Hong Leong Industries Berhad

A Member of the Hong Leong Group

Annual Report 2019

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COMPANY PROFILE

HONG LEONG INDUSTRIES BERHAD ("HLI")
is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

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

- Consumer Products – manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, manufacturing and sale of ceramic tiles as well as distribution, trading and provision of services in marine related products.

- Industrial Products – manufacturing and sale of fibre cement and concrete roofing products.

HLI also has associated companies which are involved in the manufacturing, assembling and distribution of motorcycles, motorcycle engines and spare parts.

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

YBhg Dato' Dr Zaha Rina binti Zahari

Mr Peter Ho Kok Wai

Ms Quek Sue Yian

YBhg Datuk Noharuddin bin Nordin @ Harun

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin
Ms Valerie Mak Mew Chan

AUDITORS

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

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 03-2088 8818
Fax: 03-2088 8990

REGISTERED OFFICE

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 03-2080 9200
Fax: 03-2080 9238

COUNTRY OF INCORPORATION/ DOMICILE

A public limited company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-sixth Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 6 November 2019 at 10.30 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2019.

2. To approve the payment of Director fees of RM382,000/- (2018: RM504,958/-) for the financial year ended 30 June 2019 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM32,000/- from the Fifty-sixth Annual General Meeting ("AGM") to the Fifty-seventh AGM of the Company. **Resolution 1**

3. To re-elect the following Directors:

   (a) YBhg Dato' Dr Zaha Rina binti Zahari **Resolution 2**
   (b) Mr Peter Ho Kok Wai. **Resolution 3**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

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

5. **Ordinary Resolution**
   - Authority To Directors To Allot Shares

   "**THAT** subject to the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot shares in the Company, grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) 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 allotted on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 5**

NOTICE OF ANNUAL GENERAL MEETING
cont'd

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 8 October 2019 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 6**

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 8 October 2019 with Hong Bee Hardware and Hong Bee Motors provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware and Hong Bee Motors than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

NOTICE OF ANNUAL GENERAL MEETING
cont'd

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 7**

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 8 October 2019 with YMC and its subsidiaries ("YMC Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the YMC Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

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

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 8 October 2019 with HLIH and persons connected with HLIH ("HLIH Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the HLIH Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

NOTICE OF ANNUAL GENERAL MEETING
cont'd

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

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

10. **Special Resolution**
- Proposed Adoption Of New Constitution

"**THAT** the proposed Constitution as set out in Appendix A be approved and adopted as the new Constitution of the Company in substitution for and to the exclusion of the existing Constitution thereof;

AND THAT the Directors of the Company be and are hereby authorised to assent to any modification, variation and/or amendment as may be required and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing." **Resolution 10**

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

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
8 October 2019

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 29 October 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

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

3. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

5. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to a vote by way of a poll.*

NOTICE OF ANNUAL GENERAL MEETING
cont'd

Explanatory Notes:

1. Resolution 1 - Director Fees And Other Benefits

   Director Fees of RM382,000/- are inclusive of Board Committee Fees of RM142,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM32,000/-.

2. Resolution 5 - Authority To Directors To Allot Shares

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

   As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 25 October 2018 and which will lapse at the conclusion of the Fifty-sixth AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new shares, grant of rights to subscribe for shares, conversion of any security into shares, or allotment of shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

3. Resolutions 6 to 9 - Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

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

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 8 October 2019 which is despatched together with the Company's Annual Report.

4. Resolution 10 - Proposed Adoption Of New Constitution

   The proposed special resolution, if passed, will bring the Company's Constitution in line with the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as to enhance administrative efficiency.

   The proposed new Constitution of the Company is set out in Appendix A which is despatched together with the Company's Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

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

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

   Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 2 of the Notice of the Fifty-sixth Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/Non-Independent
Age 64, Male, Singaporean

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

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

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

YBHG DATO' DR ZAHA RINA BINTI ZAHARI

Non-Executive Director/Independent
Age 57, Female, Malaysian

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

Dato' Dr Zaha Rina was Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. Dato' Dr Zaha Rina has 25 years experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market which includes managing a futures broking company. She was the Chief Executive Officer of RHB Securities Sdn Bhd from 2004 to 2006. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia ("COMMEX") from 1993 to 1996, and then as the Chief Operating Officer ("COO") of Kuala Lumpur and Financial Futures Exchange ("KLOFFE") in 2001.

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

Dato' Dr Zaha Rina was appointed to the Board of HLI on 9 February 2012. She is the Chairman of the Nominating Committee and a member of the Board Audit & Risk Management Committee of HLI.

She is the Chairman of Manulife Holdings Berhad and a Director of Pacific & Orient Berhad, Hibiscus Petroleum Berhad and IGB Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of Pacific & Orient Insurance Co Berhad, a public company.

BOARD OF DIRECTORS
cont'd

MR PETER HO KOK WAI

Non-Executive Director/Independent
Age 60, Male, Malaysian

Mr Peter Ho Kok Wai is a Member of the Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Mr Peter Ho forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants, and qualified as a Chartered Accountant in 1984. Subsequently, in 1987, Mr Peter Ho joined KPMG Kuala Lumpur ("KPMG KL") where he progressed to Head of Department in 1992. He was transferred to KPMG Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG KL in 2005 where he had, at various times, headed the Technical Committee, Audit Function And Marketing Department. He has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr Peter Ho retired from KPMG in December 2014.

Mr Peter Ho was appointed to the Board of HLI on 3 June 2015. He is the Chairman of the Board Audit & Risk Management Committee and a member of the Nominating Committee of HLI.

He is a Director of GuocoLand (Malaysia) Berhad, Hong Leong Capital Berhad, HPMT Holdings Berhad and Allianz Malaysia Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Allianz Life Insurance Malaysia Berhad, a public company.

MS QUEK SUE YIAN

Non-Executive Director/Non-Independent
Age 44, Female, Malaysian

Ms Quek Sue Yian graduated from Brunel University London with a Bachelor of Law and qualified as a Barrister-at-Law from Middle Temple. She also holds a Master of Science in Poverty Reduction and Development Management from University of Birmingham and a Diploma in Child Psychology and Learning Disorders.

She has been called to the Malaysian Bar and has worked in the law office of Wong & Partners as Legal Executive. She joined the Hong Leong Group in 2005 where she held management positions in various companies. She is the Executive Director of Hong Leong Foundation.

Ms Quek is the Founder of Wisdom Club for Children, a charity that promotes stories and reading and getting quality stories to children in underserved areas via Reading Spaces. Ms Quek is a founding member of Anyaman Preschool, a kindergarten. She is also a Director and Shareholder of Beyond Academics, an inclusive school. She helped start up 'Voice of the Children', a children's rights advocacy Non Governmental Organisation. She is a committee member of the Selangor Society for the Prevention of Cruelty to Animals. Ms Quek is a published author of several children books. Her book, Kailash, was a recipient of the White Raven Award 2014. She is also a gold medalist in the 2017 Sea Games.

Ms Quek was appointed to the Board of HLI on 4 January 2017. She does not sit on any committee of HLI.

BOARD OF DIRECTORS
cont'd

YBHG DATUK NOHARUDDIN BIN NORDIN @ HARUN

Non-Executive Director/Independent
Age 63, Male, Malaysian

Datuk Noharuddin bin Nordin @ Harun graduated with a Master of Business Administration from University of Birmingham, UK and a Member of the Chartered Institute of Transport (UK). He completed the Advance Management Programme in Harvard Business School, the United States of America ("USA") and Leaders in Governance Programme in School of Public Policy, Singapore. He also holds a Diploma in Public Administration from National Institute of Public Administration, Malaysia and a Diploma in Trade Policy from GATT, Geneva, Switzerland.

Datuk Noharuddin has vast working experience with the Ministry of International Trade and Industry ("MITI"), Malaysia External Trade Development Corporation ("MATRADE") and Malaysian Investment Development Authority ("MIDA"). He was the Assistant Director of MITI from 1986 to 1993. He joined MATRADE in 1993 and thereupon served as the Malaysian Trade Commissioner in New York City, USA, from 1994 to 2000. He was the Chief Executive Officer ("CEO") of MATRADE from 2006 to 2011 and then as CEO of MIDA until his retirement in February 2014.

Datuk Noharuddin was appointed to the Board of HLI on 13 March 2018. He is a member of the Board Audit & Risk Management Committee of HLI.

He is a Director and member of the Audit Committee of Apex Healthcare Berhad, a company listed on the Main Market of Bursa Securities, and the Chairman and member of the Audit Committee of Malaysia Venture Capital Management Berhad, a public company. He is currently a Director and Chairman of the Investment, Strategic Planning and Risk Committee of Kulim Technology Park Corporation Sdn Bhd.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   Ms Quek Sue Yian is the daughter of YBhg Tan Sri Quek Leng Chan ("YBhg Tan Sri LC Quek"), a major shareholder of HLI. YBhg Datuk Kwek Leng San and YBhg Tan Sri LC Quek are brothers. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLI.

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

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) within the past five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2019.

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

KEY SENIOR MANAGEMENT

MR GOH ENG TATT

Chief Financial Officer, Hong Leong Industries Berhad
Age 46, Male, Malaysian

Mr Goh Eng Tatt graduated from University Utara Malaysia with a Bachelor in Accountancy (Honours). He holds a professional accountancy qualification from the Malaysian Institute of Certified Public Accountants and is a Member of the Malaysian Institute of Accountants ("MIA").

Mr Goh is the Chief Financial Officer of Hong Leong Industries Berhad ("HLI") while concurrently holds the position of Group Chief Financial Officer of Hong Leong Manufacturing Group Sdn Bhd, the holding company. He has over 7 years of auditing experience before joining Southern Steel Berhad ("SSB") in 2004 where he held various financial positions for more than 10 years within SSB Group.

MR ALBERTO BONILAURI

Managing Director, Guocera Holdings Sdn Bhd
Age 61, Male, Italian

Mr Alberto Bonilauri graduated from University of Bologna, Italy with a Bachelor of Natural Sciences.

Mr Bonilauri started his career as Sales Manager in Marazzi Ceramiche of Italy and held various sales and marketing, general management and chief executive officer roles in the Ceramic Tiles Field in Italy and worldwide (CISA CERDISA, IRIS, RIWAL, RIWAL USA, RIWAL FRANCE, FLORIM, FLORIM USA, BONET SPAIN) and worldwide before being appointed as President Director General of DESVRES CARRELAGES, France in 2012 until end of 2016. Thereafter, he acted as Consultant for various Italian companies until end of July 2018.

Mr Bonilauri joined Guocera Holdings Sdn Bhd on 28 August 2018 as Managing Director.

KEY SENIOR MANAGEMENT
cont'd

YBHG DATO' JIM KHOR MUN WEI

Managing Director, Hong Leong Yamaha Motor Sdn Bhd
Age 55, Male, Malaysian

Dato' Jim Khor Mun Wei graduated with a Bachelor of Engineering (Mechanical) from Glamorgan University, United Kingdom ("UK"). He further obtained his Master in Business Administration from University of South Australia in 2009.

Dato' Jim Khor joined Hong Leong Yamaha Motor Sdn Bhd ("HLYM") on 11 November 1991 as Quality Assurance Engineer and subsequently promoted to Quality Assurance Manager in 1992. He was transferred to the Parts & Service Department in 2004 until 2007 when he was transferred to head the Manufacturing Department as Head of Production.

In 2010, Dato' Jim Khor assumed the position of General Manager, Manufacturing, overseeing the whole manufacturing operations. Subsequently, he was promoted as Managing Director of HLYM on 15 June 2015.

MR LAI YUN YIN

Managing Director, Hume Marketing Co Sdn Bhd
Age 58, Male, Malaysian

Mr Lai Yun Yin is a Member of the MIA and a Fellow of Chartered Institute of Management Accountants (UK).

Mr Lai joined HLI as Management Trainee in 1984. In the early years, he was attached to the Finance Department of the tiles manufacturing operation. In 1987, Mr Lai was transferred to Hong Leong Management Co Sdn Bhd where he progressed to become an Accountant. He was then transferred to the tiles operation in 1989 and served as Finance Manager in various subsidiaries of HLI.

In 1994, Mr Lai was transferred to head the Sales and Marketing department of Hume Marketing Co Sdn Bhd ("HMKT") and subsequently promoted as General Manager in 1996. He has acquired over 20 years of working experience in the trading and distribution of building materials. Subsequently, he was promoted to Managing Director of HMKT on 1 January 2017.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of HLI.

2. ***Conflict of Interest***
   None of the Key Senior Management has any conflict of interest with HLI.

3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2019.

CHAIRMAN'S STATEMENT

Dear valued shareholders,

I am grateful for the opportunity to write to you again as Chairman of Hong Leong Industries Berhad (the "Company") to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2019.

The past financial year ended 30 June 2019 ("FY2019") has been a good year. In that year, the Group posted higher revenue of RM2,750 million as compared with RM2,503 million for the previous financial year ended 30 June 2018 ("FY2018"). Profit before tax ("PBT") for FY2019 was also higher at RM501 million from RM464 million for FY2018. The Company declared and paid a total dividend of RM160 million for FY2019 as a result of healthy cash generation.

Our Group and our management remain focused and committed to driving continual and consistent performance. Despite our strong financial performance, we are mindful that the business landscape, domestically and globally, remains uncertain. We are committed to ongoing initiatives to drive further efficiencies and automation, and to promote customer relationships across all our business segments.

I would like to thank our shareholders for their continuous confidence and support in our Group. My thanks also go out to our Board of Directors and our management team for their contributions. I am grateful to all our employees who have worked very hard and given their best to our Group throughout the year. My sincere appreciation also goes to our valued customers, business associates, shareholders, financiers and the Government for their continuous support and confidence in the Group. I look forward to our ongoing collaboration in the years to come.

DATUK KWEK LENG SAN
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Hong Leong Industries Berhad ("HLI") is a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

HLI is principally engaged in 2 business segments –

- Consumer products: Manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, manufacturing and sale of ceramic tiles as well as distribution, trading and provision of services in marine related products.

- Industrial products: Manufacturing and sale of fibre cement and concrete roofing products.

HLI also has associated companies which are involved in the manufacturing, assembling and distribution of motorcycles, motorcycle engines and spare parts.

The Group's businesses are largely in Malaysia which accounted for 90% (2018: 88%) of the total Group's revenue for the financial year ended 30 June 2019 ("FY2019").

GROUP'S FINANCIAL PERFORMANCE

The Group's revenue increased from RM2,503 million to RM2,750 million during FY2019, an increase of 10% compared with the previous financial year ended 30 June 2018 ("FY2018").

