy of the Group and of the Company to state its property, plant and equipment at cost. Notwithstanding that, certain freehold land, long term leasehold land, short term leasehold land and buildings of the Group were revalued in 1980 to 1990 by the Directors based on professional valuations using fair market value on the open market value basis. As allowed by FRS 116 Property, Plant and Equipment, the revaluation was not intended to effect a change in the accounting policy to one of revaluation of properties. Hence, the valuations of these properties have not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

Surplus arising from revaluation is dealt with on the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement. Upon the disposal of revalued properties, the attributable revaluation reserve is transferred to retained earnings.

Additions to land and buildings and plant and equipment subsequent to the latest valuation are stated at cost in the financial statements.

Freehold land and capital work-in-progress are not amortised. Other property, plant and equipment are amortised or depreciated on the straight line basis over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

Leasehold land	Over period of lease
Buildings	2% - 5%
Building improvements	10%
Plant and equipment and motor vehicles	5% - 33.3%

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investments

Investments in associated companies are stated at cost in the Company less impairment loss where applicable.

Investments in subsidiary companies are stated at cost less impairment loss where applicable.

Short term investments are stated at the lower of cost and market value.

Long term investments other than in subsidiary companies and associated companies are stated at cost. Write down is made when the Directors are of the view that there is a permanent diminution or impairment in the value of an investment.

(f) Intangible assets

(i) Goodwill

Goodwill arising on consolidation, representing the excess of the cost of investment over the fair value of the net assets of the subsidiary companies at acquisition dates is carried forward at cost less the previous amounts written off. Goodwill is written off when there has been a permanent impairment in its value.

(ii) Development expenditure

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

Expenditure on development activities, for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over a period of ten years on a straight line basis.

(g) Property assets

Property assets consist of freehold land and buildings and leasehold land which are stated at lower of cost or book carrying value and net realisable value and are held for sale.

(h) Inventories

Raw materials, consumables, work-in-progress and finished goods are valued at the lower of cost mainly determined by the weighted average basis and net realisable value. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

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

(i) Receivables

Receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment of assets

The carrying amount of the Group's and of the Company's assets other than inventories (refer Note 2(h)), deferred tax assets (refer Note 2(l)) and financial assets (other than investments in subsidiary companies and associated companies), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is recognised when the Directors are of the view that there is a diminution in its value which is other than temporary and that the impairment loss is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent events have occurred that reverse the effect of that event.

In respect of other assets, all impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if an impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on the revalued assets, in which case the reversal is taken to equity.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Taxation

Taxation in the income statement comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case the taxation is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is provided using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Repurchases of shares

When shares are repurchased, the amount of the consideration paid including directly attributable cost is recognised as cost and set off against equity. Repurchased shares are reclassified as treasury shares and presented as a deduction from total equity.

(n) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(o) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Defined benefit plan

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

(iv) Equity compensation benefits

The Group's Executive Share Option Scheme ("ESOS") allows the eligible executives to acquire shares of the Company.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Group upon such terms and conditions the Group and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. The financial assistance given to the trustee to purchase the Company's shares for the purpose of the ESOS is recorded as "other assets" in the balance sheet.

Remuneration expenses which are computed using the average purchase price (net of dividends received from the shares held) less the options price or the market price (whichever is lower), are recognised as employment cost in the income statement on a straight line basis over the remaining period of the ESOS.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks that are not pledged for any purposes after deducting bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

Financial statements of foreign operations/entities

The Group's foreign operations are not considered an integral part of the Group's operation. The assets and liabilities of foreign operations/entities, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations/entities are translated to Ringgit Malaysia at average exchange rate applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations/entities are as follows:-

	2005 RM	2004 RM
1 AUD	2.90	2.63
1 RMB	0.64	0.46
1 HKD	0.49	0.49
1 SGD	2.25	2.22
1 THB	0.09	0.09
1 USD	3.80	3.80
1 EURO	4.60	4.60
1 SWF	2.97	2.92
100 JPY	3.44	3.51

(r) Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, profit and loss relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company and the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group and the Company uses derivative financial instruments, including forward foreign exchange contracts and interest rate swaps, to hedge its exposure of foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions upon realisation.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Financial instruments (cont'd)

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

Compound financial instruments

On issue of a financial instrument on or after 1 January 2003 that contains both a liability and an equity element, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instruments; this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option and is not changed in subsequent periods.

In respect of a financial instrument issued prior to 1 January 2003, the Company and the Group adopts the transitional provisions of FRS 132 Financial Instruments: Disclosure and Presentation whereby a financial instrument is classified according to its predominant component part and is reclassified between equity and liabilities as at the beginning of the reporting period for the financial year ended 30 June 2003 to which FRS 132 is first applied.

(ii) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

(s) Bond issue expenses and put premium

(i) Bond issue expenses

Expenditure attributable to the issue of Redeemable Bonds and EuroConvertible Bonds ("ECB") are amortised over the tenure of the Bonds.

(ii) Put Premium

Provision for Put Premium of RM56,682,472 calculated at 20.3% of the principal amount of the EuroConvertible Bond ("ECB") has been made in progressive instalments with effect from January 2000.

Annual provision for the Put Premium is made such that the unprovided balance of Put Premium at the beginning of each financial year is provided for by equal monthly instalments over the remaining period to the maturity date of the ECB.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Capitalisation of interest

Interest on borrowed funds utilised to acquire assets that require a substantial period of time to construct and complete for their intended use is capitalised as part of the cost of the assets up to the date the assets are ready for use.

(u) Revenue

(i) Goods sold and services rendered

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

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

(ii) Dividend income

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

(iii) Interest and rental income

Interest and rental income are recognised in the income statement on accrual basis.

(v) Expenses

(i) Operating lease rentals

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

(ii) Financing costs

All interest and other costs incurred in connection with borrowings are expensed to the income statement as incurred.