The increase in revenue was mainly contributed by the increase in revenue of the motorcycle segment. The increase was however partly negated by the weaker demand for building materials products in the domestic market. Operating expenses decreased by 7% to RM197 million during FY2019 as compared with RM211 million for FY2018. The Group has put in significant efforts to streamline processes, enhance operational efficiencies and reduce costs structurally to sustain its profitability.

Profit before tax ("PBT") for FY2019 was RM501 million against RM464 million for FY2018. The overall improvement of the Group's operating profit was mainly attributable to the better performance of our motorcycle business and also the cost reduction programmes initiated across the businesses.

CONSUMER SEGMENT

The consumer division sells motorcycles and marine related products under the Yamaha brand while ceramic tiles are distributed and sold under the Guocera brand. Sales and distribution of consumer products are undertaken generally through strategic partnership with key distributors and dealers.

Motorcycle – Overview

Hong Leong Yamaha Motor Sdn Bhd ("HLYM") commenced operation in 1978 with the signing of the franchise agreement between HLI and Yamaha Motor Corporation ("YMC") to venture into the manufacture, assembly and marketing of Yamaha motorcycles in Malaysia. The company currently operates from its factory located in Sungai Buloh, Selangor, Malaysia and distributes its motorcycles through a well-established nationwide network of dealers, including exclusive dealers of HLYM products. Over the years, HLYM has established itself as a significant domestic player in Malaysia.

In Vietnam, HLI has a 24% stake in Yamaha Motor Vietnam Co. Ltd ("YMVN"). The other two joint venture shareholders in YMVN are YMC and Vietnam Forest Corporation.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Motorcycle – Performance Review

In FY2019, the total motorcycle industry sales volume increased by 16% to 573,000 largely attributable to the "tax holidays" period in June 2018 to August 2018 when the Goods and Service Tax rate was zeroised and motorcycles with engines 250cc and below were exempted from sales tax with the implementation of Sales and Service Tax 2018 from September 2018 onwards. Yamaha continued to uphold its market leader position for the financial year under review. In order to sustain its market-leading position, HLYM persistently invests into brand building activities and continues to provide the Malaysian consumers with a range of latest and most innovative motorcycles in all segments.

To create strong competitive differentiation, the focus is to enhance the value of Yamaha as a premium brand, setting it ahead from competitors. In this aspect, HLYM continues to refine and improve on 1C3S (Customer, Sales, Service and Spare parts) concept to serve Yamaha's customers better. Through the Technical Apprenticeship programme in collaboration between HLYM, INPENS International College and Malaysia Motorcycle and Scooter Dealers Association, HLYM has developed a pool of skilled technicians to achieve seamless after-sales service customer journey for Yamaha Authorised Dealers.

HLYM improves its competitive edge through innovative process automation and digitalisation across its after-sales services to sustain its high responsive and cost effective service base that continuously attain high level of dealers and customers' satisfaction. In anticipation of continuous strong market demand for Yamaha motorcycles, the company is adapting new technologies and upgrading its capacity and productivity to ensure timely delivery of quality products to its customers.

HLYM with a team of committed and competent staff, management and business partners, has actively organised various activities like Gen Blue Carnival, riding convoys and customer events to appreciate and to foster close relationship with its customers. At the same time, HLYM has continued to participate actively in local AAM Petronas Cub Prix and managed to continue its domination in both the CP150 and CP115 categories.

In January 2019, HLYM celebrated its 40th anniversary of the ongoing joint venture between HLI and YMC with a keynote "Our Bond, Our Success", signifying the underlying close cooperation and trust that exist between HLYM and its customers. This momentous celebration is the result of its continued commitment in producing and delivering premium and high quality motorcycles since 1979, which has made Yamaha the brand of choice of Malaysian motorcyclists.

In Vietnam, total industry demand for motorcycles declined marginally by 0.3% from 3,300,000 units in FY2018 to 3,290,000 in FY2019 after 4 consecutive years of growth. The slight contraction in the total motorcycle industry demand in FY2019 was mainly attributed to the motorcycles market saturation in Vietnam.

Nevertheless, YMVN suffered reduction in sales of moped models as a result of stiff competition from competitors and higher importation of motorcycles in FY2019. Despite the challenges, the outlook of the Vietnam motorcycle industry remains positive as motorcycles still represent the main mode of transportation for most Vietnamese commuters.

Marine Related Products – Overview

HLY Marine Sdn Bhd ("HLY Marine"), a wholly-owned subsidiary of HLI, was appointed as the exclusive re-seller and distributor of Yamaha outboard motor products since April 2017. The company currently operates from Sungai Buloh, Selangor, Malaysia and 3 branches in Malaysia offering sales, service and spare parts of Yamaha outboard motor products nationwide through a network of dealers.

Marine Related Products – Performance Review

HLY Marine continues to be the leader in market share of outboard motor in West Malaysia for FY2019. While the marine industry remains competitive, especially in the medium and high horse power 4-stroke segment, efforts have been in establishing a strong dealership network, setting up Yamaha Technical Academy, continuous improvement in after sales service and promoting the awareness of genuine parts through conducting 3S campaigns. These have enabled HLY Marine to maintain an advantage over its competitors.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

Ceramic Tiles – Overview

Guocera Holdings Sdn Bhd ("GHSB") is the holding company for the tiles business of HLI. GHSB, through its two manufacturing facilities located in Kluang, Johor and Meru, Selangor ("GHSB Group"), manufactures and distributes a full range of ceramic and porcelain tiles. Since 1993, GHSB Group has been promoting and marketing its tiles under the common brand name "Ceramiche Guocera".

GHSB Group exports its tiles worldwide to customers in Asia Pacific, Middle East, Europe and North America. Through its export presence over the past 40 years, Guocera is a globally recognised brand in the industry. Over the years, GHSB Group has been transforming the living and work spaces of its customers with innovative products and inspiring designs. Inspired by quality Italian craftsmanship and its artisan ethos, Guocera is a recognised household brand in Malaysia.

Ceramic Tiles – Performance Review

The Ceramic Tiles industry continued to face the challenges of global over supply and market price competition in FY2019. The domestic market were also not spared, consumptions were low due to slow down in housing projects and the market condition was worsened by the high Chinese imports. Cost of production wise, GHSB Group was also facing with the hike in both the natural gas prices and electricity rates.

With the negative market environment and input cost hikes, GHSB Group had embarked on a series of cost down programmes through procurement savings, raw material re-formulations, energy conservation programmes and other plant rationalisation initiatives to ensure the costs of production remained competitive. The various costs down programmes have contributed to the improved profit of GHSB Group in FY2019 as compared with preceding FY2018. GHSB Group has also reviewed and reduced the number of Stock Keeping Units to sell and produce, which significantly reduced the total finished goods holding. These had contributed in lower working capital and higher net cash level in GHSB Group in FY2019.

Moving forward into the new financial year ending 30 June 2020 ("FY2020"), GHSB Group's immediate plans are to enhance manufacturing efficiencies through continuous cost down programmes and plant reconfiguration, strengthening and upskilling workforce, expanding retail market network with effective merchandising activities, strengthening embedment in key international markets and launching of new products to attract the existing and prospective customers.

INDUSTRIAL SEGMENT

The industrial division manufactures and distributes fibre cement board under the brand name "PRIMABOARD", concrete roofing tiles as well as distribution of other building material products. Products are distributed to both local and overseas markets via retail as well as projects.

Fibre Cement Board – Overview

Hume Cemboard Industries Sdn Bhd ("HCI"), a wholly-owned subsidiary of HLI, was first incorporated as Cemboard (M) Sdn Bhd and started commercial production in 1982. HCI manufactures and distributes the PRIMABOARD family of products, comprising cellulose fibre cement boards in various dimensions that provide internal lining and external architectural cladding solutions for buildings and their surrounds. Fibre cement board products are made from high grade cellulose fibre, quality cement, sand and water and can be used in myriad applications in the residential, industrial and commercial markets.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

The fibre cement board products are manufactured in its plants located in Petaling Jaya, Selangor and Kanthan, Perak. HCI is the leading domestic player in the fibre cement board industry and distributes its products both locally and internationally. Its export markets include Australia, Taiwan, South Korea, Middle East, Vietnam and Philippines.

Fibre Cement Board – Performance Review

For the financial year under review, HCI faced the challenges of low export prices, weaker United States Dollars against Malaysian Ringgit, escalation of pulp prices being the key raw materials as well as increase in energy costs.

To mitigate these challenges, HCI had focused to increase its domestic sales and executed strategic cost transformation measures to preserve margin without compromising on product quality.

Exploration of new export markets with better margins, development of products in new applications, securing of more local business partners and continuous cost down programmes will remain the key strategies in the coming financial year.

Concrete Roofing Tiles – Overview

Founded in 2002, Hume Roofing Products Sdn Bhd ("HRP") is a wholly owned subsidiary of HLI and its factories are located at Bandar Tenggara, Johor and Kanthan, Perak. HRP manufactures and markets premium concrete roofing tiles. The concrete roofing tiles produced by HRP are designed with bold, aesthetically pleasing profiles and a wide range of attractive and vibrant colours. These are complemented with a range of roofing accessories.

Concrete Roofing Tiles – Performance Review

FY2019 has been a challenging year for the building materials industry, with no exception for the roofing tiles. HRP managed to maintain the sales against the previous year while increasing the average product selling price to reduce loss as compared with the preceding year.

As the outlook of the housing industry is expected to remain weak, the key focus will be continuous cost improvement activities to ensure cost competitiveness with products of high quality and reliability.

For the upcoming financial year, HRP is expected to sustain the current market share in sales, as well as strengthen its presence as one of the key players in the concrete roofing tile industry through consistency of the services and product confidence.

RISKS AND OPPORTUNITIES

The weak domestic construction industry remains the key challenge and risk to the Group's building material products. To mitigate this, the Group will focus on expanding the Group's export market and balancing its reliance on the domestic market. This would include building a stronger sales and marketing team to focus on developing new markets as well as applying new products into the markets.

On the consumer sector, the focus is to improve its distribution channels by strengthening the stickiness of customers to secure and expand the Group's position. Meanwhile, to remain competitive and sustainable in the long term, the initiatives include continuous investment in training and development of staffs at various levels as well as adoption of new manufacturing technologies for products and process improvements.

Significant efforts have also been put to the streamline the production processes to improve the cost and operational excellence.

The Group's businesses in both the consumer and industrial segments are exposed to foreign currency fluctuations with the imports of raw materials and exports of finished goods. The Group manages and minimises the foreign currency fluctuation risk through non-speculative hedging in forward contracts.

MANAGEMENT DISCUSSION AND ANALYSIS
cont'd

DIVIDEND

The Company declared and paid a first, second and special interim single tier dividends totalling 50 sen per share for FY2019, as compared to the total dividends of 47 sen per share in FY2018.

Dividend payout is one of the important elements considered by the Company in enhancing its shareholder value. Earnings, capital expenditure requirements, borrowings repayment, capital adequacy, dividend yield and other relevant factors are considered by the Board in determining the actual dividend payout.

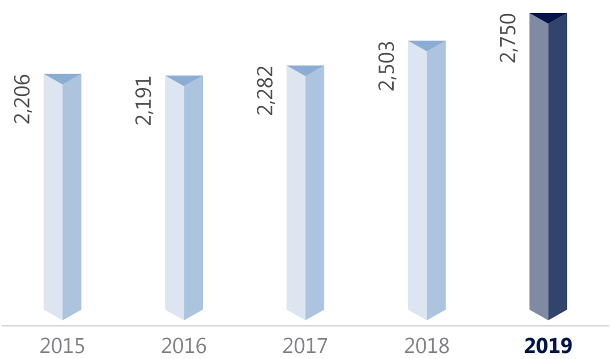
MOVING FORWARD

Moving forward into FY2020, the key focus of the Group is to strengthen its market position through expansion and upgrading of manufacturing facilities, new product development, adoption of new technologies and digitalisation to enhance operational processes.

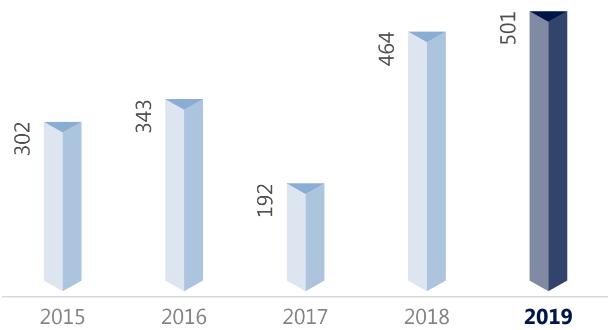
GROUP FINANCIAL HIGHLIGHTS

RM'Million	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	2,206	2,191	2,282	2,503	2,750
Profit before taxation	302	343	192	464	501
Profit attributable to owners of the Company	173	247	103	335	327
Net earnings per share (sen)	56	80	33	108	104
Net dividend per share (sen)	29	42	45	47	50
Total equity	1,294	1,400	1,383	1,585	1,763
Total assets	1,780	1,881	1,837	2,014	2,179
Capital expenditure	56	55	58	38	38

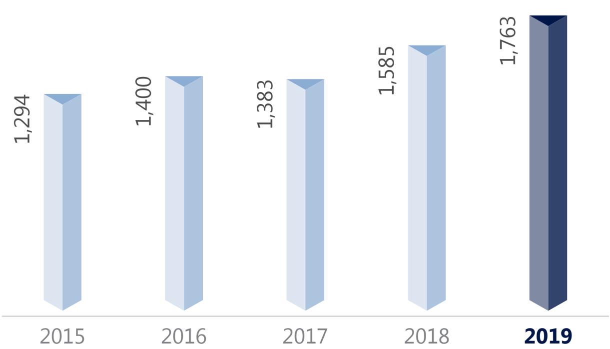
REVENUE
(RM'Million)



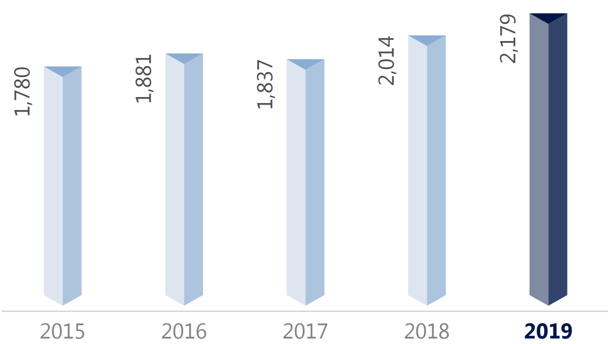
PROFIT BEFORE TAXATION
(RM'Million)



TOTAL EQUITY
(RM'Million)



TOTAL ASSETS
(RM'Million)



SUSTAINABILITY STATEMENT

Hong Leong Group is built on the strong heritage of value creation for our stakeholders and communities within which we operate. Over the years, we have taken a progressive approach in integrating sustainability into our businesses, towards a stronger, more resilient Group. We are committed to growing our businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact to our stakeholders and contributing to our communities.