(w) Dividends

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. COMPANIES IN THE GROUP

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

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2005 %	2004 %	
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
• Guocera Tile Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of mosaic and ceramic tiles.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of ceramic tiles.
•* Guocera Tile Industries (Labuan) Sdn Bhd	Malaysia	70.0	70.0	Manufacture and sale of ceramic tiles.
• Guocera Marketing Sdn Bhd	Malaysia	100.0	100.0	General trading and investment holding.
•* Guocera Marketing Singapore Pte Ltd	Singapore	100.0	100.0	General trading.
• Ceramic Research Company Sdn Bhd	Malaysia	100.0	100.0	Research and development of ceramic tiles and related products.
• Clearnaxis Sdn Bhd	Malaysia	100.0	100.0	Dormant.
• Guocera International Ltd	Malaysia	100.0	-	Dormant.
Hong Leong Marketing Co Berhad	Malaysia	100.0	100.0	Distribution of building materials.
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	69.4	69.4	Manufacture of motorcycles and other components, assembly of motorcycles and investment holding.
• Allied Auto Parts Sdn Bhd	Malaysia	69.4	69.4	In member's voluntary liquidation.
Hong Leong Yamaha Distributors Sdn Bhd	Malaysia	74.0	74.0	Ceased operation during the year.
* MZ Motorrad Sdn Bhd	Malaysia	100.0	100.0	Assembly, sale and distribution of motorcycles, scooters and related parts and products.
* MZ Motorrad- und Zweiradwerk GmbH	Germany	100.0	100.0	Manufacture and distribution of motorcycles.
* MZ Motorrad Group Limited	Bermuda	100.0	-	Investment holding.
•* MuZ North America Inc	USA	100.0	100.0	Distribution of motorcycles and spare parts.
•* MZ Engineering GmbH	Germany	100.0	100.0	Provision of research and development services for motorcycles and engine technology.
•* MZ Motorrad (Thailand) Limited	Thailand	100.0	-	Dormant.
* MZ Holdings Limited	Hong Kong	100.0	100.0	Investment holding.
* Malaysian Pacific Industries Berhad	Malaysia	56.1	56.1	Investment holding.
•* Carsem (M) Sdn Bhd	Malaysia	39.3	39.3	Manufacture and test of semiconductor devices and electronic components.
•* Carsem Semiconductor Sdn Bhd	Malaysia	39.3	39.3	Dormant.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2005 %	2004 %	
Subsidiary Companies				
•* Carsem Holdings Limited	Bermuda	56.1	56.1	Investment holding.
•*@Carsem Semiconductor (Suzhou) Co., Ltd	The People's Republic of China	56.1	56.1	Design, manufacture, assembly, testing and marketing of semiconductor devices and electronic components.
•* Carter Realty Sdn Bhd	Malaysia	39.3	39.3	Investment holding.
•* Carsem Inc	USA	39.3	39.3	Semiconductor devices' and electronic components' marketing agents.
•* Dynacraft Industries Sdn Bhd	Malaysia	56.1	56.1	Design, manufacture and sale of leadframes.
•* Dyna-Craft Industries, Inc	USA	56.1	56.1	Dormant.
•* MPI (BVI) Limited	British Virgin Islands	56.1	56.1	Investment holding and trading in securities.
* Guolene Packaging Industries Berhad	Malaysia	96.4	96.4	In members' voluntary liquidation.
≈•* Guolene Packaging & Printing Sdn Bhd	Malaysia	-	96.4	Manufacture and sale of duplex board boxes and flexible packaging materials.
≈•* Guolene Woven Products (Melaka) Sdn Bhd	Malaysia	-	96.4	Manufacture and sale of polypropylene and polyethylene bags, woven sacks, fabrics and industrial laminated products.
≈•* Guolene Plastic Films Sdn Bhd	Malaysia	-	65.6	Manufacture and sale of high and low density polyethylene and biaxially oriented polypropylene products.
≈•* Packaging Research Centre Sdn Bhd	Malaysia	-	96.4	Research and development on packaging products.
•* Plaspac Marketing Sdn Bhd	Malaysia	96.4	96.4	In member's voluntary liquidation.
•* Joint Steel Works Sdn Bhd	Malaysia	-	96.4	Wound up.
Guolene Plastic Products Sdn Bhd	Malaysia	100.0	96.4	Dormant.
Guolene Paper Products Sdn Bhd	Malaysia	100.0	96.4	Dormant.
Megah Court Condominium Development Sdn Bhd	Malaysia	100.0	100.0	Property management.
Taman Terang Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
HLI-HUME Management Co Sdn Bhd	Malaysia	51.0	51.0	Provision of management services.
* HLI Trading Limited	Hong Kong	100.0	100.0	Investment trading.
* HLI Overseas Limited	Jersey, Channel Islands	100.0	100.0	Investment holding.
Guotrade (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	Dormant.
MPI Property Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.
• Kilatas Sdn Bhd	Malaysia	100.0	100.0	Dormant.
RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2005 %	2004 %	
Subsidiary Companies				
Kasih Sayang Realty Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.
Mai Kah Corporation Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.
Varinet Sdn Bhd	Malaysia	60.0	60.0	In members' voluntary liquidation.
Hong Leong Maruken Sdn Bhd	Malaysia	70.0	70.0	In members' voluntary liquidation.
≈* MPI Polyester Industries Sdn Bhd	Malaysia	-	100.0	Manufacture of polyester resin.
* HLI Holdings Inc	Philippines	-	100.0	Dormant.
Associated Companies				
* Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	Malaysia	30.0	30.0	Manufacture and assembly of motorcycle engines.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	34.0	49.0	Provision of research and development services.
* Yamaha Motor Vietnam Co Ltd	Vietnam	24.0	24.0	Manufacture and assemble motorcyces, spare parts and components and provision of maintenance and repair service for motorcyces.
* Jiangxi Hongdu HongLeong Motor Co Ltd	The People's Republic of China	30.0	30.0	Manufacture and sale of motorcyces, engines and related parts.
* Southern Iron & Steel Centre Sdn Bhd	Malaysia	36.0	36.0	Dormant.
≈* Camerlin Group Berhad	Malaysia	-	27.1	Investment holding.
≈* Millennium Motors Company Limited	Thailand	-	49.0	Distribution of motorcycle and spare parts.
≈* HLLS Holdings Bhd	Malaysia	-	35.0	Investment holding and renting of properties.
≈* Picop Holdings Inc	Philippines	-	40.0	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
+Jiangxi Hongdu HongLeong Motor Co Ltd	31 December
+Southern Iron & Steel Centre Sdn Bhd	31 December
+Yamaha Motor Vietnam Co Ltd	31 December

+ Group's share of profit is based on the latest audited financial statements and latest management financial statements available.

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

• Sub-subsidiary companies.

@ The sub-subsidiary company is consolidated based on unaudited financial statements. The sub-subsidiary company's latest audited financial statements is for the year ended 31 December 2004. The financial year-end of this sub-subsidiary company is 31 December as required under the local regulations in its country of incorporation.

≈ Subsidiary or associated companies disposed of during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, improvements & buildings RM'000	Long leasehold land, improvements & buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group					
Net book value					
At 1 July 2004	199,268	162,696	1,018,461	102,626	1,483,051
Translation differences	-	-	(97)	(111)	(208)
Additions	4,651	14,823	209,281	46,100	274,855
Reclassification	153	50,747	23,299	(74,199)	-
Disposals	(3)	-	(3,907)	-	(3,910)
Disposal of subsidiary companies	(45,093)	(7,148)	(40,749)	(3,713)	(96,703)
Write off	-	-	(802)	-	(802)
Depreciation	(3,824)	(13,284)	(252,279)	-	(269,387)
At 30 June 2005	155,152	207,834	953,207	70,703	1,386,896
At 30 June 2005					
Cost	187,312	270,473	2,713,209	70,703	3,241,697
Valuation	2,070	17,813	5,378	-	25,261
Accumulated depreciation	(34,230)	(80,452)	(1,765,380)	-	(1,880,062)
Net book value	155,152	207,834	953,207	70,703	1,386,896
At 30 June 2004					
Cost	238,403	217,386	2,799,747	102,626	3,358,162
Valuation	2,070	21,237	7,622	-	30,929
Accumulated depreciation	(41,205)	(75,927)	(1,788,908)	-	(1,906,040)
Net book value	199,268	162,696	1,018,461	102,626	1,483,051

The building of a sub-subsidiary company is situated on land held under operating leases (Note 31).

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

* Details of independent professional valuations of property, plant and equipment of the Group at 30 June 2005 are as follows:-

Year of valuation	Description of property	Land, improvements & buildings RM'000	Plant & equipment RM'000
1990	Long leasehold land and buildings	6,195	-
	Plant and equipment	-	5,378
1985	Freehold land	655	-
1983	Long leasehold land and buildings	11,618	-
1982	Freehold land	1,415	-
		19,883	5,378

The valuation were made on the open market value basis.

5. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2005 RM'000	2004 RM'000
At cost:		
- Malaysian quoted shares	566,714	566,714
- Unquoted shares	598,656	609,653
	1,165,370	1,176,367
Less: Impairment in value		
- unquoted shares	(45,000)	(5,000)
	1,120,370	1,171,367
At market value:		
- Malaysian quoted shares	1,316,993	1,729,948

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost/written down value:				
- Malaysian quoted shares	-	508,405	-	148,410
At cost:				
- Unquoted shares	27,306	43,166	26,897	34,352
	27,306	551,571	26,897	182,762
Share of capital reserves	(2,028)	54,051	-	-
Share of profit/(loss)	54,427	(361,059)	-	-
Less: Allowance for impairment in value	-	(1,836)	-	(2,456)
	79,705	242,727	26,897	180,306
At market value:				
- Malaysian quoted shares	-	70,304	-	62,433

Investments in associated companies are respresented by:-

	Group	
	2005 RM'000	2004 RM'000
Share of net assets other than goodwill of the associated companies	79,424	234,962
Premium on acquisition	281	9,601
Allowance for impairment in value	-	(1,836)
Carrying value	79,705	242,727

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

7. OTHER INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost:				
Malaysian quoted irredeemable convertible unsecured loan stocks in an associated company	-	54,672	-	54,672
Foreign quoted related company	-	3,970	-	-
Unquoted shares	1,020	1,020	714	714
Unquoted convertible preferred stocks and loan stocks	795	795	398	398
Unquoted floating rate notes	-	18,720	-	-
	1,815	79,177	1,112	55,784

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. OTHER INVESTMENTS (cont'd)

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At cost less impairment:				
Unquoted shares - at cost	364,378	364,378	364,378	364,378
Less: Allowance for impairment in value	(71,959)	(71,959)	(71,959)	(71,959)
	292,419	292,419	292,419	292,419
	294,234	371,596	293,531	348,203
At market value:				
Malaysian quoted irredeemable convertible unsecured loan stocks in an associated company	-	41,436	-	41,436
Foreign quoted related company	-	10,373	-	-

The Company has unquoted investment in Malaysian Newsprint Industries Sdn Bhd ("MNI") amounting to RM364,378,068 (2004: RM364,378,068) at cost. This investment represents 33.65% (2004: 33.65%) equity interest in MNI. MNI is principally engaged in the production of newsprint and related paper products.

The Board of Directors has decided that the investment in MNI should not be treated as investment in associated company but should be treated as an ordinary unquoted investment in the financial statements as the Board deemed this investment not to be permanent in nature.

During the financial year ended 30 June 2004, the Directors reassessed the recoverable amount of the Company's investment in MNI in which an allowance for impairment of RM71,959,000 had been made accordingly.

8. INTANGIBLE ASSETS

	Group		
	Goodwill RM'000	Development expenditure RM'000	Total RM'000
2005			
At 1 July 2004	452,200	7,888	460,088
Disposal of subsidiary companies	(14,052)	(1,749)	(15,801)
Additions	-	1,262	1,262
Write off	(5,145)	-	(5,145)
Amortisation	-	(3,039)	(3,039)
At 30 June 2005	433,003	4,362	437,365

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

8. INTANGIBLE ASSETS (cont'd)

	Group		
	Goodwill RM'000	Development expenditure RM'000	Total RM'000
2004			
At 1 July 2003	485,935	8,365	494,300
Acquisition of subsidiary companies	7,380	-	7,380
Liquidation of a subsidiary company	(43)	-	(43)
Additions	-	1,948	1,948
Change in equity in a subsidiary company	(41,072)	-	(41,072)
Amortisation	-	(2,425)	(2,425)
At 30 June 2004	452,200	7,888	460,088

9. OTHER ASSETS

The other assets represent the financial assistance given to the trustee to acquire the ordinary shares of the Company, and of a subsidiary company of the Company, Malaysian Pacific Industries Berhad, for the Group, in relation to the Executive Shares Option Scheme ("ESOS"), net of remuneration expenses as disclosed in Note 2(o)(iv) to the financial statements.

10. PROPERTY ASSETS

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Freehold land and industrial buildings	10,391	10,391
Leasehold land	10,672	10,672
	21,063	21,063

11. INVENTORIES

	Group	
	2005 RM'000	2004 RM'000
At cost:		
Raw materials and consumables	112,146	126,779
Work-in-progress	23,661	31,455
Finished goods	79,924	95,118
	215,731	253,352
At net realisable value:		
Raw materials and consumables	7,314	6,750
Finished goods	18,127	13,567
	25,441	20,317
	241,172	273,669

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade receivables	403,722	456,860	-	-
Less: Allowance for doubtful debts	(20,556)	(21,555)	-	-
	383,166	435,305	-	-
Amounts due from				
- Subsidiary companies	-	-	1,703	29,443
- Related companies	312	426	70	254
- Associated companies	-	5,128	-	-
Other receivables, deposits and prepayments	46,063	61,595	2,921	9,915
	429,541	502,454	4,694	39,612

Group

Included in trade receivables are amounts due from related companies of RM1,626,000 (2004: RM1,771,000).

The amounts due from related companies are unsecured, have no fixed terms of repayment and are interest free (2004: 5.8%).

The amounts due from associated companies in the previous year were unsecured, had no fixed terms of repayment and were interest free.

Company

The amounts due from subsidiary companies are unsecured, have no fixed terms of repayment and are interest free (2004: 1.6% to 3.5%).

13. SHORT TERM INVESTMENTS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysian quoted shares				
At lower of cost and market value	1,105	1,105	1,105	1,105
At market value	1,291	1,105	1,291	1,105

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with:				
- Licensed financial institutions	224,701	310,778	54,827	103,000
- Other corporations	77,107	3,000	-	-
Cash and bank balances	98,679	59,313	39,300	156
	400,487	373,091	94,127	103,156

Included in the Group's and the Company's deposits, cash and bank balances are the following balances with related parties arising from normal business transactions:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with licensed financial institutions	74,144	144,700	22,814	39,000
Cash and bank balances	15,602	13,118	2,711	144

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Trade payables	173,431	228,921	-	-
Amounts due to				
- Subsidiary companies	-	-	8,818	8,635
- Related companies	1,414	475	-	-
Other payables and accrued liabilities	229,106	280,216	9,900	61,883
	403,951	509,612	18,718	70,518

Group

Included in trade payables are amounts due to related companies and associated companies of RM9,002,000 (2004: RM7,391,000).

The amounts due to related companies are unsecured, have no fixed terms of repayment and are interest free.

Company

The amounts due to subsidiary companies are unsecured, have no fixed terms of repayment and are interest free.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. BORROWINGS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current (unsecured)				
Term loans				
- Bank loans	221,940	296,034	126,626	103,597
- Other borrowings	85,000	204,000	85,000	204,000
Bankers acceptance	196,242	262,574	-	-
Bank overdrafts	828	4,561	-	1,342
	504,010	767,169	211,626	308,939
Non-current (unsecured)				
Term loans				
- Bank loans	458,590	161,250	213,904	84,597
- Other borrowings	80,000	80,000	80,000	80,000
	538,590	241,250	293,904	164,597
The non-current borrowings are payable as follows:-				
- one to two years	270,710	78,290	173,652	47,998
- two to five years	267,880	162,960	120,252	116,599
	538,590	241,250	293,904	164,597

The borrowings bear interest from 2.2% to 7.1% (2004: 1.7% to 7.8%) per annum.

Included in the borrowings are foreign currency bank loans as follows:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
USD Loan	553,377	232,307	264,530	110,194
Euro Loan	11,488	42,674	-	-
	564,865	274,981	264,530	110,194

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17. REDEEMABLE BONDS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current				
8.5% Unsecured Redeemable Bonds 2004	-	250,000	-	125,000
Non-current				
Islamic Bonds 2001/2008	250,000	250,000	250,000	250,000

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

18. SHARE CAPITAL

	Group and Company			
	2005		2004	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Authorised:-				
Ordinary shares of RM0.50 each At 1 July/30 June	600,000	300,000	600,000	300,000
Issued and fully paid:-				
Ordinary shares of RM0.50 each At 1 July	225,321	112,661	225,129	112,564
Issue of shares pursuant to conversion of ICULS	481	240	192	97
At 30 June	225,802	112,901	225,321	112,661

The number of ordinary shares of RM0.50 each in issue after deducting treasury shares of 7,344,000 (2004: 7,344,000) ordinary shares (See Note 19 to the financial statements) held at the financial year end was 218,458,416 (2004: 217,977,416) ordinary shares of RM0.50 each.

(i) Warrants

The Company had, on 30 June 1997, issued 35,083,500 detachable warrants, the details of which are as follows:-

- (a) The warrants were constituted by a Deed Poll dated 22 October 1996 supplemented by a Supplemental Deed Poll dated 5 May 1997 and a Second Supplemental Deed Poll dated 15 June 1999 (collectively referred to as the "Deed Poll").

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share. The subscription of the outstanding warrants was extended for a further period of 5 years from the existing expiry date of 13 November 2001 to 13 November 2006.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. SHARE CAPITAL (cont'd)

(i) Warrants (cont'd)

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.
- (c) There were no conversion of warrant into new ordinary shares of the Company during the financial year. As at the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2004: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

(ii) Executive Share Option Scheme ("ESOS")

As at 30 June 2005, the Company has outstanding options issued under the Group's ESOS as follows:-

	Offer date	No. of unissued ordinary shares of RM0.50 each under the ESOS		
		Balance at 1-7-2004	Options lapsed	Balance at 30-6-2005
Option price of RM8.83	28-12-1999	3,831,800	3,831,800	-
Option price of RM15.64	17-4-2000	527,000	527,000	-
		4,358,800	4,358,800	-

The balance of the unexercised options granted under the Company's ESOS have lapsed on 24 December 2004.

19. TREASURY SHARES - AT COST

	Group and Company			
	2005		2004	
	No. of Shares '000	RM'000	No. of Shares '000	RM'000
Ordinary shares of RM0.50 each At 1 July/30 June	7,344	59,835	7,344	59,835

There was no buy back of the Company's shares during the financial year. As at 30 June 2005, the Company had accumulated 7,344,000 (2004: 7,344,000) ordinary shares of its issued share capital bought back by the Company from the open market. The average price paid for the shares bought back was RM8.15 (2004: RM8.15) per ordinary share. The share buy back transactions were financed by internally generated funds. The shares bought back were held as treasury shares and carried at cost. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS - 2002/2007 ("ICULS")

	Group and Company	
	2005 RM'000	2004 RM'000
At 1 July	206,957	208,153
Conversion of ICULS	(2,982)	(1,196)
At 30 June	203,975	206,957

The Company issued RM208,152,780 nominal value of 4% Five (5)-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2002/2007 at 100% nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 each held as at 21 May 2002.

The ICULS are constituted by the Trust Deed dated 22 May 2002.

The ICULS, which are irredeemable, have a maturity date of 28 June 2007 and carry a coupon rate of 4% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM0.50 each in the Company at any time from the date of issuance and all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares after the maturity date. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion. Upon conversion, all new ordinary shares rank pari passu with the ordinary shares then in issue except that these shares shall not be entitled to any rights and/or distributions, the entitlement date of which precedes or falls on the relevant conversion date and any dividends declared in respect of the financial quarter(s) immediately preceding the relevant conversion date.

During the financial year, RM2,982,200 nominal value of ICULS were converted into 481,000 new ordinary shares of RM0.50 of the Company. The ICULS outstanding as at 30 June 2005 was RM203,974,500.

21. EUROCONVERTIBLE BONDS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
EuroConvertible Bonds due 2008 - US\$30,890,992 (2004: US\$73,480,000)	117,386	279,224	117,386	279,224

The EuroConvertible Bonds due 2008 ("ECB") were issued during the financial year ended 30 June 1997 at 85% of its nominal value.

During the financial year, with the approval of the Securities Commission and ECB holders, the terms and conditions of the ECB were further revised. The full Put Premium of RM56,682,472 was paid to the ECB holders and on 25 February 2005 US\$42,589,008 principal amount of the ECB has been redeemed on a proportionate basis. Under the revised terms and conditions, each ECB entitles the holder to convert the ECB into fully paid ordinary shares of RM0.50 each in the Company at the conversion price of RM5.23 (formerly RM8.20) per share at the fixed exchange rate of RM3.80 (formerly RM2.50508) to US\$1.00. The Company may redeem the ECB at 101.39% of its nominal value at each half yearly interest payment date until 25 February 2008, the extended expiry date of the ECB.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

21. EUROCONVERTIBLE BONDS (cont'd)

The ECB bears interest at Inter-Bank Offered Rates less 0.125% on the principal amount until 25 February 2008.