Our sustainability efforts reflect our commitment towards maximising opportunities for strong fiscal growth and optimising operational efficiency while at the same time creating long-term value in accordance to economic, environmental and social considerations.

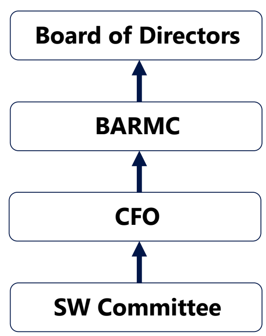
We work closely with a broad spectrum of stakeholders where businesses are always conducted with integrity and full cognisance of its impact in the community and society as a whole. In the course of developing this report for our work in the area of sustainability, we have methodically applied distinct, forward-looking value, namely quality, entrepreneurship, innovation, honour, human resources, unity, progress and social responsibility. These values serve to focus us on a long-term view of the social and environmental business imperatives that help shape our future.

Honour	To conduct business with honour
Human Resources	To enhance the quality of human resources as the essence of management excellence
Entrepreneurship	To pursue management vision and foster entrepreneurship
Innovation	To nurture and be committed to innovation
Quality	To consistently provide goods and services of the highest quality at competitive prices
Progress	To continuously improve existing operations and to position for expansion and new opportunities
Unity	To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all
Social Responsibility	To create wealth for the betterment of society

We are committed to ensuring that we are guided by the Hong Leong Group's core values and remain cognisant of our responsibility towards society and environment.

Governance Structure

The sustainability governance structure of Hong Leong Industries Bhd ("HLI") and its operating companies ("HLI Group") comprises the Board of Directors ("Board") as the highest governing body and they play an important role in approving sustainability framework and deliberate reports from the Board Audit and Risk Management Committee ("BARMC") on sustainability and risk governance issues. The Sustainability Working ("SW") Committee comprises Operating Managers and Heads of Department of operating companies. The Chief Financial Officer ("CFO") acts as a guiding role and bridge between the committees and the Board. This structure enables us to continue to add value to our stakeholders in all aspects of our business.



Scope of this Statement:

This sustainability statement focuses on the collective sustainability efforts undertaken by our key operating companies. This sustainability reporting covers the material economic, environmental, and social aspects of our key operations within the HLI Group in Malaysia covering from 1 July 2018 to 30 June 2019 ("Sustainability Statement" or "the Statement").

SUSTAINABILITY STATEMENT
cont'd

Key operations within the HLI Group in Malaysia:

Operating Companies	Manufacturing Plant Location	Principal Business
Hong Leong Yamaha Motor Sdn Bhd ("HLYM")	Selangor	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.
Guocera Holdings Sdn Bhd and its subsidiaries ("Guocera")	Selangor and Johor	Manufacture of ceramic tiles and investment holding.
Hume Cemboard Industries Sdn Bhd ("HCI")	Selangor and Perak	Manufacture and sale of fibre cement products.

The Statement was prepared in accordance with Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports.

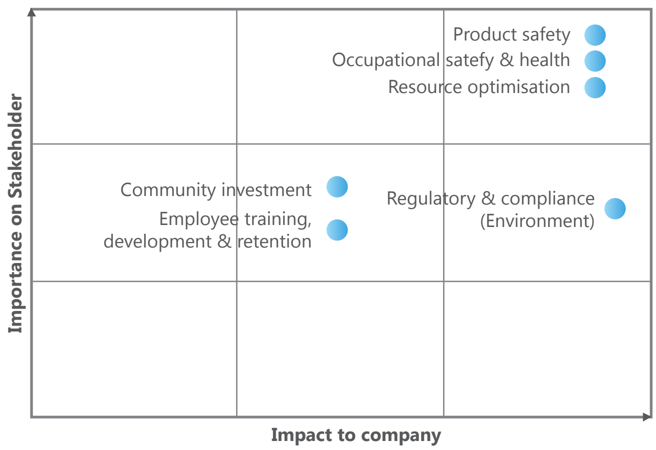
Stakeholder Engagement

We understand the importance of stakeholder engagement in the success, growth and survival of our businesses. We strive to foster strong and long-term relationships with our stakeholders at all levels. Through dedicated communication mechanisms, we have collected and incorporated important stakeholder feedback into our sustainability strategies. The table below summarises our stakeholder engagement approaches and the main sustainability concerns identified.

Stakeholder Group	Type of Engagement	Sustainability Topics
Customers	• Customer feedback • Showroom	• Product safety • Quality assurance
Employees	• Annual performance evaluation sessions • Training	• Training, development & retention • Occupational safety & health • Employees' reward and compensation packages
Shareholders	• Annual General Meeting	• Corporate governance • Shareholders returns • Economic performance
Regulators	• On-site inspection • Correspondance on regulation	• Regulatory & compliance (environment)
Local communities	• Community programme	• Community investment • Resource optimisation

Our Materiality Matrix:

We apply a progressive approach in our sustainability reporting. Through communications and feedback from stakeholders, we have identified sustainability matters that are close to all stakeholders' heart across the economic, environmental and social aspects.



1. Product Safety

i. Product Safety Education (Training on safe use of products):

Operating Companies	Initiatives
HLYM	• Yamaha Balik Kampung Road Safety Campaign • Yamaha Safety Riding Science ("YSRS")
Guocera	• Technical training on properties and applications of ceramic tiles to ensure safe use

SUSTAINABILITY STATEMENT
cont'd

1. **Product Safety** *cont'd*

   i. **Product Safety Education (Training on safe use of products):** *cont'd*

Beyond meeting relevant safety standards and requirements, we take product safety and quality further by adopting best practices throughout the design/planning, production, and supply stages of our products, including educating our consumers on the safe-use of our products. Some of our initiatives in this area include the following:

HLYM

HLYM, a subsidiary company which is the franchise holder for CKD and CBU Yamaha motorcycles in Malaysia since 1978, has consistently carried out programmes to remind motorcyclists on the importance of road safety.

Yamaha Balik Kampung Road Safety Campaign is a joint effort between HLYM and the Malaysian Motorcycle & Scooter Dealers Association ("MMSDA"). This annual event has been held for the past 21 years during the Hari Raya festive period. This campaign emphasises on raising road safety awareness for motorcyclists preparing to travel to their hometown for Hari Raya. Every year, the campaign focuses on the importance of proper maintenance of motorcycles. The campaign also involved various government departments that are working towards a common goal in reducing road accidents and fatality on Malaysian roads. During this year's campaign, we have reached out to 984 customers where each customer received a 8-point safety check on motorcycles by HLYM service technicians. Furthermore, a total of 900 helmets as well as safety vests sponsored by various parties, were distributed to the public during the campaign.

Launching of Yamaha Balik Kampung Road Safety Campaign


8-point safety check on motorcycles

Other campaigns conducted by HLYM are the YSRS KIDS and YSRS demonstrations. YSRS KIDS is a road safety education for primary school students aged 10 to 12 years old. During the financial year ended 30 June 2019 ("FY2019"), this campaign was held in six primary schools and reached up to 700 students. Apart from the in-classroom education, the students were also able to experience riding the Yamaha PW50 motorcycles while learning about the road safety signage. As for YSRS, it was introduced since year 2005 where the target audience are the public sector and corporate office workers as well as college and university students. YSRS aims at educating motorcyclists on safety riding skills from a scientific approach. The YSRS programme is divided into two sessions, i.e. are theory and practical usage of motorcycles. In FY2019, we extended the effort through collaboration with Jabatan Keselamatan Jalan Raya Malaysia, a government agency who leads the road safety initiatives and awareness in Malaysia.

SUSTAINABILITY STATEMENT
cont'd

1. **Product Safety** *cont'd*

   i. **Product Safety Education (Training on safe use of products):** *cont'd*

YSRS campaign conducted at secondary schools

YSRS KIDS campaign conducted at primary schools

Additionally, HLYM provides educational programmes for mechanics who are graded based on Basic, Bronze and Silver level. The programmes are conducted to educate, amongst others, the training on new models of Yamaha's motorcycles as well as to educate the use of Yamaha Diagnostic tools. Programmes are carried out throughout the year which is aimed at HLYM's authorised dealers. With this programme, HLYM seeks to promote safety through improving the skill of the mechanics.

Guocera

Guocera is dedicated to provide quality tiles with safety measures in mind through stringent measures of testing and research. The operation conducts regular technical training on the properties and applications of ceramic tiles for developers, contractors, specifiers, distributors as well as the sales team on safe usage of products. The training content covers education on the properties of tiles which explains, amongst others, how ceramic tiles are produced by firing clays and other naturally occurring mineral substances under extremely high temperature, thereby forming the final inorganic products that do not contain any hazardous chemicals or volatile organic compounds.

Physical properties such as the slip resistance of the tiles are made known to the customers and the slip resistance rating is specified in the product brochures. Guocera also provides guidance on the choice and the suitability of the tiles for the right application, e.g. tiles with anti-slip properties to be specified for wet areas. Guocera's accredited Ceramic Research Centre provides anti-slip testing for the ceramic industry in conformance to international standards.

HCI

HCI is committed in inculcating good quality and product safety into the manufacturing processes of our PRIMA products which are made safe to our valued customers and also the environment. Our PRIMA products are made of raw materials that are sourced from Forest Stewardship Council certified sources. Our manufacturing methods and processes are ISO certified and the PRIMA products are manufactured in a 100% asbestos free environment.

SUSTAINABILITY STATEMENT
cont'd

1. **Product Safety** *cont'd*

ii. **Product Improvement (Commitment to safe products):**

To ensure that we consistently produce high quality products, we have set in place policies to ensure that products are safe prior to distribution. For HLYM, upon completion of the motorcycles from assembly, the motorcycles will undergo a list of inspection such as electrical inspection, performance test of the drum, speedometer, brake test, head light inspection, emission test as well as appearance test. These tests are carried out in a rigorous manner in order to achieve the intended purpose of ensuring a quality product with safety in mind.

For Guocera, every piece of tile goes through sorting process which consists of auto inspection by surface quality machine to detect and segregate tiles with defects, followed by surface flatness and size check by sizing machine. Upon packing, the tiles will be inspected by our quality assurance inspectors. Besides, those tiles which involve safety criteria such as slip resistance are tested for their Pendulum Test Value to ensure compliance to slip resistance requirement. The critical properties such as water absorption, breaking strength, Modulus of Rupture and staining resistance are tested on a daily basis by the lab. In addition, the tiles are also sent to ceramic research company with ISO17025 accredited for testing and confirmation purposes.

HLYM

- ISO9001:2015 (Quality Management System)
- ISO14001:2015 (Environment Management System)
- ECE Compliance for motorcycles

Guocera

- ISO9001:2015 (Quality Management System)
- ISO14001:2015 (Environment Management System)
- OHSAS 18001 (Occupational Health and Safety)
- GREENGUARD
- SIRIM Eco Label
- Singapore Green Label

HCI

- ISO9001:2015 (Quality Management System)
- ISO14001:2015 (Environment Management System)
- Singapore Green Label
- Australia Eco Label
- Korea Eco Label
- SIRIM Eco Label
- Myhijau Mark
- Class 'O' Certification by the Fire and Rescue Department of Malaysia ("Jabatan Bomba & Penyelamat Malaysia")

5S Programme

All operating companies within the HLI Group are required to embrace 5S as our culture. 5S is a workplace organisation method which consist of *seiri, seiton, seiso, seiketsu, and shitsuke* which is translated to *sort, set in oder, shine, standardise, and sustain*. It describes how to organise a work space for efficiency and effectiveness by identifying and storing the items used, maintaining the area and items, and sustaining the new order. This programme serves as the foundation to our operating companies in maintaining a sustainable environment to continuously improve in processes including those relating to product safety and productivity gains. Annually, operating companies must review and plan ahead their yearly activities, including training, security measures, improvement plans and periodic self-audit exercises as well as third party independent audit to sustain the 5S programme.

2. **Resource optimisation**

Every operating company within the HLI Group has an energy saving programme led by its management team to reduce energy usage year on year. For manufacturing plants which have achieved MS ISO 14001 certification in recognition for its compliance to the standards and efforts in minimising negative impact to the environment, the compliance processes and activities have raised the level of awareness of the importance of conservation of energy, reduction in emissions, prudent disposal of waste and the fulfilment of legal and statutory requirements. In line with that, numerous procedures have been implemented to preserve the environment and fulfil the requirements of the standards while promoting the concept of 3Rs – Reduce, Reuse and Recycle.

SUSTAINABILITY STATEMENT
cont'd

2. Resource optimisation *cont'd*

Key activities include:

- Heat recovery systems to reduce natural gas consumption
- Material waste recovery systems
- Recycling of waste water
- Electricity efficiency initiatives

HLYM has initiated 3Rs Kaizen competition to encourage and also to cultivate 3Rs practices during FY2019. Participants submitted their detailed ideas on ways to promote 3Rs activities in the factory and also in the office. A total of 9 winners were selected out of approximately 200 submissions received.

The winner of 3R Kaizen competition

i. Water usage and recycling

Our operating companies mainly draw their water source from the municipal water supplies. Some companies have invested in water treatment and recycling facilities to ensure efficient use of water which are both environmentally friendly as well as part of cost saving initiatives.

Water Usage Reduction (HLYM)
2019: **21%**
2018: 13%

Water Recycled & Reused (Guocera)
2019: **95%**
2018: 90%

Water Recycled & Reused (HCI)
2019: **70%**
2018: 70%

Below are some of the activities undertaken by the respective operating companies to achieve water usage optimisation:

- Conduct water wastage reduction programme by restoring old water piping to avoid leakage. This is a continuous process and currently, HLYM is studying on the plan to reuse treated wastewater.

- For Guocera, the wastewater from Raw Material Body ("RMB") and Raw Material Glaze departments will be treated by waste water treatment plant ("WWTP") and the treated water from WWTP will be reused in RMB. It is a closed loop system where the water is recycled and less than 5% of the water is lost due to evaporation.