The ECB are listed and quoted on the Luxembourg Stock Exchange.

22. DEFERRED TAXATION

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

	Group	
	2005 RM'000	2004 RM'000
Deferred tax assets		
At 1 July	4,853	1,500
Transfer to income statement	(744)	3,353
Disposal of subsidiary companies	(803)	-
At 30 June	3,306	4,853
Deferred tax liabilities		
At 1 July	46,386	63,013
Transfer to income statement	(24,989)	(16,627)
Disposal of subsidiary companies	(727)	-
At 30 June	20,670	46,386

Deferred tax assets and liabilities above are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and where the deferred taxes relate to the same taxation authority.

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

	At 1-7-2004 RM'000	Recognised in income statements RM'000	Disposal of subsidiary companies RM'000	At 30-6-2005 RM'000
Group				
Accelerated capital allowances	(89,286)	55,948	1,490	(31,848)
Allowances	40,315	(29,811)	(1,383)	9,121
Unabsorbed capital allowances	2,749	1,471	(312)	3,908
Unutilised tax losses	4,689	(3,363)	129	1,455
	(41,533)	24,245	(76)	(17,364)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. DEFERRED TAXATION (cont'd)

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

	2005		2004	
	Temporary differences RM'000	Tax effect RM'000	Temporary differences RM'000	Tax effect RM'000
Group				
Accelerated capital allowances	(59,957)	(16,788)	(65,064)	(18,218)
Allowances	21,625	6,055	17,189	4,813
Unabsorbed capital allowances	109,004	30,521	113,825	31,871
Unutilised tax losses	275,607	77,170	212,343	59,456
	346,279	96,958	278,293	77,922
Company				
Unabsorbed capital allowances	1,553	435	1,553	435
Unutilised tax losses	9,361	2,621	9,361	2,621
	10,914	3,056	10,914	3,056

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

23. RETIREMENT BENEFITS

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
At 1 July	12,668	21,223	419	1,038
Provision/(reversal)	1,832	(7,541)	(36)	(616)
Contribution paid to approved retirement fund	-	(774)	-	(3)
Payment to retired employees	(331)	(240)	-	-
Disposal of subsidiary companies	(2,596)	-	-	-
At 30 June	11,573	12,668	383	419

24. DISCONTINUED OPERATIONS

On 28 December 2004, the Directors by a circular to the shareholders of the Company announced that the intention of the Group is to focus on the existing core businesses of manufacturing, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes, manufacture and assembly of motorcycles, electric scooters and related parts and products, distribution of motorcycles and motorcycle components and manufacture and sale of ceramic tiles. In accordance with this business direction, the Group had, during the financial year, disposed of its packaging and polyester resin businesses.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. DISCONTINUED OPERATIONS (cont'd)

The revenue, results and cash flows contributed by the discontinued operations were as follows:-

	Packaging Business		Polyester Resin Business	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue				
Sales of goods and services	103,247	187,057	140,453	117,865
Cost of sales	(92,289)	(169,024)	(137,006)	(110,390)
Gross profit	10,958	18,033	3,447	7,475
Distribution costs	(3,568)	(7,607)	(368)	(470)
Administration expenses	(2,941)	(6,143)	(1,080)	(785)
Other operating expenses	(21)	(288)	(650)	(874)
Other operating income	116	2,393	721	564
Operating profit	4,544	6,388	2,070	5,910
Interest income	-	-	36	-
Finance costs	(862)	(1,903)	(2,016)	(2,058)
Profit before taxation	3,682	4,485	90	3,852
Taxation	(934)	(463)	-	-
Net profit for the financial year	2,748	4,022	90	3,852
Cash flows from operating activities	(3,003)	22,747	12,507	2,726
Cash flows from investing activities	(606)	(1,681)	(330)	(68)
Cash flows from financing activities	78	(14,239)	1,000	16,000
Total cash flows	(3,531)	6,827	13,177	18,658

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. DISCONTINUED OPERATIONS (cont'd)

Effect of disposal

The effect of the disposal of discontinued operations on the Group's assets and liabilities were as follows:-

	2005	
	Packaging Business RM'000	Polyester Resin Business RM'000
Property, plant and equipment	43,216	53,487
Development expenditure	-	1,749
Deferred tax assets	803	-
Inventories	33,964	11,698
Trade and other receivables	61,785	4,027
Tax recoverable	500	-
Deposits and bank balances	8,487	13,197
Trade and other payables	(43,425)	(31,368)
Taxation	(833)	-
Borrowings	(34,601)	(46,644)
Deferred tax liabilities	(727)	-
Retirement benefits	(2,399)	(197)
Goodwill on acquisition	14,052	-
Minority interest	(3,856)	-
Net assets	76,966	5,949
Proceeds from disposal	135,621	27,089
Gain on disposal	58,655	21,140
Proceeds from disposal	135,621	27,089
Cash and cash equivalents disposed	8,487	13,197
Cash flow on disposal, net of cash disposed	127,134	13,892

25. PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit/(loss) before taxation is arrived at after (crediting)/charging:-				
Gross dividend income				
- Malaysian quoted shares	(42)	(201)	(22)	-
- Quoted shares outside Malaysia	(411)	(174)	-	-
- Malaysian unquoted associated companies	-	-	(3,600)	(5,314)
- Unquoted associated company outside Malaysia	-	-	(11,803)	-
- Subsidiary company quoted in Malaysia	-	-	(41,854)	(66,966)
- Unquoted subsidiary companies	-	-	(68,385)	(83,615)
- Others	-	(40)	-	(13)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income				
- Irredeemable convertible unsecured loan stocks in an associated company	(1,611)	(3,001)	(1,611)	(3,001)
- Related companies	-	(2,766)	(552)	(1,061)
- Others	(11,889)	(9,533)	(1,654)	(1,302)
Rental income	(884)	(542)	-	-
Gain on disposal of shares in a subsidiary company	-	(70,983)	-	(75,458)
Loss/(gain) on disposal of				
- Associated companies	25,483	-	60,309	-
- Discontinued operations	(79,795)	-	(14,706)	-
- Investments	(8,270)	(11,713)	-	-
Auditors' remuneration				
- Audit fees	617	581	51	48
- Other services	-	8	-	-
Depreciation and amortisation of property, plant and equipment	269,387	261,947	-	-
Director's fee	586	570	326	300
Director's emoluments	4,104	3,933	1,241	1,107
Rental of plant and equipment	566	2,627	-	-
Rental of premises				
- Related companies	749	627	-	-
- Others	5,919	4,054	82	84
Bad and doubtful debts	1,924	7,184	-	-
Property, plant and equipment written off	802	4,002	-	-
Loss/(gain) on disposal of property, plant and equipment	1,979	(3,625)	-	-
Loss on disposal of property assets	-	358	-	-
Loss on capital reduction in a subsidiary company	-	-	85	-
Loss/(gain) on foreign exchange				
- Realised	549	(2,821)	(21)	-
- Unrealised	682	(3,154)	(3,807)	(489)
Impairment of value of investment in				
- Other investments	-	70,832	-	72,090
- Subsidiary companies	-	-	40,000	5,000
- Associated company	-	-	-	2,456
Retirement benefits	1,832	(7,541)	(36)	(616)
Development expenditure amortised	3,039	2,425	-	-
EuroConvertible Bond Put Premiums	6,583	4,985	6,583	4,985
Goodwill written off	5,145	-	-	-
Loss/(gain) on liquidation of subsidiary companies	-	1,186	-	(35,475)
Finance costs				
- Bank overdrafts	705	643	599	522
- Related companies	-	294	-	502
- Term loans	32,363	22,883	10,047	5,567
- Others	52,144	65,190	43,259	50,783
Research and development expenditure	20,666	21,244	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM108,529 (2004: RM76,123) and RM17,600 (2004: RM9,550) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

26. TAXATION

The taxation charge for the financial year consists of the following:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax				
- Malaysian - current	(1,200)	(4,409)	1,300	-
- prior years	(10,889)	(7,272)	(11,300)	(2,500)
- Overseas - current	111	-	-	-
	(11,978)	(11,681)	(10,000)	(2,500)
Deferred tax				
- Malaysian - current	(26,032)	(19,616)	-	-
- prior years	1,787	(364)	-	-
	(24,245)	(19,980)	-	-
	(36,223)	(31,661)	(10,000)	(2,500)

A reconciliation of income tax applicable to profit/(loss) before taxation at the statutory income tax rate to income tax income at the effective tax rate of the Group and of the Company are as follows:-

	Group		Company	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Profit/(loss) before taxation	97,117	199,249	(19,721)	128,243
Taxation at Malaysian statutory tax rate of 28%	27,193	55,789	(5,522)	35,908
Tax effect in respect of:				
Difference of tax rates in foreign jurisdictions	(6,175)	(4,014)	-	-
Non allowable expenses	44,994	56,425	44,181	21,730
Non taxable income	(41,228)	(36,545)	(37,359)	(57,638)
Difference attributable to associated companies	(12,088)	(8,800)	-	-
Effect of temporary differences reversing in pioneer period	(24,220)	(35,332)	-	-
Addition/(utilisation) of temporary differences not recognised	21,991	(4,273)	-	-
Tax incentive	(37,588)	(47,275)	-	-
	(27,121)	(24,025)	1,300	-
Over provision in prior years	(9,102)	(7,636)	(11,300)	(2,500)
Taxation	(36,223)	(31,661)	(10,000)	(2,500)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

27. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders of RM55,875,000 (2004: RM100,106,000) being the net profit of RM64,089,000 (2004: RM108,427,000) less the interest on the ICULS of RM8,214,000 (2004: 8,321,000), by the weighted average number of ordinary shares outstanding during the financial year of 218,164,000 (2004: 217,849,000) calculated as follows:-

Weighted average number of ordinary shares (basic)

	Group	
	2005 '000	2004 '000
Issued ordinary shares at beginning of the financial year	225,321	225,129
Less: treasury shares	(7,344)	(7,344)
	217,977	217,785
Effect on conversion of ICULS into ordinary shares	187	64
Weighted average number of ordinary shares (basic)	218,164	217,849

Diluted earnings per ordinary share

The diluted earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders (diluted) of RM61,789,000 (2004: RM106,097,000) by the weighted average number of ordinary shares (diluted) outstanding during the financial year of 251,358,000 (2004: 251,358,000) calculated as follows:-

Net profit attributable to ordinary shareholders (diluted)

	Group	
	2005 RM'000	2004 RM'000
Net profit attributable to ordinary shareholders	55,875	100,106
After tax effect of notional interest savings on ICULS	5,914	5,991
Net profit attributable to ordinary shareholders (diluted)	61,789	106,097

Weighted average number of ordinary shares (diluted)

	Group	
	2005 '000	2004 '000
Weighted average number of ordinary shares (basic)	218,164	217,849
Effect of shares to be issued on conversion of ICULS into ordinary shares	33,194	33,509
Weighted average number of ordinary shares (diluted)	251,358	251,358

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. DIVIDENDS

	Group and Company	
	2005 RM'000	2004 RM'000
First interim		
1.25 sen per share tax exempt and 2.50 sen per share less tax (2004: 2.50 sen per share less tax)	6,650	3,920
Second interim		
2.50 sen per share tax exempt and 2.50 sen per share less tax (2004: 1.25 sen per share tax exempt and 2.50 sen per share less tax)	9,394	6,648
	16,044	10,568

29. EMPLOYEES INFORMATION

	Group	
	2005 RM'000	2004 RM'000
Staff costs	429,916	397,129

The number of employees of the Group (excluding directors) at the end of the financial year was 14,519 (2004: 16,035). At Company level, there are no staff cost as there are no employees other than directors in the Company.

Staff costs of the Group include contributions to statutory pension scheme and remuneration expenses of RM33,550,000 (2004: RM30,775,000) and RM12,197,000 (2004: RM2,483,000) respectively.

30. SEGMENTAL REPORT

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Inter-segment transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group, on term not more favourable than those generally available to/from the public and are not detrimental to the minority shareholders.

Business segments

The Group comprises five main business segments namely motorcycles, building materials, semiconductor, packaging and others.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. SEGMENTAL REPORT (cont'd)

	Motorcycles RM'000	Building materials RM'000	Semi- conductor RM'000	Others RM'000	Discontinued Packaging RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2005								
Revenue								
External sales	526,464	513,008	1,114,402	1,738	101,737	140,453	-	2,397,802
Inter-segment sales	-	-	-	-	1,510	-	(1,510)	-
Total revenue	526,464	513,008	1,114,402	1,738	103,247	140,453	(1,510)	2,397,802
Result								
Segment results	(10,425)	35,054	65,956	25,776	4,544	2,070	-	122,975
Unallocated corporate income								2,681
Operating profit								125,656
Interest income								13,500
Finance costs								(85,212)
Share of profit of associated companies	40,425	-	-	2,748	-	-	-	43,173
Profit before taxation								97,117
Taxation								36,503
Profit after taxation								133,620
2005								
Consolidated assets								
Segment assets		416,184	418,517	1,650,800	305,180	-	-	2,790,681
Investments in associated companies		79,705	-	-	-	-	-	79,705
Unallocated corporate assets								473,130
								3,343,516
Consolidated liabilities								
Segment liabilities		152,303	175,594	269,864	11,155	-	-	608,916
Unallocated corporate liabilities								1,241,511
								1,850,427
Other information								
Capital expenditure		16,600	25,840	232,402	347	681	247	276,117
Depreciation and amortisation		30,583	22,507	212,275	308	3,331	3,422	272,426
Non-cash expenses other than depreciation and amortisation		9,052	1,897	688	(122)	(3,130)	66	8,451

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. SEGMENTAL REPORT (cont'd)

	Motorcycles RM'000	Building materials RM'000	Semi- conductor RM'000	Packaging RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
2004							
Revenue							
External sales	422,320	528,931	1,183,295	183,614	120,412	-	2,438,572
Inter-segment sales	-	-	-	3,443	-	(3,443)	-
Total revenue	422,320	528,931	1,183,295	187,057	120,412	(3,443)	2,438,572
Result							
Segment results	(5,822)	67,738	175,187	6,467	(2,531)	-	241,039
Unallocated corporate income							493
Operating profit							241,532
Interest income							15,300
Finance costs							(89,010)
Share of profit of associated companies	27,036	-	-	-	4,391	-	31,427
Profit before taxation							199,249
Taxation							31,686
Profit after taxation							230,935
2004							
Consolidated assets							
Segment assets	423,671	394,294	1,728,479	141,687	472,383		3,160,514
Investments in associated companies	62,915	-	-	-	179,812		242,727
Unallocated corporate assets							484,971
							3,888,212
Consolidated liabilities							
Segment liabilities	146,734	128,383	348,009	40,355	117,868		781,349
Unallocated corporate liabilities							1,581,499
							2,362,848
Other information							
Capital expenditure	17,548	15,577	276,786	2,628	1,323		313,862
Depreciation and amortisation	25,481	23,976	201,686	9,433	3,796		264,372
Non-cash expenses other than depreciation and amortisation	167	1,830	3,945	279	74,455		80,676

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

31. COMMITMENTS

	Group	
	2005 RM'000	2004 RM'000
Capital commitments:		
Property, plant and equipment		
Authorised but not contracted for	53,314	104,087
Authorised and contracted for	39,577	105,638
Operating lease commitments:		
Expiring within one year	1,134	1,533
Expiring between one to five years	3,912	4,253
Expiring after five years	42,416	43,375
	47,462	49,161

The Group has lease commitments of RM871,391 per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and lease will expire on 30 August 2031. The Group has an option to purchase outright from the third party at market value. The remaining lease tenure of the land is exercisable in any of the calendar years 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

32. HOLDING COMPANY

The immediate and ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

33. ACQUISITIONS OF SUBSIDIARY COMPANIES

Effect of acquisitions

The effect of the acquisitions of subsidiary companies during the previous financial year ended 30 June 2004 on the Group's assets and liabilities were as follows:-

	2004 RM'000
Property, plant and equipment	389
Inventories	1,026
Trade and other receivables	824
Cash and bank balances	5
Trade and other payables	(9,500)
	(7,256)
Less: Goodwill on acquisitions	7,380
Cash consideration paid	124
Cash and cash equivalents acquired	(5)
Cash flow on acquisition, net of cash acquired	119

The subsidiaries acquired during the previous financial year ended 30 June 2004 had contributed a revenue of RM90,720 and sustained a net loss of RM445,028 to the Group.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. RELATED PARTIES

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

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

- (i) Hong Leong Company (Malaysia) Berhad (“HLCM”) is a major shareholder of the Company. YBhg Tan Sri Quek Leng Chan (“Tan Sri Quek”), a Director, a shareholder and a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Kwek Leng San (“Mr Kwek LS”) is a Director and a shareholder of the Company and HLCM. Mr Kwek Leng Beng (“Mr Kwek LB”), a deemed major shareholder of the Company, is a Director and a deemed major shareholder of HLCM. Mr Quek Leng Chye (“Mr Quek LC”) is a deemed major shareholder of the Company and HLCM. Tan Sri Quek, Mr Kwek LS and Mr Quek LC are brothers. HLCM is a person connected with Tan Sri Quek, Mr Kwek LS, Mr Kwek LB and Mr Quek LC;
- (ii) Tasek Corporation Berhad (“Tasek”) is a person connected with Tan Sri Quek and Mr Kwek LB. Mr Kwek LS, a Director and a shareholder of the Company, and Mr Quek LC, a deemed major shareholder of the Company and Tasek, are brothers of Tan Sri Quek;
- (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, Tan Sri Quek, Mr Kwek LS and Mr Quek LC;
- (iv) Syarikat Motor Singa Sdn Bhd (“Syarikat Motor Singa”) and Sing Heng Motor Trading Sdn Bhd (“Sing Heng Motor”) are persons connected with Mr Ng Choong Hai, a Director of certain subsidiaries of the Company;
- (v) Petr Karel Korous Management Consulting is a person connected with Mr Petr Karel Korous, a past Director of certain subsidiaries of the Company;
- (vi) Yamaha Motor Co. Ltd (“YMC”) is a major shareholder of certain subsidiaries of the Company. Yamaha Motor Asia Pte Ltd (“YMA”), Thai Yamaha Motor Co Ltd (“TYM”) and P.T. Yamaha Indonesia Motor Manufacturing (“PT”) are persons connected with YMC (YMC, YMA, TYM and PT collectively referred to as “YMC Group”); and
- (vii) BIB Insurance Brokers Sdn Bhd (“BIB”) is a person connected with YBhg Tan Sri Dato’ Zaki bin Tun Azmi, a Director of certain related companies of the Company.