- Water saving push taps are installed in Guocera's toilet sinks as an initiative to reduce water usage.

- All water from HCI's production processes is recycled and reused.

SUSTAINABILITY STATEMENT
cont'd

2. Resource optimisation *cont'd*

ii. Energy consumption and energy efficiency

Energy is a significant component of our operation as our manufacturing plants are energy intensive, hence we strive to ensure that energy is consumed responsibly and efficiently to reduce carbon emissions as well as costs. HLI Group maintained the use of fuel from non-renewable source which is closely monitored to avoid wastages.

During FY2019, our operating companies have initiated some of the energy saving activities listed below:

- HLYM has initiated a solar system project which will generate electricity from sunlight and it is estimated to save approximatey 0.5% of total yearly energy consumption.
- HLYM is studying to convert conventional motor to high efficiency inverter motor at painting lines to save energy.
- Guocera has replaced their conventional air compressor to the inverter type compressor and also installed inverters to spray dryer motor, ball mill motors and underground tanks motor which are more energy efficient.
- HCI has started to replace, by stages, their conventional light bulb to LED bulb. HCI has also replaced their auto transformer to inverter or soft starter.

3. Regulatory & Compliance (Environment)

Operating Companies	Initiatives
HLYM	■ ISO14001 (Environmental Management system) accredited
Guocera	■ Engages third party independent consultancy firms to collect data for submission to Department of Environment
HCI	■ Adheres to strict regulations of Department of Environment

We have set objectives to achieve high standards in environmental management by evaluating our businesses and operations periodically and take active steps to reduce environmental impact wherever possible. Hazardous and non-hazardous emissions as well as effluents, are generated from processes undertaken in our production. Therefore, our utmost priority is to reduce such emissions and wastes at source and perform recycling activities wherever possible.

i. Emissions

In order to monitor the impact on the environment, we engage third party consultancy firms for collection of data for submission to the Department of Environment Malaysia on emissions released to the environment from the manufacturing plants.

HCI, for instance, will conduct an annual monitoring on its Boiler Air Emission and Chemical Exposure. The results from the data collected indicated that the emission and chemical exposure had met the standard limits set by local regulators.

In addition to this, HCI also provides internal training and education to employees to ensure common objectives and understanding on compliance matters are taken seriously.

HLYM conducts annually the Local Exhaust Ventilation assessment to assess the working conditions for employees. This is part of the activities to prevent, control, maintain and monitor dust and fume exposure in the workplace.

HLYM also undertakes the Scheduled Stack Air Emission monitoring, testing of chimney stack gas and particulate emissions as part of the compliance to Regulations of the Environmental Quality (Clean Air) Regulation 2014.

Guocera undertakes a different set of tests and certifications that includes:

- Ambient Air Monitoring on monthly basis;
- Stack emission for dust collector and for chimney (three times a year); and
- Generator Set monitoring on annual basis.

From these tests, operating companies would obtain confirmation that emissions are within the requirement set by the Department of Environment.

SUSTAINABILITY STATEMENT
cont'd

3. Regulatory & Compliance (Environment) *cont'd*

ii. Waste and Effluent

HCI, being a fibre cement board manufacturer, utilises significant amount of water for its production activities and the resulting wastewater is treated prior to discharge. The waste water treatment plant discharge point is tested on a monthly basis to ensure that it is working as intended as well as to monitor the amount of waste water discharged.

HCI operation's scheduled waste is collected by a third party which is carried out every 180 days from first generation date or whenever it reaches 20 mt which strictly follows the procedures set by the Department of Environment. Programmes to monitor hazardous and non-hazardous waste are also stipulated in our ISO 14001 procedures.

Guocera segregates hazardous and non-hazardous waste into two disposal methods, for recycling as well as to be sent to landfills. These are determined based on the nature of the items disposed wherein for instance scrap metal and reject cartons are sold for recycling purposes. In addition, Guocera has also started to use untreated sludge for production as a part of its recycling initiatives.

For HLYM, all its waste and effluent are systematically controlled and monitored in accordance with ISO 14001. HLYM has initiated a recovery and recycling of its washing thinner which is being used to clean its painting equipment. In order to reduce the usage of thinner, the used thinner will be collected and recovered to become recycled thinner. It is estimated that this initiative will save approximately 20% in thinner consumption.

4. Employee training, development, retention

i. Training, Development and Retention

Human capital is the key driver for success. Hence it is an area where we have and will invest continually. Employees within the Hong Leong Group are exposed to a diverse and comprehensive range of learning and development opportunities. HLI Group provides training on a need basis. Upon assessment via our Training Needs Analysis on each individual to identify the skills and knowledge gaps, training with relevant programmes and content will be provided to fill in the gaps. Most training focuses on employees who are performing work relating to product quality whereby competencies are important to ensure customers' satisfaction. Training programmes cover technical skills, sales, communications, regulation updates and soft skills.

We recognise that developing a professional begins at the entry point of one's career and requires a structured approach. Our Graduate Development Programme ("GDP") provides an opportunity for fresh graduates to gain valuable experience and knowledge. The programme includes specific training activities such as 5S culture and initiatives, Total Quality Assurance programme as well as project presentation which requires graduates under the GDP to review innovative processes and present their own ideas and proposals after a period of time in their workplace. Upon completion of the programmes, these individuals are subsequently transitioned to key roles in the manufacturing companies within the Hong Leong Group. The retention rate of graduated GDPs during FY2019 is outlined below:

Operating Companies	Retention rate from GDP
HLYM	67%
Guocera	40%

We encourage direct engagement between workers and management. Workers openly communicate and share grievances with management about their working conditions and management practices without fear of reprisal, intimidation and harassment. This is an effective way of resolving workplace issues.

SUSTAINABILITY STATEMENT
cont'd

4. Employee training, development, retention *cont'd*

i. Training, Development and Retention *cont'd*

HYLM

HLYM has collaborated with INPENS International College and MMSDA to initiate the Technician Apprenticeship Programme ("TAP") to bridge the skill gap between technical training institute and motorcycle industries. Through TAP, HLYM aims to develop a pool of skilled technicians for Yamaha Authorised Dealers and also to maintain a high level of after sales services to customers. Upon completion, students will be awarded with a certificate from HYLM and will be employed by Yamaha Authorised Dealers nationwide. In FY2019, a total of 16 students signed up for this programme and completed their 6 months training in HLYM.

Guocera

To stay competitive in the industry, we have to ensure that we are constantly improving in all aspects. In realising it, we need to ensure that our workers' competencies are at par with both current and future developing technologies. Thus, Guocera established a programme known as Upskilling Workforce. In collaboration with Jabatan Pembangunan Kemahiran Malaysia and reference to the National Occupational Skills Standard, a complete training modules and relevant curricular were successfully produced. Workers will go through all the Upskilling modules for the 8-month period and upon completion, they will be certified as competent personnel with Sijil Kemahiran Malaysia ("SKM"). During FY2019, a total of 15 workers have successfully completed this programme and awarded the SKM certification.

5. Occupational Safety and Health

Operating Companies	Initiatives
HLYM	■ Safety and Health training to employees ■ Safety and Health committees ■ Safety and Health assessment and monitoring
Guocera	■ Monitoring of work-related injuries ■ 5S Committees ■ Awareness programme to employees
HCI	■ Employee Annual medical check up ■ DOSH Machinery Inspections and Certifications

We have active Occupational Safety and Health ("OSH") committees at our operating companies. At the same time, we also have 5S committees which have practices and procedures that complement the safety and health efforts advocated by the OSH committees.

We monitor the types of injury, injury rate, types of occupational diseases and rate, lost day rate, absentee rate and work-related fatalities or illness, for the total workforce. We also monitor the frequency of these injuries and the resulting down time, if any.

We conduct regular OSH meetings to serve as an avenue to discuss and improve OSH related processes within our organisation. We also provide regular trainings to create awareness on the importance of OSH while OSH audit is conducted on a periodic basis.

Emergency response to workplace accident training held by HLYM

SUSTAINABILITY STATEMENT
cont'd

Fire drill exercise held by Guocera

6. Community investment

Operating Companies	Initiatives
Guocera	• Internship programmes for local universities and colleges (USM, UTHM, UiTM, UTAR, UNIMAS, UniKL, APU, PIS, PMS) • Career guidance programmes (UTEM , UTHM, UTP) • Kechara Soup Kitchen
HCI	• Internship programmes for local universities and colleges (UiTM, UniKL, UMP, KPTM, PSMZA, GMI)

Internship Programme

Over the years, Guocera welcomed a number of interns from various local universities and colleges, namely USM, UPM, UTHM, UiTM, UTAR, UNIMAS, UniKL, APU, PIS, PMS and etc. HCI also hosted a number of interns from various local universities and colleges, namely UiTM, UniKL, UMP, KPTM, PSMZA and GMI. We provide students with numerous opportunities and valuable experiences. During their on-the-job training period, students were exposed to the actual working environment. This eventually helps them to gain first-hand industry knowledge as well as develop both technical and personal skills, while acknowledging their personal interests and abilities.

Kechara Soup Kitchen

We support the Kechara Soup Kitchen's mission to provide sustenance for the homeless and urban poor in Malaysia. In conjunction with this, we donate the basic food supplies such as cooking oil, rice, instant noodles and etc. to Kechara during FY2019.

LOOKING FORWARD

In alignment to business growth and enhancement of operational processes, we shall progressively implement initiatives in an across the full spectrum of our business operations which reflect our commitment to responsible and sustainable business practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

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

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance ("MCCG"), namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2019 of the Company in relation to this statement is published on the Company's website, www.hli.com.my ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles And Responsibilities Of The Board

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Website. The key roles and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Managing Directors ("MDs") of their respective businesses. The MDs are accountable to the Board for the performance of their respective businesses. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and chief executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the MDs. This division of responsibilities between the Chairman and the MDs ensures an appropriate balance of roles, responsibilities and accountability.

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

The MDs are responsible for formulating the vision and recommending policies and the strategic direction of their respective businesses for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations and tracking compliance and business progress of their respective businesses.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

A. Roles And Responsibilities Of The Board *cont'd*

Independent Non-Executive Directors ("ID" or "IDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of IDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises five (5) Directors, three (3) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its board composition. The policy includes the following:

- The board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of IDs comprising at least half of the board.
- The board shall include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. In line with gender diversity, there are two (2) women Directors on the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2019, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. Board Committees

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

- BARMC

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year ("FY") are set out in the Board Audit & Risk Management Committee Report in this Annual Report.

  The TOR of the BARMC are published on the Website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT,
RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC

The NC was established on 30 April 2013 and its TOR are published on the Website. The composition of the NC is as follows:

YBhg Dato' Dr Zaha Rina binti Zahari
Chairman, Independent Non-Executive Director

Mr Peter Ho Kok Wai
Independent Non-Executive Director

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

(i) New Appointments

All candidates to the Board are assessed by the NC prior to their appointments, taking into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired Board composition including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, management, leadership, independence and time commitment, before they are recommended to the Board for approval. The Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In evaluating any new appointment of senior management ("SM"), the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability. SM positions are awarded based on qualifications, experience and potential.

In the case of chief executive, the NC will take into account the candidate's knowledge and experience in the industry, market and segment.

(ii) Re-election/Retention

The nomination and approval process for re-election/retention of directors shall be as follows:

• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The Chairman, Directors and chief executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings, and for IDs, their continued independence.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC *cont'd*

(iii) Removal

For removal of directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act 2016 and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

(iv) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:

Identification of Directors for Board Committees	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member, chief executive and chief financial officer on an annual basis ("Annual Board Assessment"). For newly appointed chairman, directors, chief executive and CFO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

The NC meets at least once in each FY and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also taken by way of Circular Resolutions.

The NC met once during the FY ended 30 June 2019 ("FY 2019") where all the NC members attended.

The NC discharged its duties in accordance with its TOR during FY 2019. The NC considered and reviewed the following:

- NC Charter, policies on Board Composition, Independence of Directors and Directors' training, and revised Board Diversity Policy;
- composition of the Board and Board Committees;
- mix of skills, professional qualification, experience and other qualities of Directors including gender, ethnicity and age balance;
- independence of IDs and their tenure;
- trainings undertaken by Directors and recommendation of training programmes for Directors; and
- re-election of Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

C. Board Committees *cont'd*

- NC *cont'd*

  Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions. The NC took cognisance of the merits of Board diversity, including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

  The NC has also evaluated the performance of the Board, Board Committees, each individual Director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2019. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

- Remuneration Committee ("RC")

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

D. Remuneration

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

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

The remuneration packages of EDs are reviewed by the entire Board. EDs shall not participate in the deliberations and shall vacate the meeting room during deliberations of their remuneration packages. The Board, in assessing and reviewing the remuneration packages of EDs, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

The detailed remuneration of each Director is set out in the CG Report which is published on the Website.

Hong Leong Manufacturing Group adopts Hong Leong Group's total compensation philosophy which promotes high performing culture, alignment of corporate values and vertical and horizontal equity. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The rewards framework focuses on a balanced and right pay mix to achieve the desired long term business performance. The framework includes base pay, cash allowances, performance based variable pay, long term incentives, benefits and other employees' programmes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

D. Remuneration *cont'd*

The rewards framework ensures that employees are paid competitively against the industry and talent market the company is operating in, delivered via a combination of cash and non-cash elements such as shares or share-linked instruments.

Key performance indicators and key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the company.

E. Independence

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an ID should not exceed a cumulative term of nine (9) years and upon completion of the nine (9) years, an ID may continue to serve on the Board subject to the director's re-designation as a non-independent director. It further states that in the event the Board wishes to retain an ID who has served a cumulative term of nine (9) years and above, shareholders' approval shall be annually sought with justification. In the event the Board wishes to retain an ID who has served a cumulative term of twelve (12) years and above, shareholders' approval shall be annually sought through a two-tier voting process.

The Company has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. In addition, the ID Policy states that the Company shall seek shareholders' approval at the AGM every year to retain IDs who have served on the Board for a period of nine (9) years continuously or more as IDs, with justifications and subject to favourable assessment of the NC and the Board.

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

The IDs have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision making.

Currently, the tenure of all the IDs on the Board does not exceed nine (9) years.

F. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Companies Act 2016 and they are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep abreast with, inter alia, regulatory requirements, company law and CG.

All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

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

The Board met four (4) times for FY 2019 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Peter Ho Kok Wai	4/4
YBhg Dato' Dr Zaha Rina binti Zahari	4/4
Ms Quek Sue Yian	4/4
YBhg Datuk Noharuddin bin Nordin @ Harun	4/4

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme which includes visits to the Group's various business operations and meetings with SM is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

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

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

F. Commitment *cont'd*

During FY 2019, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its Directors and SM.