Significant transactions with related parties are as follows:-

Transaction	Related Party	Group	
		2005 RM'000	2004 RM'000
(a) Sales of goods and services	Subsidiary and associated companies of HLCM	29,763	34,037
	Hong Bee Hardware and Hong Bee Motors	27,954	25,388
	YMC Group	22,368	15,702
	Syarikat Motor Singa and Sing Heng Motor	7,223	5,345
	MZ Engineering GmbH	-	857

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. RELATED PARTIES (cont'd)

Transaction	Related Party	Group	
		2005 RM'000	2004 RM'000
(b) Purchase of goods and services	Subsidiary and associated companies of HLCM	107,792	112,032
	YMC Group	101,128	60,562
	Tasek	16,063	31,982
	MZ Engineering GmbH	-	6,609
	Petr Karel Korous Management Consulting	-	518
(c) Rental of properties	Subsidiary and associated companies of HLCM	1,411	944
(d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	1,800	2,549
(e) Receipt of services	Subsidiary and associated companies of HLCM and BIB	10,361	10,806
(f) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	8,975	10,237
(g) Payment of usage of the Hong Leong logo and trademark	HLCM	48	30
(h) Payment of royalties and technical fees for the use of Yamaha trademark and technical support	YMC Group	3,203	2,182

The above transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group and of the Company, on terms not more favourable to the related parties than those generally available to/from the public and are not detrimental to the minority shareholders.

35. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arise in the normal course of the Group's and of the Company's business. The Directors of the Group and of the Company will consider and evaluate the risk management of the Group and of the Company periodically.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

The Group's and the Company's accounting policies in relation to derivative financial instruments are set out in Note 2(r) to the financial statements.

Credit risk

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

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

Liquidity risk

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

Interest rate risk

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

The following table shows information about the enterprise's exposure to interest rate risk.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group					
2005					
Financial assets					
Deposits, cash and bank balances	2.71	301,808	301,808	-	-
Financial liabilities					
Borrowings					
- Floating rate	3.43	962,600	962,600	-	-
- Fixed rate	6.80	80,000	-	80,000	-
EuroConvertible bonds	2.99	117,386	117,386	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

Effective interest rates and repricing analysis (cont'd)

	Effective interest rate %	Total RM'000	Within 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000
Group					
2004					
Financial assets					
Deposits, cash and bank balances	2.76	313,778	313,778	-	-
Financial liabilities					
Borrowings					
- Floating rate	2.90	915,044	915,044	-	-
- Fixed rate	6.92	93,375	13,375	80,000	-
EuroConvertible bonds	2.73	279,224	-	279,224	-
Redeemable bonds					
- 8.5% Unsecured Redeemable Bonds 2004	8.50	250,000	250,000	-	-
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
Company					
2005					
Financial assets					
Deposits, cash and bank balances	3.00	54,827	54,827	-	-
Financial liabilities					
Borrowings					
- Floating rate	3.71	425,530	425,530	-	-
- Fixed rate	6.80	80,000	-	80,000	-
EuroConvertible bonds	2.99	117,386	117,386	-	-
Redeemable bonds					
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-
2004					
Financial assets					
Amount due from a subsidiary company	2.42	27,937	27,937	-	-
Deposits, cash and bank balances	2.79	103,000	103,000	-	-
Financial liabilities					
Borrowings					
- Floating rate	3.05	393,536	393,536	-	-
- Fixed rate	6.80	80,000	-	80,000	-
EuroConvertible bonds	2.73	279,224	-	279,224	-
Redeemable bonds					
- 8.5% Unsecured Redeemable Bonds 2004	8.50	125,000	125,000	-	-
- Islamic Bonds 2001/2008	6.35	250,000	-	250,000	-

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk

The Group and the Company incurs foreign currency risk on sales and purchases that are denominated in the currency other than Ringgit Malaysia. The currencies giving rise to this risk include the US dollar to which Ringgit Malaysia is presently pegged against Euro and Japanese Yen.

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

Fair value

Recognised financial instruments

There is no significant differences between the fair values and carrying values of the financial assets and liabilities of the Group and of the Company except for the following:-

	Carrying amount RM'000	Fair value RM'000
Group		
2004		
Financial assets		
Long term investment		
- quoted shares	179,372	82,091
- quoted irredeemable convertible unsecured loan stocks in an associated company	54,672	41,436
Other assets	73,921	69,654
Financial liabilities		
Redeemable bonds		
- 8.5% Unsecured Redeemable Bonds 2004	250,000	254,268
Company		
2005		
Financial assets		
Long term investment		
- quoted shares	566,714	1,316,993
2004		
Financial assets		
Long term investment		
- quoted shares	715,124	1,792,381
- quoted irredeemable convertible unsecured loan stocks in an associated company	54,672	41,436
Other assets	11,243	10,001
Financial liabilities		
Redeemable bonds		
- 8.5% Unsecured Redeemable Bonds 2004	125,000	127,134

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

Unrecognised financial instruments

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

	Group	
	2005 RM'000	2004 RM'000
Forward foreign exchange contracts	62,327	554,696

There are no significant differences between fair values and contracted amount in respect of the above unrecognised financial instruments.

36. CONTINGENT LIABILITIES

Amkor Technology, Inc ("Amkor") filed a complaint with the United States International Trade Commission ("ITC") on 17 November 2003 alleging Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. (collectively "Carsem Group") all of which are subsidiary companies of Malaysian Pacific Industries Berhad, a 56.11% of subsidiary company of the Company, of infringing claims in three of Amkor's United States patents. Following a hearing in July and August 2004, an Administrative Law Judge ("ALJ") issued an Initial Determination finding all of the asserted claims of Amkor's patents invalid, not infringed, or both, and no violation by Carsem Group. Subsequently, the ITC reviewed the Initial Determination and remanded to the ALJ for further findings on several issues.

The ITC recently issued a notice in Carsem Group's patent infringement litigation with Amkor (ITC Investigation no. 337-TA-501) that they will re-open the record to make further findings and has notified the parties that it will further extend the target date for completion of the investigation from 21 November 2005 to 9 February 2006.

As the ALJ has already issued the Initial Determination in favour of Carsem Group, the Board is of the view that further findings should also be in Carsem Group's favour.

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the year:-

- i) GPIB had completed the disposal of its entire equity interests in Guolene Packaging & Printing Sdn Bhd, Guolene Woven Products (Melaka) Sdn Bhd, Guolene Plastic Films Sdn Bhd and Packaging Research Centre Sdn Bhd to San Miguel Corporation for a total cash consideration of RM135.6 million;
- ii) the Company and its wholly-owned subsidiary company, HLI Trading Limited, had completed the disposal of an aggregate of 80,827,163 ordinary shares of RM1.00 each and RM54,520,949 nominal value of 5.5% 5-year irredeemable convertible unsecured loan stocks, representing their entire interests in CGB to Brightspring Holdings Limited for an aggregate cash consideration of RM153.7 million;
- iii) the Company had completed the disposal of 40,000,000 ordinary shares of RM1.00 each and 6,800 redeemable preference shares of RM100.00 each, representing the entire issued and paid-up share capital of MPI Polyester to Deltrone Investments Ltd for a cash consideration of RM24.5 million; and

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

37. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

iv) the Company had completed an internal rationalisation exercise involving its Yamaha motorcycles operations in Malaysia which entailed the following steps:-

- (a) HLYM acquired the Company's entire 49% equity interest in HL Yamaha Motor Research Centre Sdn Bhd, comprising 588,000 ordinary shares of RM1.00 each, for a cash consideration of RM588,000; and
- (b) HLYM acquired from Hong Leong Yamaha Distributors Sdn Bhd, a 74% subsidiary company of the Company, its business of distributing and selling the "Yamaha" brand of motorcycles and related activities together with certain assets and liabilities in connection with the said business for a cash consideration of RM13.2 million.

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, Kwek Leng San and David Edward Comley, being two of the Directors of HONG LEONG INDUSTRIES BERHAD state that in the opinion of the Directors, the financial statements set out on pages 33 to 79 are drawn up in compliance with applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2005 and of the results of the business of the Group and of the Company and the cash flows of the Group and of the Company for the financial year ended on that date.