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

During FY 2019, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- "Directors' Duties & Powers – Recent Developments in the Law and How It Affects You"
- Integrated Reporting Briefing
- Malaysian Anti-Corruption Commission (Amendment) Act 2018
- IFRS 17 Introduction & Overview Training & ICAAP Review 2018
- Update and Changes arising from Budget 2019
- Prevention of Insider Trading
- MFRS 17 Insurance Contracts
- The Eighth Malaysia Investor Relations Awards
- Digital Economy and Capital Market Series: Financial Technology (Fintech), Artificial Intelligence (AI), Big Data and Internet of Things (OITs)
- Financial Master Class – Current Issues and Trends that Affect our Capital Market, Economic, Daily Financial Practice and Investment Division
- MFRS 16, Leases (Run 2) Workshop
- Sales Tax, Service Tax and Price Control and Anti-Profiteering - Latest Updates
- Briefing on Sales and Services Tax
- SuperCharger KL 2.0 Launch
- FinTech Industry Update, Platform & Disintermediation and Company Presentations
- PIDM Dialogue with Board Members of Life Insurance Companies
- Cybersecurity Training
- Breakfast Series: "Non-Financials – Does It Matter?"
- Special Dialogue with Lembaga Hasil Dalam Negeri – Special Voluntary Disclosure Programme
- FIDE Core Programme for Insurance Company Directors – Bank Negara Programme (Module A)
- Sustainability: Governance Towards Long Term Value Creation
- FIDE Core Programme for Insurance Company Directors – Bank Negara Programme (Module B)
- Cyber Security in the Boardroom – Accelerating from Acceptance to Action
- Ring the Bell for Gender Equality 2019
- MCCG And Bursa's Listing Requirements – Application, Disclosure and Reporting Expectations
- Corporate Liability Provision 2018
- The Board of Directors of the 21st Century: When Disruption Meets Tradition.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

BOARD LEADERSHIP AND EFFECTIVENESS *cont'd*

G. Strengthening CG Culture

- **Code of Conduct and Ethics**

  The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities.

  The Code is applicable to:

  - all employees who work in the Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees; and
  - any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, contractors, secondees, interns, industrial attachment and agency staff.

- **Whistleblowing Policy**

  The Company has a Whistleblowing Policy and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website.

  The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability And Audit

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

The BARMC is supported by the Group Internal Audit Department ("GIAD") whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks, operational audits to identify opportunities for operational improvement, and also ensure compliance with standard operating procedures of the Group. Investigation or special review will be carried out at the request of the BARMC and SM on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I. Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. Directors' Responsibility in Financial Reporting

The MMLR requires the directors to prepare financial statements for each FY which give a true and fair view of the financial position of the Group and of the Company as at the end of the FY and of the financial performance and cash flows of the Group and of the Company for the FY.

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2019 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act 2016 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control

The Statement on Risk Management and Internal Control ("SORMIC") provides an overview of the system of internal controls and risk management framework of the Group.

- Responsibility of the Board

  The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets. The Board adopts MS ISO 31000:2010 as its risk management framework.

  Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the GIAD in this role.

- Risk Management Framework

  For FY 2019, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:

  ➢ establish the context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
  ➢ identify risks in relation to the objectives of every business function of the Group's operating companies;
  ➢ identify emerging risks faced by the Group in the operating environment of its various industries;
  ➢ assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. "Severe", "Major", "Significant", "Minor" or "Trivial";
  ➢ evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions to avoid, share, retain or mitigate risks within reasonable timeframes; and
  ➢ record the details of risks and treatment plans in the risk registers and present to the BARMC quarterly to review the adequacy and effectiveness of the risk management measures.

  Further, on an on-going basis, each operating company's chief executive and authorised risk owners have clear accountabilities to:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control *cont'd*

- System of Internal Controls

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

  - A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
  - Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
  - Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
  - Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
  - Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies. These activities are part of the Group's risk and control assurance framework; provide the breadth in risk and control assurance; and demonstrate management's commitment to effective risk management.
  - Risk-based internal audits carried out by the GIAD focusing on key risk areas which are selected from the Group's audit universe. The key risk areas are documented in the annual audit plan which is approved by the BARMC. The risk-based internal audits in FY 2019 cover dealership management, repair and maintenance management, spare part management and procurement and vendor assessment.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

- Management and Decision-Making Processes

  The internal control and risk management processes of the Group are in place for FY 2019 and up to the date of approval of the SORMIC for inclusion in the annual report, and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

  The Board has received assurance from the CFO and chief executives of the respective operating company that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

  The SORMIC has not dealt with or included the state of risk management and internal control of the associates.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
cont'd

EFFECTIVE AUDIT AND RISK MANAGEMENT *cont'd*

Accountability And Audit *cont'd*

III. Risk Management and Internal Control *cont'd*

- Review of the SORMIC by External Auditors

  Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, (previously Recommended Practice Guide 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the 2019 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. AAPG 3 does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

- Board's Opinion

  The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

IV. Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, KPMG PLT. The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the MIA, KPMG PLT rotates its Engagement Partner and Concurring Partner once every seven (7) years to ensure objectivity, independence and integrity of the audit opinions.

The external auditors meet with the BARMC to:

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

At least twice a year, the BARMC will have a separate session with the external auditors without the presence of SM.

For FY 2019, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

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

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

B. Shareholders

I. Dialogue between Companies and Investors

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

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

Shareholders can access for the Company's information at the Website which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. A summary of the key pertinent matters discussed at the AGM is published on the Website.

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

Queries may be conveyed to the following person:

Name	:	Mr Goh Eng Tatt
Tel No.	:	03-2080 9200
Fax No.	:	03-2080 9218
Email address	:	IRelations@hli.com.my

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. SM and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors attended the last AGM held on 25 October 2018.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

The Company has adopted electronic voting for the conduct of poll on all resolutions at the AGM.

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

Mr Peter Ho Kok Wai
Chairman, Independent Non-Executive Director

YBhg Dato' Dr Zaha Rina binti Zahari
Independent Non-Executive Director

YBhg Datuk Noharuddin bin Nordin @ Harun
Independent Non-Executive Director

SECRETARY

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

AUTHORITY

The Committee is authorised by the Board of Directors ("Board") to review any activity of the Group within its Terms of Reference ("TOR"), details of which are available on the Company's website at www.hli.com.my. The Committee is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the Committee.

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

MEETINGS

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

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

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

Two (2) members of the Committee, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each Committee meeting, the Chairman of 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.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2019 ("FY 2019") was carried out by the Nominating Committee ("NC"). The NC and the Board are satisfied that the Committee and its members had carried out their duties in accordance with the Committee's TOR.

During FY 2019, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Mr Peter Ho Kok Wai	4/4
YBhg Dato' Dr Zaha Rina binti Zahari	4/4
YBhg Datuk Noharuddin bin Nordin @ Harun	4/4

The Committee carried out the following key activities during FY 2019:

- Reviewed and made recommendations to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.

- Reviewed and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Company and of the Group.

- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.

- Held two (2) separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised.

- Met with the external auditors and discussed the audit plan 2019 on the nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, 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.

- Discussed with the external auditors the potential key audit matters and other audit matters identified by the external auditors.

- Reviewed and recommended to the Board for approval the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. Further reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2019 are stated in the Notes to the financial statements.

- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.

- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, and relevant management information system. Also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

ACTIVITIES *cont'd*

- Met with the internal auditors and approved the annual audit plan and reviewed the internal audit findings and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on internal audit's findings and recommendations.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the Policy and Procedure of Recurrent Related Party Transactions ("Procedure") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedure are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practice and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.
- Reviewed the proposed mandate for RRPT with various related parties prior to Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the external auditors in respect of their review on the SORMIC prior to Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval the Whistleblowing Policy together with the Whistleblowing Communications Plan and Investigation Procedures.
- Reviewed and recommended to the Board for approval the adoption of MS ISO 37001 as the Group's Anti-Bribery Management System.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were nine (9) staff in the GIAD during FY 2019 and the total cost incurred by the GIAD amounted to RM 1,919,255.

The purpose, authority, scope, independence and responsibilities of IA function is provided in the Internal Audit Charter, which is approved by the Committee.

The GIAD, led by the Head of IA, reports to the Committee which has the authority to decide, among others, the appointment and removal, scope of work, and performance evaluation of the IA function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice from the University of Malaya, Advanced Diploma in Commerce, and is a Certified Internal Auditor (CIA) from the Institute of Internal Auditors, the United States of America ("USA"), Certified Fraud Examiner (CFE) from the Association of Certified Fraud Examiners, USA, Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators, United Kingdom. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

The GIAD supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The GIAD also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations, usage of assets and resources, and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
cont'd

INTERNAL AUDIT ("IA") *cont'd*

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment on the performance of the GIAD for FY 2019 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the GIAD and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2019 are described in the SORMIC.

The GIAD also facilitates the maintenance of the risk management framework of the Group on an on-going basis.

The GIAD applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance with the established policies and procedures; and is committed to continuously monitoring and improving the IA function.

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

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DIRECTORS' REPORT
for the financial year ended 30 June 2019

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 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the significant subsidiaries consist of manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, manufacturing and sale of ceramic tiles, fibre cement and concrete roofing products as well as distribution, trading and provision of services in marine related products as disclosed in Note 3 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year and until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 3 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	327,085	296,801
Non-controlling interests	82,212	-
	409,297	296,801

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 16 and Note 27 to the financial statements.

DIVIDENDS

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

(i) a first interim single tier dividend of 15.0 sen per share amounting to RM47,920,922 in respect of the financial year ended 30 June 2019 on 13 December 2018;

(ii) a second interim single tier dividend of 25.0 sen per share amounting to RM79,868,203 in respect of the financial year ended 30 June 2019 on 28 June 2019; and

(iii) a special interim single tier dividend of 10.0 sen per share amounting to RM31,947,281 in respect of the financial year ended 30 June 2019 on 28 June 2019.

DIVIDENDS *cont'd*

The Directors do not recommend a final dividend for the financial year ended 30 June 2019.

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

YBhg Datuk Kwek Leng San, Chairman
YBhg Dato' Dr Zaha Rina binti Zahari
Mr Peter Ho Kok Wai
Ms Quek Sue Yian
YBhg Datuk Noharuddin bin Nordin @ Harun

The names of directors of subsidiaries and their remuneration details are set out in the subsidiaries' financial statements and the said names and details are deemed incorporated herein by such reference and made a part hereof.

DIRECTORS' INTERESTS

The Director holding office at the end of the financial year who have beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, is as follows:

		Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks*			
	Nominal value per share	At 1.7.2018	Acquired	Sold	At 30.6.2019
Shareholdings in which Director has direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	-	-	160,895
Hong Leong Industries Berhad	(1)	2,300,000	-	-	2,300,000
Malaysian Pacific Industries Berhad	(1)	1,260,000	-	-	1,260,000
Hong Leong Bank Berhad	(1)	536,000	-	-	536,000
Hong Leong Financial Group Berhad	(1)	654,000	-	-	654,000
Guoco Group Limited	US$0.50	209,120	-	-	209,120
The Rank Group Plc	GBP13$^{8/9}$p	45,800	-	-	45,800
Hume Industries Berhad	(1)	3,921,600	-	-	3,921,600
	(1)	-	2,017,142*	-	2,017,142*

DIRECTORS' REPORT
for the financial year ended 30 June 2019
cont'd

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks* At 1.7.2018	Acquired	Sold	At 30.6.2019
Shareholding in which Director has indirect interest					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13$^{8/9}$p	10,661[(2)]	-	-	10,661[(2)]

Legend:

(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.
(2) Interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.

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 fees, remunerations, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 31.2 to the financial statements or the 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.

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

ISSUE OF SHARES AND DEBENTURES

There were no issue of shares and debentures of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Hong Leong Industries Berhad and its subsidiaries and where applicable, associated companies), are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group is RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM43,663 and the apportioned amount of the said premium paid by the Company was RM11,335.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2019 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.

DIRECTORS' REPORT

for the financial year ended 30 June 2019
cont'd

AUDITORS

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

The auditors' remuneration is disclosed in Note 24 to the financial statements.

On behalf of the Board,

Datuk Kwek Leng San

Peter Ho Kok Wai

29 August 2019

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Property, plant and equipment	4	**296,017**	322,108	**6**	18
Investment property	5	**4,000**	4,000	**-**	-
Investments in subsidiary companies	6	**-**	-	**293,766**	293,746
Investments in associated companies	7	**163,788**	179,510	**26,898**	26,898
Intangible assets	8	**18,225**	14,982	**-**	-
Other investments	9	**34,026**	39,296	**30,541**	37,006
Deferred tax assets	10	**10,929**	13,105	**-**	-
Tax credit receivable	11	**5,370**	5,370	**-**	-
Total non-current assets		**532,355**	578,371	**351,211**	357,668
Inventories	12	**223,203**	210,344	**-**	-
Trade and other receivables, including derivatives	13	**370,704**	373,614	**166**	504
Current tax assets		**12,841**	19,835	**2,674**	10,415
Cash and cash equivalents	14	**1,039,941**	831,340	**662,076**	517,750
Total current assets		**1,646,689**	1,435,133	**664,916**	528,669
Total assets		**2,179,044**	2,013,504	**1,016,127**	886,337
Equity					
Share capital	15	**321,217**	321,217	**321,217**	321,217
Reserves	16	**1,369,354**	1,202,377	**757,292**	626,627
Treasury shares - at cost	17	**(63,318)**	(63,318)	**(63,318)**	(63,318)
Total equity attributable to owners of the Company		**1,627,253**	1,460,276	**1,015,191**	884,526
Non-controlling interests		**136,062**	124,496	**-**	-
Total equity		**1,763,315**	1,584,772	**1,015,191**	884,526
Liabilities					
Deferred tax liabilities	10	**9,034**	8,740	**-**	-
Deferred income	18	**3,191**	3,793	**-**	-
Employee benefits	20(a)	**23,913**	26,723	**142**	342
Total non-current liabilities		**36,138**	39,256	**142**	342
Loans and borrowings	19	**38,730**	70,630	**-**	-
Trade and other payables, including derivatives	21	**309,155**	295,701	**794**	1,469
Tax payable		**31,706**	23,145	**-**	-
Total current liabilities		**379,591**	389,476	**794**	1,469
Total liabilities		**415,729**	428,732	**936**	1,811
Total equity and liabilities		**2,179,044**	2,013,504	**1,016,127**	886,337