On behalf of the Board

Kwek Leng San

David Edward Comley

Kuala Lumpur
23 August 2005

STATUTORY DECLARATION

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

I, Soon Seong Keat, being the officer primarily responsible for the financial management of HONG LEONG INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 33 to 79 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed Soon Seong Keat)
at Kuala Lumpur in the Federal) **Soon Seong Keat**
Territory on 23 August 2005)

Before me

S. MASOHOOD OMAR
Pesuruhjaya Sumpah
Commissioner for Oaths

REPORT OF THE AUDITORS

to the Members of Hong Leong Industries Berhad

We have audited the financial statements set out on pages 33 to 79 of HONG LEONG INDUSTRIES BERHAD. The preparation of the financial statements is the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanation, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements which have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company at 30 June 2005 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the year ended on that date; and
- (b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiaries of which we have not acted as auditors are indicated on pages 48 to 50. We have considered the financial statements of the subsidiaries and the auditors' report thereon.

We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

LING KAM HOONG & CO
AF: 0106
CHARTERED ACCOUNTANTS, MALAYSIA

LING KAM HOONG
161/5/06 (J/PH)

Kuala Lumpur

OTHER INFORMATION

1. PROPERTIES HELD AS AT 30 JUNE 2005

Location	Tenure	Existing use	Year of last revaluation/ acquisition	Approximate area (sq ft)	Approximate age of building (year)	Net book value as at 30 June 2005 (RM'000)
Lot 57, Persiaran Bukit Rahman, Putra 3, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	9	51,376
Lot 14/70, Jalan Utas, 40000 Shah Alam, Selangor Darul Ehsan	11 Jun 2071	Office and factory building	1983	456,000	18-24	16,133
PF 70, Alte Marienberger Strasse, 30-35, 09401 Zschopau-Hohndorf, Germany	Freehold	Office and factory building	1996	823,338	10-24	4,512
5 1/2 miles, Jalan Kapar, Rantau Panjang, 42100 Klang, Selangor Darul Ehsan	Freehold	Office and factory building	1982	667,513	14-36	21,216
5 1/2 miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Freehold	Office and factory building	1983	871,600	24	26,003
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	20	7,826
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	15	6,266
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	12	20,733
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Industrial Land	1985	256,187	-	258
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Warehouses	1985	907,790	10	14,899
Ranca-Ranca Industrial Estate, Labuan, Federal Territory	31 Dec 2043	Office and factory building	1990	457,790	21	2,521
CL-205228842, Lot 5331 Labuan, Federal Territory	1 Jan 2057	Industrial Land	1993	243,936	-	339
No. 367 A & B, Jalan Melaka Raya, Taman Melaka Raya, 75000 Melaka	4 Oct 2082	3 storey Mid Terrace Shop Office	1996	1,399	22	179
Jalan Lapangan Terbang, 30720 Ipoh, Perak	20 Apr 2074	Office and factory building	1998	158,297	9-30	10,299
Jalan Lapangan Terbang, 30720 Ipoh, Perak	15 Aug 2081	Office and factory building	1998	64,469	7-17	15,619

OTHER INFORMATION (cont'd)

1. PROPERTIES HELD AS AT 30 JUNE 2005 (cont'd)

Location	Tenure	Existing use	Year of last revaluation/ acquisition	Approximate area (sq ft)	Approximate age of building (year)	Net book value as at 30 June 2005 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh, Perak	23 May 2082	Office and factory building	1998	19,849	9-17	1,710
Jalan Lapangan Terbang 30720 Ipoh, Perak	8 May 2039	Industrial land -Factory under construction	1999 1998	53,274	-	18,319
Jalan Lapangan Terbang 30720 Ipoh, Perak	6 Nov 2063	Leasehold vacant industrial land	2003	66,812	-	1,305
Jalan Lapangan Terbang 30720 Ipoh, Perak	8 May 2039	Office and factory building	1989	45,680	11	4,968
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak Darul Ridzuan	29 Oct 2091	Office and factory building	1992	1,348,704	14	86,776
Plot 73021, Shen Hu Road in District 2, Suzhou Industrial Park, Jiangsu Province, 215021 The People's Republic of China	1 Jun 2052	Office and factory building	2002	430,550	2	30,490
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Office and factory building	1995	257,000	11	24,709
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Office and factory building	1995	105,000	6	17,218
Plot 15, Bayan Lepas, Pulau Pinang	22 Feb 2058	Office and factory building, and store	2005	174,243	-	3,715
4060, Norbatrol Ave, Murrysville, Pennsylvania	Freehold	Office and factory building	1996	52,000	40	2,063
Lot 5035 & 5037, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor Darul Ehsan	Freehold	Vacant industrial land	1981	180,338	-	1,244
Lot 5036 Jalan Teluk Datuk 28/40, 40000 Shah Alam Selangor	Freehold	Vacant office and factory building	1981	440,278	12-16	9,147
Section 7, Phase 1A, Pulau Indah Industrial Park, West Port, Selangor Darul Ehsan	99 years to 24 Feb 2097	Vacant industrial land	1996	684,720	-	10,672

OTHER INFORMATION (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2005

Class of Share : Ordinary share of RM0.50 each

Voting Rights

- On a show of hands : 1 vote
- On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2005

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	97	2.39	1,189	0.00
100 – 1,000	1,527	37.57	1,444,216	0.66
1,001 – 10,000	1,920	47.23	7,633,903	3.50
10,001 – 100,000	427	10.50	12,036,420	5.51
100,001 – less than 5% of issued shares	90	2.21	96,372,896	44.15
5% and above of issued shares	4	0.10	100,815,692	46.18
	4,065	100.00	218,304,316	100.00

List of Thirty Largest Shareholders As At 30 August 2005

Name of Shareholders	No. of Shares	%
1. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	34,246,000	15.69
2. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	29,495,000	13.51
3. Employees Provident Fund Board	19,844,000	9.09
4. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	17,230,692	7.89
5. AMMB Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	10,533,333	4.83
6. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	7,343,600	3.36
7. PAB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,000,000	2.75
8. RC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,000,000	2.75
9. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	2.38
10. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	4,898,800	2.24
11. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Hong Leong Company (Malaysia) Berhad	3,900,000	1.79
12. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,000,000	1.37

OTHER INFORMATION (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2005 (cont'd)

List of Thirty Largest Shareholders As At 30 August 2005 (cont'd)

Name of Shareholders	No. of Shares	%
13. RHB Capital Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,000,000	1.37
14. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	2,283,000	1.05
15. UOBM Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,200,000	1.01
16. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,000,475	0.92
17. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (HLIB)	1,912,700	0.88
18. Hong Bee Hardware Company, Sdn. Berhad	1,770,000	0.81
19. Valuecap Sdn Bhd	1,743,900	0.80
20. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	1,705,000	0.78
21. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.71
22. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	1,490,000	0.68
23. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Millenia Fund Berhad	1,423,000	0.65
24. PAB Nominee (Tempatan) Sdn Bhd - Quek Leng Chan	1,268,000	0.58
25. YBhg Tan Sri Quek Leng Chan	1,244,000	0.57
26. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund	1,120,200	0.51
27. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,100,000	0.50
28. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad	1,083,200	0.50
29. Lembaga Tabung Angkatan Tentera	1,036,000	0.48
30. Bank of Tokyo-Mitsubishi (Malaysia) Berhad - Hong Leong Company (Malaysia) Berhad	902,000	0.41
	176,522,900	80.86

OTHER INFORMATION (cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2005 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2005 are as follows:

	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Company (Malaysia) Berhad	131,051,100	60.07	248,800#	0.12#
2. YBhg Tan Sri Quek Leng Chan	2,512,000	1.15	131,299,900*	60.19*
3. HL Holdings Sdn Bhd	-	-	131,299,900*	60.19*
4. Hong Realty (Private) Limited	-	-	131,299,900*	60.19*
5. Hong Leong Investment Holdings Pte Ltd	-	-	131,299,900*	60.19*
6. Kwek Holdings Pte Ltd	-	-	131,299,900*	60.19*
7. Mr Kwek Leng Beng	-	-	131,299,900*	60.19*
8. Mr Kwek Leng Kee	-	-	131,299,900*	60.19*
9. Davos Investment Holdings Private Limited	-	-	131,299,900*	60.19*
10. Mr Quek Leng Chye	-	-	131,299,900*	60.19*
11. Employees Provident Fund Board	29,404,900	13.48	-	-

Notes:

Indirect interests through subsidiary companies

* Indirect interests through Hong Leong Company (Malaysia) Berhad

OTHER INFORMATION (cont'd)