The notes on pages 64 to 129 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Revenue					
Sales of goods and services	22	**2,727,687**	2,488,246	**-**	-
Dividend income		**22,695**	14,720	**302,482**	291,806
		2,750,382	2,502,966	**302,482**	291,806
Cost of sales		**(2,174,250)**	(2,004,854)	**-**	-
Gross profit		**576,132**	498,112	**302,482**	291,806
Distribution expenses		**(111,028)**	(127,953)	**-**	-
Administration expenses		**(85,927)**	(83,352)	**(5,505)**	(6,730)
Net other operating income/(expense)	23	**30,154**	57,749	**(816)**	52,612
Results from operations		**409,331**	344,556	**296,161**	337,688
Interest income		**3,763**	3,511	**983**	693
Finance costs		**(3,191)**	(5,303)	**-**	-
Share of profit in associated companies, net of tax		**90,871**	121,643	**-**	-
Profit before taxation	24	**500,774**	464,407	**297,144**	338,381
Taxation	25	**(91,477)**	(62,045)	**(343)**	(195)
Profit for the year		**409,297**	402,362	**296,801**	338,186
Profit attributable to:					
Owners of the Company		**327,085**	334,603	**296,801**	338,186
Non-controlling interests		**82,212**	67,759	**-**	-
		409,297	402,362	**296,801**	338,186
Basic/Diluted earnings per ordinary share (sen)	26	**104.20**	107.77		

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2019
cont'd

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year		**409,297**	402,362	**296,801**	338,186
Other comprehensive (expense)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity investments at fair value through other comprehensive income		**(6,441)**	(23,830)	**(6,400)**	(21,285)
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences from foreign operations		**267**	(462)	**-**	-
Share of other comprehensive income/(expense) of equity-accounted associates, net of tax		**545**	(14,352)	**-**	-
Cash flow hedge		**(572)**	221		-
		240	(14,593)	**-**	-
Total other comprehensive expense for the year	27	**(6,201)**	(38,423)	**(6,400)**	(21,285)
Total comprehensive income for the year		**403,096**	363,939	**290,401**	316,901
Total comprehensive income attributable to:					
Owners of the Company		**321,061**	296,107	**290,401**	316,901
Non-controlling interests		**82,035**	67,832	**-**	-
		403,096	363,939	**290,401**	316,901

The notes on pages 64 to 129 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Attributable to owners of the Company										
	Non-distributable							Distributable			
	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
At 1 July 2017	321,217	(63,318)	35,696	17,603	35	(29,518)	2,476	987,277	1,271,468	111,995	1,383,463
Profit for the year	-	-	-	-	-	-	-	334,603	334,603	67,759	402,362
Other comprehensive income/(expense)											
Foreign currency translation differences	-	-	(462)	-	-	-	-	-	(462)	-	(462)
Share of other comprehensive expense of equity-accounted associates, net of tax	-	-	(14,352)	-	-	-	-	-	(14,352)	-	(14,352)
Loss on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(23,830)	(23,830)	-	(23,830)
Cash flow hedge	-	-	-	-	148	-	-	-	148	73	221
Total comprehensive income/(expense) for the year	-	-	(14,814)	-	148	-	-	310,773	296,107	67,832	363,939
Contributions by and distribution to owners of the Company											
Share-based payments/ transactions	-	-	-	-	-	-	1,365	-	1,365	655	2,020
ESS shares exercised	-	-	-	-	-	3,131	(889)	2,174	4,416	-	4,416
Disposal of Trust shares	-	-	-	-	-	9,164	-	24,645	33,809	-	33,809
Dividends (Note 28)	-	-	-	-	-	-	-	(146,889)	(146,889)	(55,986)	(202,875)
Transfer of reserve upon disposal of an associated company	-	-	-	(13,889)	-	-	-	13,889	-	-	-
Total transactions with owners of the Company	-	-	-	(13,889)	-	12,295	476	(106,181)	(107,299)	(55,331)	(162,630)
At 30 June 2018	321,217	(63,318)	20,882	3,714	183	(17,223)	2,952	1,191,869	1,460,276	124,496	1,584,772

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2019
cont'd

	Attributable to owners of the Company										
	Non-distributable							Distributable			
	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2018	321,217	(63,318)	20,882	3,714	183	(17,223)	2,952	1,191,869	1,460,276	124,496	1,584,772
Profit for the year	-	-	-	-	-	-	-	327,085	327,085	82,212	409,297
Other comprehensive income/(expense)											
Foreign currency translation differences	-	-	267	-	-	-	-	-	267	-	267
Share of other comprehensive income of equity-accounted associates, net of tax	-	-	545	-	-	-	-	-	545	-	545
Loss on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(6,441)	(6,441)	-	(6,441)
Cash flow hedge	-	-	-	-	(395)	-	-	-	(395)	(177)	(572)
Total comprehensive income/(expense) for the year	-	-	812	-	(395)	-	-	320,644	321,061	82,035	403,096
Contributions by and distribution to owners of the Company											
Share-based payments/transactions	-	-	-	-	-	-	1,841	-	1,841	812	2,653
ESS shares exercised	-	-	-	-	-	754	(230)	542	1,066	-	1,066
Dividends (Note 28)	-	-	-	-	-	-	-	(156,991)	(156,991)	(71,281)	(228,272)
Total transactions with owners of the Company	-	-	-	-	-	754	1,611	(156,449)	(154,084)	(70,469)	(224,553)
At 30 June 2019	**321,217**	**(63,318)**	**21,694**	**3,714**	**(212)**	**(16,469)**	**4,563**	**1,356,064**	**1,627,253**	**136,062**	**1,763,315**

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2019
cont'd

	Attributable to owners of the Company						
	Non-distributable					Distributable	
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Reserve for own shares RM'000	Retained earnings RM'000	Total equity RM'000
Company							
At 1 July 2017	321,217	-	(63,318)	3,943	(15,234)	416,377	662,985
Profit for the year	-	-	-	-	-	338,186	338,186
Other comprehensive expense							
Loss on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(21,285)	(21,285)
Total comprehensive income for the year	-	-	-	-	-	316,901	316,901
Distributions to owners of the Company							
Dividends (Note 28)	-	-	-	-	-	(149,691)	(149,691)
Disposal of Trust shares	-	-	-	-	15,234	39,097	54,331
Total transactions with owners of the Company	-	-	-	-	15,234	(110,594)	(95,360)
At 30 June 2018/1 July 2018	321,217	-	(63,318)	3,943	-	622,684	884,526
Profit for the year	-	-	-	-	-	296,801	296,801
Other comprehensive expense							
Loss on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	(6,400)	(6,400)
Total comprehensive income for the year	-	-	-	-	-	290,401	290,401
Distributions to owners of the Company							
Dividends (Note 28)	-	-	-	-	-	(159,736)	(159,736)
Total transactions with owners of the Company	-	-	-	-	-	(159,736)	(159,736)
At 30 June 2019	**321,217**	**-**	**(63,318)**	**3,943**	**-**	**753,349**	**1,015,191**

The notes on pages 64 to 129 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash flows from operating activities					
Profit before taxation		**500,774**	464,407	**297,144**	338,381
Adjustments for:					
Amortisation of deferred income		**(602)**	(602)	**-**	-
Amortisation of intangible assets		**12,568**	13,846	**-**	-
Depreciation of property, plant and equipment		**47,327**	55,521	**12**	40
Dividend income		**(32,820)**	(22,526)	**(302,482)**	(291,806)
Interest income		**(3,763)**	(3,511)	**(983)**	(693)
Finance costs		**3,191**	5,303	**-**	-
Fair value (gain)/loss on derivative instruments		**(2)**	57	**-**	-
Gain on disposal of property, plant and equipment		**(274)**	(80)	**-**	-
Others		**(635)**	-	**(635)**	-
Gain on fair value of financial assets at fair value through profit or loss		**(2,473)**	-	**(2,000)**	-
Impairment loss on property, plant and equipment		**340**	-	**-**	-
Write back on investment in an associated company		**-**	(53,481)	**-**	(53,481)
Write back on amounts due from an associated company		**-**	(6,703)	**-**	-
Impairment loss on goodwill		**-**	8,252	**-**	-
Property, plant and equipment written off		**662**	437	**-**	-
(Write back)/Provision of retirement benefits		**(2,031)**	1,552	**(200)**	-
Share-based payments		**2,653**	2,020	**-**	-
Share of profit in associated companies		**(90,871)**	(121,643)	**-**	-
Unrealised loss/(gain) on foreign exchange		**1,110**	(1,672)	**-**	-
Operating profit/(loss) before working capital changes		**435,154**	341,177	**(9,144)**	(7,559)
Inventories		**(12,859)**	16,640	**-**	-
Trade and other receivables		**1,535**	12,260	**338**	(397)
Trade and other payables		**16,370**	11,013	**(675)**	635
Cash generated from/(used in) operations		**440,200**	381,090	**(9,481)**	(7,321)

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2019
cont'd

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash generated from/(used in) operations *cont'd*		**440,200**	381,090	**(9,481)**	(7,321)
Dividends received from					
- Subsidiary companies		**-**	-	**175,102**	138,746
- Associated companies		**107,147**	140,565	**107,147**	140,565
- Other investments		**32,820**	22,526	**20,233**	12,495
Interest income received		**3,763**	3,511	**983**	693
Finance costs paid		**(3,191)**	(5,303)	**-**	-
Retirement benefits paid		**(779)**	(321)	**-**	-
Tax (paid)/refund		**(76,673)**	(63,574)	**7,398**	(195)
Net cash generated from operating activities		**503,287**	478,494	**301,382**	284,983
Cash flows from investing activities					
Addition of development expenditure		**(15,284)**	(10,630)	**-**	-
Addition of other intangible assets		**(527)**	(529)	**-**	-
Addition of investment in a subsidiary company		**-**	-	**(20)**	-
Addition of other investments		**(5,263)**	-	**(4,500)**	-
Proceeds from disposal of other investments		**7,200**	-	**7,200**	-
Purchase of property, plant and equipment		**(22,515)**	(26,700)	**-**	-
Proceeds from disposal of property, plant and equipment		**555**	644	**-**	-
Proceeds from disposal of investment in an associated company		**-**	60,184	**-**	53,481
Net cash (used in)/generated from investing activities		**(35,834)**	22,969	**2,680**	53,481
Cash flows from financing activities					
Dividends paid to					
- Owners of the Company		**(156,991)**	(146,889)	**(159,736)**	(149,691)
- Non-controlling shareholders of subsidiary companies		**(71,281)**	(55,986)	**-**	-
Disposal of Trust shares		**1,066**	38,225	**-**	54,331
Drawdown of borrowings	(ii)	**116,865**	236,029	**-**	-
Repayment of borrowings	(ii)	**(148,765)**	(278,528)	**-**	-
Net cash used in financing activities		**(259,106)**	(207,149)	**(159,736)**	(95,360)

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2019
cont'd

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents		**208,347**	294,314	**144,326**	243,104
Effect of exchange rate fluctuations on cash held		**254**	(457)	**-**	-
Cash and cash equivalents at 1 July 2018/2017		**831,340**	537,483	**517,750**	274,646
Cash and cash equivalents at 30 June	(i)	**1,039,941**	831,340	**662,076**	517,750

(i) Cash and cash equivalents

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**977,768**	778,159	**597,000**	517,010
Cash and bank balances	**62,173**	53,181	**65,076**	740
	1,039,941	831,340	**662,076**	517,750

(ii) Reconciliation between movements of liabilities to cash flows arising from financing activities

	At 1 July 2017	Net changes in financing cash flows	At 30 June/ 1 July 2018	Net changes in financing cash flows	At 30 June 2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Group					
Bankers acceptance	44,579	(17,349)	27,230	(13,200)	**14,030**
Revolving credit	68,550	(25,150)	43,400	(18,700)	**24,700**
	113,129	(42,499)	70,630	(31,900)	**38,730**

The notes on pages 64 to 129 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur.

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

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2019 comprise the Company, its subsidiaries, special purpose entities (together referred to as "the Group") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 30 June 2019 do not include other entities.

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiaries are disclosed in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 29 August 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

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

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

(i) Note 6 – Investments in subsidiary companies

Significant judgements are required when identifying impairment indicators. Where impairment indictors exist, judgements and assumptions are required to determine the recoverable amount of the investment in the subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.1 Basis of preparation *cont'd*

(ii) Note 12 – Inventories

The management reviews for obsolescence and decline in net realisable value to below cost. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

(iii) Note 13 – Trade and other receivables, including derivatives

The management applied judgements to determine that financial instruments of the Group and the Company are recognised and measured in accordance to MFRS 9 as described in Note 2.2(c). The carrying amounts of trade and other receivables, including derivatives are shown in Note 13.

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

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers*, there are changes to the accounting policies for revenue recognition as compared to those adopted in previous financial statements. However, there was no significant financial impact arising from the adoption of MFRS 15 except for the extended disclosures in Note 22.

(a) Basis of consolidation

(i) Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Special purpose entities

Special purpose entities ("SPE") are entities defined in MFRS 10 *Consolidated Financial Statements*, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESS Trust set up as mentioned in Note 2.2(l)(iii) is amalgamated in the financial statements of the Company for the portion related to the Company and also consolidated in the financial statements of the Group.

(v) Loss of control

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(vi) Associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

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

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

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

(vii) Non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(viii) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial assets categorised as equity instruments designated upon initial recognition (available-for-sale equity instruments in the previous financial year) or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

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

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(b) Foreign currency *cont'd*

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

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

(c) Financial instruments

(i) Recognition and initial measurement

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

Financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Group and the Company categorise financial instruments as follows:

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial assets *cont'd*

(b) Fair value through other comprehensive income

I. Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

II. Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 2.2(j)(i)).

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial liabilities

At initial recognition, all financial liabilities are measured at cost and subsequently measured at fair value through profit or loss or at amortised cost.

(a) Fair value through profit or loss

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

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses are also recognised in the profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting or settlement date in the current year.