3. ANALYSIS OF WARRANTHOLDINGS AS AT 30 AUGUST 2005

Voting Rights

- On a show of hands : 1 vote
- On a poll : 1 vote for each warrant held

Distribution Schedule Of 1996/2006 Warranholders As At 30 August 2005

Size of Holdings	No. of 1996/2006 Warranholders		No. of 1996/2006 Warrants	
		%		%
Less than 100	13	0.49	592	0.00
100 – 1,000	981	36.92	919,401	2.62
1,001 – 10,000	1,296	48.78	5,277,060	15.04
10,001 – 100,000	337	12.68	10,109,775	28.82
100,001 – less than 5% of issued 1996/2006 warrants	29	1.09	7,824,300	22.31
5% and above of issued 1996/2006 warrants	1	0.04	10,950,072	31.21
	2,657	100.00	35,081,200	100.00

List of Thirty Largest 1996/2006 Warranholders As At 30 August 2005

Name of 1996/2006 Warranholders	No. of 1996/2006 Warrants	%
1. Hong Leong Fund Management Sdn Bhd - Hong Leong Company (Malaysia) Berhad	10,950,072	31.21
2. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	1,552,300	4.43
3. Fong Hun @ Foong Yen Chong	951,000	2.71
4. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	504,500	1.44
5. Allianz General Insurance Malaysia Berhad	403,500	1.15
6. RHB Capital Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	350,600	1.00
7. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	312,500	0.89
8. Lim King Huak	288,000	0.82
9. Tang Kee Hiong	266,000	0.76
10. Ang Woun-Eng	260,700	0.74
11. Poh Yau Kee	250,000	0.71
12. HSBC Nominees (Asing) Sdn Bhd - Tenacious Hold Limited	233,000	0.67
13. Kok Yean Mee	200,000	0.57

OTHER INFORMATION (cont'd)

3. ANALYSIS OF WARRANTHOLDINGS AS AT 30 AUGUST 2005 (cont'd)

List of Thirty Largest 1996/2006 Warrantheolders As At 30 August 2005 (cont'd)

Name of 1996/2006 Warrantheolders	No. of 1996/2006 Warrants	%
14. Mayban Securities Nominees (Tempatan) Sdn Bhd - Wong Siew Keat	180,000	0.51
15. Ng Chee Sim	172,200	0.49
16. Tam Kock Kay @ Tan Kock Kay	152,000	0.43
17. Bo Eng Chee	149,700	0.43
18. Naik Soo Tick	146,500	0.42
19. Mayban Nominees (Tempatan) Sdn Bhd - Yong Nyen Yin	143,300	0.41
20. KPM Securities Sdn Bhd	140,000	0.40
21. Tan Boon Hooi	140,000	0.40
22. Tan Kian Ping	138,000	0.39
23. HDM Nominees (Asing) Sdn Bhd - Ang Theng Ho	132,000	0.38
24. RHB Nominees (Tempatan) Sdn Bhd - Koay Chee Seng	131,000	0.37
25. Mayban Nominees (Tempatan) Sdn Bhd - Chew Foo Keong	130,000	0.37
26. Chai Han Keong	115,000	0.33
27. Chong Boon Kok	111,500	0.32
28. Seah Peik Hock	110,000	0.31
29. Chong Boon Hing	102,000	0.29
30. HDM Nominees (Asing) Sdn Bhd - Foong Tak Hoy	101,000	0.29
	18,816,372	53.64

OTHER INFORMATION (cont'd)

4 ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS AS AT 30 AUGUST 2005

Voting Rights

- On a show of hands : 1 vote
- On a poll : 1 vote for each RM1.00 nominal amount of 2002/2007 ICULS held

Distribution Schedule Of 2002/2007 ICULS Holders As At 30 August 2005

Size of Holdings	No. of 2002/2007 ICULS Holders		No. of 2002/2007 ICULS	
		%		%
Less than 100	1	0.06	15	0.00
100 – 1,000	500	26.85	491,627	0.24
1,001 – 10,000	979	52.58	4,370,258	2.14
10,001 – 100,000	311	16.70	9,377,100	4.60
100,001 – less than 5% of issued 2002/2007 ICULS	68	3.65	36,354,700	17.82
5% and above of issued 2002/2007 ICULS	3	0.16	153,380,800	75.20
	1,862	100.00	203,974,500	100.00

List of Thirty Largest 2002/2007 ICULS Holders As At 30 August 2005

Name of 2002/2007 ICULS Holders	No. of 2002/2007 ICULS	%
1. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	120,000,000	58.83
2. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	17,540,800	8.60
3. Employees Provident Fund Board	15,840,000	7.77
4. Hong Leong Assurance Berhad	10,000,000	4.90
5. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	2,683,100	1.31
6. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,933,000	0.95
7. Hong Bee Hardware Company, Sdn. Berhad	1,767,000	0.87
8. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad	1,695,000	0.83
9. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.76
10. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,100,000	0.54
11. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Bhd (Non-Life)	1,000,000	0.49
12. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Bhd (Life)	1,000,000	0.49

OTHER INFORMATION (cont'd)

4 ANALYSIS OF IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") HOLDINGS AS AT 30 AUGUST 2005 (cont'd)

List of Thirty Largest 2002/2007 ICULS Holders As At 30 August 2005 (cont'd)

Name of 2002/2007 ICULS Holders	No. of 2002/2007 ICULS	%
13. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund	932,700	0.46
14. Olive Lim Swee Lian	899,200	0.44
15. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	827,400	0.41
16. Cimsec Nominees (Tempatan) Sdn Bhd - Commerce Asset-Holding Berhad	422,000	0.21
17. Hong Leong Fund Management Sdn Bhd - Hong Leong Foundation	420,000	0.21
18. Mayban Nominees (Tempatan) Sdn Bhd - Balanced Returns Fund	368,000	0.18
19. AM Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial	356,700	0.17
20. Mayban Nominees (Tempatan) Sdn Bhd - Future Goals Fund	352,000	0.17
21. Soon Khiat Voon	350,300	0.17
22. RHB Nominees (Tempatan) Sdn Bhd - Malaysian Timber Council	333,000	0.16
23. Amanah Raya Nominees (Tempatan) Sdn Bhd - AUTB Progress Fund	316,000	0.15
24. Cimsec Nominees (Tempatan) Sdn Bhd - Leong Mun Wey	300,000	0.15
25. Southern Investment Bank Berhad - Oriental Capital Assurance Berhad	300,000	0.15
26. Mayban Nominees (Tempatan) Sdn Bhd - Affin Equity Fund	294,000	0.14
27. Onn Kok Puay (Weng Guopei)	291,800	0.14
28. Cimsec Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	256,000	0.13
29. RHB Capital Nominees (Tempatan) Sdn Bhd - Soon Seong Keat	249,000	0.12
30. JF Apex Nominees (Tempatan) Sdn Bhd - Tee Keng Kok	238,000	0.12
	183,615,000	90.02

OTHER INFORMATION (cont'd)

5. DIRECTORS' INTERESTS AS AT 30 AUGUST 2005

Subsequent to the financial year end, there is no change, as at 30 August 2005, to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 25 to 28 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	Number of ordinary shares/new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*	
	No. of Shares	%
YBhg Tan Sri Quek Leng Chan		
Hume Industries (Malaysia) Berhad	118,110,828	63.89
Hong Leong Industries Berhad	131,299,900	60.19@
	34,762,135*	11.83^
Hong Leong Bank Berhad	953,685,600	62.42@
Mr Chuah Chuan Thye		
Hong Leong Industries Berhad	1,998,800	0.92@

@ Change of percentage arising from share buy back

^ Based on the enlarged share capital of HLI assuming full exercise of warrants and convertible unsecured loan stocks 2002/2007 as at 30 August 2005.

6. MATERIAL CONTRACTS

Save for the following, there are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad:

- HLI and its wholly-owned subsidiary, HLI Trading Limited, had, on 12 January 2005, entered into a Securities Sales Agreement with Hong Leong Computer Services Sdn Bhd, FCC Equities Pte Ltd and Brightspring Holdings Limited ("Brightspring"), to dispose of an aggregate of 80,827,163 ordinary shares of RM1.00 each and RM54,520,949 nominal value of 5.5% 5-year irredeemable convertible unsecured loan stocks, representing their entire interests in Camerlin Group Berhad ("CGB") to Brightspring, a wholly-owned subsidiary of Guoco Group Limited ("GGL"), which in turn is a related corporation of HLI, for an aggregate cash consideration of RM153.7 million.

YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek") is a Director and major shareholder of HLI and GGL. Mr Kwek Leng San, a brother of Tan Sri Quek, is a Director and shareholder of HLI and GGL.

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FORM OF PROXY

I/We _____

of _____

being a member/members of HONG LEONG INDUSTRIES BERHAD, hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-second Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 14 October 2005 at 3.00 p.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees		
2.	To re-elect Mr Chuah Chuan Thye as a Director		
3.	To re-elect Mr David Edward Comley as a Director		
4.	To re-elect Mr Quah Thain Khan as a Director		
5.	To re-appoint Messrs Ling Kam Hoong & Co as Auditors and authorise the Directors to fix their remuneration		
6.	As a special business, to approve the ordinary resolution on authority to Directors to issue shares		

Dated this day of 2005

Number of Shares held

Signature(s) of Member(s)

Notes:

1. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
2. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
3. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
6. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.