Trade date accounting refers to:

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the entity.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(a) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iv) Hedge accounting *cont'd*

(b) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") is separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leased assets *cont'd*

(ii) Operating leases

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

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

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

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

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

(iii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(f) Intangible assets *cont'd*

(iv) Amortisation

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

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

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

Development costs	3 years
Computer software	5 years

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

(g) Investment property

(i) Investment property carried at fair value

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

Investment properties are measured initially at cost and subsequently at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

(ii) Reclassification to/from investment property

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

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

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

(ii) **Reclassification to/from investment property** *cont'd*

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

(iii) **Determination of fair value**

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

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

(h) **Inventories**

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

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

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

(i) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(j) **Impairment**

(i) **Financial assets**

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, except for investments in equity instruments, and interest in subsidiaries and associates.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balance for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Impairment *cont'd*

(i) Financial assets *cont'd*

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses, if any, are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Impairment *cont'd*

(ii) Other assets *cont'd*

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

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

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

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

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

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(k) Equity instruments *cont'd*

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

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

When treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of distributable reserves.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in retained earnings.

(l) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Defined benefit plan

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

(iii) Share-based payments

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) Employee benefits *cont'd*

(iii) Share-based payments *cont'd*

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

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

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

(m) Provisions

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

Warranties

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

(n) Revenue and other income

During the financial year, the Group and the Company adopted MFRS 15, *Revenue from contracts with customers*, which replaces MFRS 118 *Revenue*.

Unless specifically disclosed below, the Group and the Company generally applied the requirements of this accounting standards with cumulative effects as allowed by MFRS 15.

(i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Revenue and other income *cont'd*

(i) Revenue from contract with customers *cont'd*

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

Rental income is recognised in profit or loss over the period of the lease on a straight line basis.

(iii) Dividend income

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

(iv) Interest income

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

(o) Borrowings costs

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(p) Taxation

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

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

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The Group and the Company regard reinvestment allowance and investment tax allowance as investment tax credits ("ITCs") and these ITCs are recognised as deferred income. Unutilised reinvestment allowance and investment tax allowance are recognised as a tax credit receivable to the extent that they are probable that future taxable profit will be available against which the unutilised reinvestment allowance or investment tax allowance can be utilised.

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

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

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

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, adjusted to assume full conversion of all dilutive potential ordinary shares, which consists of share options granted to employee.

(r) Operating segments

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

(s) Contingent liabilities

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

(t) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value measurement of an asset and liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with MFRSs, IFRSs and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, where applicable; and

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, where applicable.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance *cont'd*

The initial application of the accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group, except as mentioned below:

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of this standard.

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 2019 %	Effective interest 2018 %	Principal activities
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding.
● Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	**70**	70	Manufacture of ceramic tiles.
● Guocera Sdn Bhd	Malaysia	**100**	100	Manufacture and general trading in ceramic tiles and investment holding.
● Guocera Marketing Singapore Pte Ltd	Singapore	**100**	100	General trading in ceramic tiles.
● Ceramic Research Company Sdn Bhd	Malaysia	**100**	100	Research and development of ceramic tiles and related products.
● Guocera Tile Industries Sdn Bhd	Malaysia	**100**	100	Rental of properties.
● Glenex Sdn Bhd	Malaysia	**100**	100	In member´s voluntary liquidation.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
***Subsidiary Companies** cont'd*				
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	**69.4**	69.4	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.
Hume Cemboard Industries Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of fibre cement products.
Malex Industrial Products Sdn Bhd	Malaysia	**100**	100	Investment holding.
● Flazer Sdn Bhd	Malaysia	**100**	100	In member's voluntary liquidation.
Hume Roofing Products Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of concrete roofing tiles.
HLY Marine Sdn Bhd	Malaysia	**100**	100	Distribution, trading and provision of services in marine related products and investment holding.
Hume Marketing Co Sdn Bhd	Malaysia	**100**	100	Distribution of building materials.
Stonenet Sdn Bhd (formerly known as Hume Marketing (EM) Sdn Bhd)	Malaysia	**100**	100	Ceased operation.
Stableview Sdn Bhd*	Malaysia	**100**	100	Investment holding.
Maxider Sdn Bhd*	Malaysia	**100**	100	Investment holding.
Megah Court Condominium Development Sdn Bhd*	Malaysia	**100**	100	Dormant.
HLI Trading Limited*	Hong Kong	**100**	100	Investment holding.
● Avenues Zone Inc*	Malaysia	**100**	100	Investment holding.
Jersen Limited (formerly known as HLI Overseas Limited)*	Jersey, Channel Islands	-	100	Dissolved.
Varinet Sdn Bhd	Malaysia	-	60	Dissolved.
Century Touch Sdn Bhd	Malaysia	-	70	Dissolved.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Effective interest 2019 %	Effective interest 2018 %	Principal activities
Associated Companies				
HICOM-Yamaha Manufacturing Malaysia Sdn Bhd*	Malaysia	**30**	30	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	**34**	34	Provision of research and development services.
Yamaha Motor Vietnam Co., Ltd*	Vietnam	**24**	24	Procure and assemble motorcycles, motorcycle spare parts and components and provision of maintenance and repair service for motorcycles.

Notes:

● Sub-subsidiary companies.

* The financial statements of these subsidiary and associated companies are not audited by KPMG PLT, Malaysia or other KPMG International member firms.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 July 2017	45,356	194,272	24,270	5,058	817,372	1,481	1,087,809
Additions	-	1,582	-	-	14,383	10,735	26,700
Reclassification	-	1,323	-	-	2,544	(3,867)	-
Disposals	-	-	-	-	(4,339)	-	(4,339)
Write off	-	-	-	-	(3,543)	-	(3,543)
At 30 June 2018/1 July 2018	45,356	197,177	24,270	5,058	826,417	8,349	1,106,627
Additions	-	408	-	-	9,029	13,078	22,515
Reclassification	-	2,790	-	-	13,542	(16,332)	-
Disposals	-	(32)	-	-	(7,195)	-	(7,227)
Write off	-	(366)	-	-	(43,111)	-	(43,477)
Effect of movements in exchange rates	-	-	-	-	16	-	16
At 30 June 2019	**45,356**	**199,977**	**24,270**	**5,058**	**798,698**	**5,095**	**1,078,454**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation and impairment losses							
At 1 July 2017							
Accumulated depreciation	-	72,218	3,098	2,408	657,200	-	734,924
Accumulated impairment losses	-	-	-	-	955	-	955
	-	72,218	3,098	2,408	658,155	-	735,879
Charge for the year	-	5,882	565	353	48,721	-	55,521
Disposals	-	-	-	-	(3,775)	-	(3,775)
Write off	-	-	-	-	(3,106)	-	(3,106)
At 30 June 2018/1 July 2018							
Accumulated depreciation	-	78,100	3,663	2,761	699,040	-	783,564
Accumulated impairment losses	-	-	-	-	955	-	955
	-	78,100	3,663	2,761	699,995	-	784,519
Charge for the year	-	6,351	565	353	40,058	-	47,327
Impairment loss	-	-	-	-	340	-	340
Disposals	-	(8)	-	-	(6,938)	-	(6,946)
Write off	-	(361)	-	-	(42,454)	-	(42,815)
Effect of movements in exchange rates	-	-	-	-	12	-	12
At 30 June 2019							
Accumulated depreciation	-	84,082	4,228	3,114	689,718	-	781,142
Accumulated impairment losses	-	-	-	-	1,295	-	1,295
	-	**84,082**	**4,228**	**3,114**	**691,013**	**-**	**782,437**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amounts							
At 1 July 2017	45,356	122,054	21,172	2,650	159,217	1,481	351,930
At 30 June 2018/1 July 2018	45,356	119,077	20,607	2,297	126,422	8,349	322,108
At 30 June 2019	**45,356**	**115,895**	**20,042**	**1,944**	**107,685**	**5,095**	**296,017**

Company	Office equipment and motor vehicles RM'000
Cost	
At 1 July 2017/30 June 2018/1 July 2018	148
Additions	-
Disposal	-
At 30 June 2019	**148**
Accumulated depreciation	
At 1 July 2017	90
Charge for the year	40
At 30 June 2018/1 July 2018	130
Charge for the year	12
At 30 June 2019	**142**
Carrying amounts	
At 1 July 2017	58
At 30 June 2018/1 July 2018	18
At 30 June 2019	**6**

5. INVESTMENT PROPERTY

	Group 2019 RM'000	Group 2018 RM'000
At fair value:		
Leasehold land with unexpired lease period of more than 50 years	**4,000**	4,000

NOTES TO THE FINANCIAL STATEMENTS
cont'd

5. INVESTMENT PROPERTY *cont'd*

Fair value information

Fair value of investment property is categorised as Level 3.

Level 3 fair value of the leasehold land has been determined by Directors' valuation by reference to past sale transactions. The significant unobservable input included in the Directors' valuation is price per square feet of comparable properties. The estimated fair value would increase/(decrease) if the price per square feet is higher/(lower).

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2019	**2018**
	RM'000	**RM'000**
At cost:		
Unquoted shares	**383,824**	383,804
Less: Impairment loss	**(90,058)**	(90,058)
	293,766	293,746

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

6.1 Non-controlling interest in subsidiaries

Summary financial information before intra-group elimination of the Group's subsidiaries that have non-controlling interest ("NCI"), not adjusted for the percentage ownership held by the NCI are as follows:

	2019	**2018**
	RM'000	**RM'000**
As at 30 June		
Statements of financial position		
Total assets	**716,175**	640,537
Total liabilities	**(253,723)**	(213,497)
Net assets	**462,452**	427,040
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Profit for the year	**269,063**	221,144
Total comprehensive income	**268,491**	225,820
Statements of cash flows		
Net cash flow generated from operating, investing and financing activities	**45,397**	45,220
Dividends paid to NCI	**71,281**	55,986

NOTES TO THE FINANCIAL STATEMENTS
cont'd

7. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
Unquoted shares	**27,306**	27,306	**26,898**	26,898
Share of post-acquisition reserves	**136,472**	152,204	**-**	-
	163,788	179,510	**26,898**	26,898

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

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

	2019	**2018**
	RM'000	**RM'000**
As at 30 June		
Statements of financial position		
Non-current assets	**335,500**	286,120
Current assets	**712,225**	949,790
Non-current liabilities	**(30,487)**	(1,936)
Current liabilities	**(362,286)**	(507,318)
Net assets	**654,952**	726,656
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Total comprehensive income	**369,468**	502,055
Included in the total comprehensive income is		
Revenue	**3,912,642**	4,334,005
Reconciliation of net assets to carrying amount		
As at 30 June		
Group's share of net assets other than goodwill of the associated company	**163,507**	179,229
Premium on acquisition	**281**	281
Carrying amount in the statement of financial position	**163,788**	179,510
Year ended 30 June		
Group's share of results		
Group's share of total comprehensive income	**90,871**	121,643
Other information		
Dividends received by the Group	**107,147**	140,565

NOTES TO THE FINANCIAL STATEMENTS
cont'd

8. INTANGIBLE ASSETS

Group	Goodwill	Development costs	Computer software	Total
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 July 2017	66,975	45,339	5,141	117,455
Additions	-	10,630	529	11,159
At 30 June 2018/1 July 2018	66,975	55,969	5,670	128,614
Additions	-	15,284	527	15,811
At 30 June 2019	**66,975**	**71,253**	**6,197**	**144,425**
Amortisation and impairment loss				
At 1 July 2017				
Accumulated amortisation	-	29,443	3,368	32,811
Accumulated impairment loss	58,723	-	-	58,723
	58,723	29,443	3,368	91,534
Amortisation for the year	-	13,194	652	13,846
Impairment charge for the year	8,252	-	-	8,252
At 30 June 2018/1 July 2018				
Accumulated amortisation	-	42,637	4,020	46,657
Accumulated impairment loss	66,975	-	-	66,975
	66,975	42,637	4,020	113,632
Amortisation for the year	-	12,120	448	12,568
At 30 June 2019				
Accumulated amortisation	-	54,757	4,468	59,225
Accumulated impairment loss	66,975	-	-	66,975
	66,975	**54,757**	**4,468**	**126,200**
Carrying amounts				
At 1 July 2017	8,252	15,896	1,773	25,921
At 30 June 2018/1 July 2018	-	13,332	1,650	14,982
At 30 June 2019	**-**	**16,496**	**1,729**	**18,225**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

9. OTHER INVESTMENTS

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Non-current					
Financial assets at fair value through profit or loss					
- Redeemable convertible unsecured loan stocks		**7,737**	-	**6,500**	-
Fair value through other comprehensive income					
- Shares in related companies, quoted in Malaysia	9.1	**26,289**	39,296	**24,041**	37,006
		34,026	39,296	**30,541**	37,006

Note 9.1

The Group and the Company intend to hold these equity securities for long-term strategic purposes.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	**-**	-	**(483)**	(5,874)	**(483)**	(5,874)
Inventory, trade and other receivables and payables	**11,103**	17,004	**(8,725)**	(6,765)	**2,378**	10,239
Deferred tax assets/ (liabilities)	**11,103**	17,004	**(9,208)**	(12,639)	**1,895**	4,365
Set off of tax	**(174)**	(3,899)	**174**	3,899	**-**	-
Net deferred tax assets/ (liabilities)	**10,929**	13,105	**(9,034)**	(8,740)	**1,895**	4,365

NOTES TO THE FINANCIAL STATEMENTS
cont'd

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

Unrecognised deferred tax assets

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Unabsorbed capital allowances	**1,767**	1,767
Unutilised tax losses	**33,781**	33,758
	35,548	35,525

The unabsorbed capital allowances 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 profits will be available against which the subsidiary companies can utilise the benefits.

Under the Finance Act 2018, the unutilised tax losses up to year of assessment 2019 shall be deductible against aggregate of statutory income until year of assessment 2026. Any amount not deducted at the end of year of assessment 2026 shall be disregarded. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which Group entities can utilise the benefits therefrom.

Movements in temporary differences during the financial year are as follows:

	At 1.7.2017	Recognised in profit or loss (Note 25)	Recognised in other comprehensive income (Note 27)	At 30.6.2018/ 1.7.2018	Recognised in profit or loss (Note 25)	Recognised in other comprehensive income (Note 27)	At 30.6.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Property, plant and equipment	(8,639)	2,765	-	(5,874)	5,392	-	**(483)**
Inventory, trade and other receivables and payables	9,487	752	-	10,239	(7,861)	-	**2,378**
Others	(13)	(27)	40	-	-	-	**-**
	835	3,490	40	4,365	(2,469)	-	**1,895**

NOTES TO THE FINANCIAL STATEMENTS
cont'd

11. TAX CREDIT RECEIVABLE

This represents unutilised reinvestment allowance recognised by a subsidiary. The Group considered that it is probable that future taxable profits will be available against which the tax benefit can be utilised.

12. INVENTORIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Raw materials and consumables	**122,489**	85,229
Work-in-progress	**12,591**	12,697
Finished goods	**88,123**	112,418
	223,203	210,344
Recognised in profit or loss:		
Inventories recognised as cost of sales	**2,040,407**	1,866,247

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Trade					
Trade receivables		**320,138**	338,967	**-**	-
Amount due from related companies		**4,243**	3,581	**-**	-
Amount due from associated companies		**386**	319	**-**	-
		324,767	342,867	**-**	-
Less: Allowance for impairment losses	32.3(a)	**(11,185)**	(15,827)	**-**	-
		313,582	327,040	**-**	-
Non-trade					
Amount due from related companies	13.1	**-**	167	**-**	-
Other receivables and deposits		**34,086**	29,237	**131**	457
Prepayments		**23,036**	16,906	**35**	47
Derivative financial assets					
- Forward exchange contract designated as hedge instruments		**-**	264	**-**	-
		370,704	373,614	**166**	504

Note 13.1

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

NOTES TO THE FINANCIAL STATEMENTS
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14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**977,768**	778,159	**597,000**	517,010
Cash and bank balances	**62,173**	53,181	**65,076**	740
	1,039,941	831,340	**662,076**	517,750

Included in the cash and cash equivalents are the following balances maintained with a related company.

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	**883,650**	770,508	**597,000**	517,010
Cash and bank balances	**21,736**	22,582	**65,012**	659
	905,386	793,090	**662,012**	517,669

15. SHARE CAPITAL

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2019	2019	2018	2018
	'000	RM'000	'000	RM'000
Issued ordinary shares:				
At 1 July 2018/30 June 2019 and 1 July 2017/30 June 2018	**327,905**	**321,217**	327,905	321,217

The issued share capital of the Company, before adjusting for the treasury shares of 8,432,500 held (see Note 17), is RM321,217,000 comprising 327,905,310 ordinary shares. The treasury shares are held in accordance with the requirement of Section 127 of the Companies Act 2016.

NOTES TO THE FINANCIAL STATEMENTS
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16. RESERVES

		Group		Company	
	Note	**2019**	**2018**	**2019**	**2018**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Reserves consist of:					
Exchange fluctuation reserve	16.1	**21,694**	20,882	**-**	-
Other reserves	16.2	**3,714**	3,714	**3,943**	3,943
Reserve for own shares	16.3	**(16,469)**	(17,223)	**-**	-
Executive share scheme reserve	16.4	**4,563**	2,952	**-**	-
Hedging reserve	16.5	**(212)**	183	**-**	-
Retained earnings		**1,356,064**	1,191,869	**753,349**	622,684
		1,369,354	1,202,377	**757,292**	626,627

Note 16.1

Exchange fluctuation reserve comprises all foreign currency differences arising from the translation of the financial statement of foreign operations.

Note 16.2

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

Note 16.3

Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(l)(iii). As at 30 June 2019, the total number of HLI Shares held by the ESS Trusts at the Group level was 5,480,000 (2018: 5,732,000) HLI Shares.

At the Group level, during the financial year-to-date, a total of 252,000 (2018: 1,044,000) existing ordinary shares in the Company held in the ESS Trusts were transferred to the option holders arising from the exercise of options pursuant to the Executive Share Option Scheme.

Note 16.4

Executive share scheme reserve represents fair value of the share options and share grants to employees as disclosed in Note 2.2(l)(iii).

Note 16.5

Hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow related to hedged transactions that have not yet occurred.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

17. TREASURY SHARES – AT COST

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2019	2019	2018	2018
	'000	RM'000	'000	RM'000
At cost:				
Ordinary shares	**8,432**	**63,318**	8,432	63,318

The total number of shares bought back were 8,432,500 ordinary shares which are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

18. DEFERRED INCOME

	Group	
	2019	2018
	RM'000	RM'000
Non-current		
Reinvestment allowance	**3,191**	3,793

The tax benefits arising from reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which reinvestment allowance was claimed. During the financial year, a total of RM602,000 (2018: RM602,000) has been amortised and recognised as other operating income in the profit or loss of the Group.

19. LOANS AND BORROWINGS

	Group	
	2019	2018
	RM'000	RM'000
Current (unsecured)		
Bankers acceptances	**14,030**	27,230
Revolving credit	**24,700**	43,400
	38,730	70,630

NOTES TO THE FINANCIAL STATEMENTS
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20. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 July 2018/2017	**26,723**	25,492	**342**	342
Provision	**(2,031)**	1,552	**-**	-
Payments	**(779)**	(321)	**(200)**	-
At 30 June	**23,913**	26,723	**142**	342

(b) Executive Share Scheme ("ESS")

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

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

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

(ii) The aggregate number of shares comprised in:

(a) exercised options;
(b) unexercised options;
(c) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
(d) outstanding grants;
(e) completed grants; and
(f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

shall not exceed 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

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

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

NOTES TO THE FINANCIAL STATEMENTS
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20. EMPLOYEE BENEFITS *cont'd*

(b) Executive Share Scheme ("ESS") *cont'd*

(v) At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the total number of issued ordinary shares (excluding treasury shares) of the Company, must not exceed 10% of the Maximum Aggregate.

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

(i) ESOS

During the previous financial years, conditional incentive share options ("Options") were granted to eligible executives of the following subsidiaries:

- Guocera Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, and certain of its subsidiaries ("Guocera Group") granted Options over 3,820,000 ordinary shares in HLI ("HLI Shares") ("Guocera Options") at an exercise price of RM4.23 per share to certain of their eligible executives. Out of the Guocera Options over 2,610,000 HLI Shares which were vested during the previous financial year ended 30 June 2017, 2,088,000 HLI Shares in the ESS Trust were transferred to the Guocera Option holders arising from the exercise of the Guocera Options during the previous financial years and another 252,000 HLI Shares in the financial year ended 30 June 2019. None of the Guocera Options granted remain outstanding as at 30 June 2019.

- Hong Leong Yamaha Motor Sdn Bhd, a 69.41% subsidiary of the Company ("HLYM"), granted Options over 5,000,000 HLI Shares at the exercise price of RM9.71 per HLI Share ("HLYM Options") to certain eligible executives subject to the achievement of certain performance criteria by the HLYM Options holders over the option performance period. None of the HLYM Options had been vested or exercised as at 30 June 2019. HLYM Options over 4,000,000 HLI Shares remain outstanding as at 30 June 2019.

There were no grant or vesting of Options to eligible executives, directors and chief executive of the Group during the financial year.

Since the commencement of the ESS, the Group granted a total of 8,820,000 Options, out of which, 2,610,000 Options had been vested and 2,340,000 Options had been exercised, with 4,000,000 Options remaining outstanding as at 30 June 2019. The aggregate Options granted to directors/chief executives (including a past director/chief executive) of the Group amounted to 3,850,000 Options, out of which, 1,350,000 Options had been vested and 1,080,000 Options had been exercised. 2,000,000 Options remain outstanding as at 30 June 2019. The actual percentage of total Options granted to directors/senior management (including a past director/senior management) of the Group was 1.21% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

20. EMPLOYEE BENEFITS *cont'd*

(b) Executive Share Scheme ("ESS") *cont'd*

(i) ESOS *cont'd*

	Group 2019 RM'000	Group 2018 RM'000
(i) Value of employee services received for Options		
Share options granted	**2,501**	2,020

	Group 2019	Group 2018
(ii) Options - Weighted average fair value and assumptions		
Weighted average fair value at grant date	**RM2.12**	RM2.47
At grant date:		
Weighted average share price	**RM9.79**	RM11.15
Weighted average exercise price	**RM9.71**	RM9.39
Expected volatility (weighted average volatility)	**25.43%**	25.13%
Option life (expected weighted average life)	**5 years**	5 years
Weighted average expected dividends	**3.61%**	3.08%
Weighted average risk-free interest rate (based on Malaysian government bonds)	**3.85%**	3.59%

(ii) ESGS

During the previous financial years, Guocera Group granted and vested a total of 195,000 free HLI Shares ("HLI Shares Grant") to certain eligible executives.

During the financial year ended 30 June 2019, HLYM granted 54,054 free HLI Shares to an eligible executive of HLYM and none of the said HLI Shares had been vested as at 30 June 2019.

Since the commencement of the ESS, a total of 249,054 HLI Shares had been granted, 195,000 HLI Shares had been vested, and 54,054 HLI Shares remain outstanding as at 30 June 2019. The aggregate HLI Shares granted to a director/chief executive of the Group amounted to 54,054 HLI Shares and none of the said HLI Shares had been vested. The actual percentage of total HLI Shares granted to a director/senior management of the Group was 0.02% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2019.

The aggregate allocation of Options and HLI Shares to directors and senior management of the Group pursuant to the ESS is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

20. EMPLOYEE BENEFITS *cont'd*

(b) Executive Share Scheme ("ESS") *cont'd*

(ii) ESGS *cont'd*

	Group 2019 RM'000	Group 2018 RM'000
(i) Value of employee services received for HLI Shares grant		
HLI Shares Grant	**152**	-

	Group 2019	Group 2018
(ii) HLI Shares grant - Weighted average fair value and assumptions		
Fair value at grant date	**RM9.09**	-

21. TRADE AND OTHER PAYABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade payables		**162,908**	143,921	**-**	-
Amount due to related companies	21.1	**22,854**	29,122	**-**	-
Amount due to associated companies	21.1	**29,593**	27,907	**-**	-
		215,355	200,950	**-**	-
Non-trade					
Amount due to related companies	21.1	**148**	2,993	**-**	-
Amount due to associated companies	21.1	**522**	975	**-**	-
Other payables		**10,960**	5,569	**-**	-
Accrued liabilities		**81,873**	85,214	**794**	1,469
Derivative financial liability					
- Forward exchange contract designated as hedge instruments		**305**	-	**-**	-
		309,155	295,701	**794**	1,469

Note 21.1

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. REVENUE

	Group 2019 RM'000	Group 2018 RM'000
Revenue from contracts with customers	**2,727,687**	2,488,246
Other revenue		
- Dividend income	**22,695**	14,720
Total revenue	**2,750,382**	2,502,966
Company		
Other revenue		
- Dividend income	**302,482**	291,806

22.1 Disaggregation of revenue

Group	Total 2019 RM'000	Total 2018 RM'000
Major products		
Consumer products		
Motorcycles, marine related products and spare parts sales	**1,883,334**	1,543,321
Ceramic tiles	**425,686**	442,677
	2,309,020	1,985,998
Industrial products		
Fibre cement and others	**418,667**	502,248
	2,727,687	2,488,246
Timing and recognition		
At a point in time	**2,727,687**	2,488,246
Revenue from contracts with customers	**2,727,687**	2,488,246
Other revenue	**22,695**	14,720
Total revenue	**2,750,382**	2,502,966

NOTES TO THE FINANCIAL STATEMENTS
cont'd

22. REVENUE *cont'd*

22.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Motorcycles, marine related products and spare parts sales	Revenue is recognised at a point in time when the goods are delivered and accepted by customers.	Credit terms of 60 days from invoice date for motorcycles and cash term for marine products.	Not applicable.	Returns are only allowed for defect goods.	Assurance and service warranties are given to customers.
Ceramic tiles	Revenue is recognised at a point in time when the goods are delivered and accepted by customers.	Credit period of 30 - 90 days from invoice date.	Not applicable.	Allow customers to return defect products or products with quality issues through exchange of products or issuance of credit note.	Assurance warranty are given for certain range of products for ceramic tiles.
Fibre cement and others	Revenue is recognised at a point in time when the goods are delivered and accepted by customers.	Credit period of 14 - 90 days from invoice date.	Not applicable.	Allow customers to return defect products or products with quality issues through exchange of products or issuance of credit note.	Assurance warranty are given for certain range of products for fibre cement products.

23. OTHER OPERATING INCOME/(EXPENSE)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other operating expense	**(22,813)**	(25,175)	**(4,218)**	(1,147)
Other operating income	**52,967**	82,924	**3,402**	53,759
	30,154	57,749	**(816)**	52,612

NOTES TO THE FINANCIAL STATEMENTS
cont'd

24. PROFIT BEFORE TAXATION

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration Statutory audits				
- Company's auditors	**508**	508	**100**	100
- Overseas KPMG firms	**57**	57	**-**	-
- Other auditors	**34**	34	**-**	-
Other services				
- Company's auditors	**4**	4	**4**	4
- Overseas KPMG firms	**64**	64	**64**	64
Dividend income				
- Unquoted associated companies in Malaysia	**-**	-	**(3,600)**	(1,800)
- Unquoted associated company outside Malaysia	**-**	-	**(103,547)**	(138,765)
- Quoted investment in Malaysia	**(658)**	(706)	**(658)**	(706)
- Unquoted subsidiary companies	**-**	-	**(175,102)**	(138,746)
- Short term investments	**(32,162)**	(21,820)	**(19,575)**	(11,789)
Personnel expense				
- Staff salaries and other expenses	**175,047**	186,806	**-**	465
- Contribution to Employees Provident Fund	**16,620**	17,104	**-**	53
- Retirement benefits	**2,031**	1,552	**-**	-
- Share-based payments	**2,653**	2,020	**-**	-
Loss/(Gain) on disposal of property plant and equipment	**274**	(80)	**-**	-
Impairment loss on goodwill	**-**	8,252	**-**	-
Gain on fair value of financial assets at fair value through profit or loss	**(2,473)**	-	**(2,000)**	-
Property, plant and equipment written off	**662**	437	**-**	-
Write back of impairment loss on investment in an associated company	**-**	(53,481)	**-**	(53,481)
Write back impairment loss on amount due from an associated company	**-**	(6,703)	**-**	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

25. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current taxation				
Current year	**88,078**	64,691	**361**	194
Under/(Over) provision in prior years	**930**	570	**(18)**	1
	89,008	65,261	**343**	195
Deferred taxation				
Current year	**876**	(2,894)	**-**	-
Under/(Over) provision in prior years	**1,593**	(596)	**-**	-
	2,469	(3,490)	**-**	-
Utilisation of tax credit receivables arising from unutilised reinvestment allowances				
Prior year	**-**	274	**-**	-
	-	274	**-**	-
Total tax expense	**91,477**	62,045	**343**	195

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	**500,774**	464,407	**297,144**	338,381
Taxation at Malaysian statutory tax rates of 24%	**120,186**	111,458	**71,315**	81,211
Non allowable expenses	**5,720**	4,942	**1,642**	1,853
Non-taxable income	**(11,475)**	(20,076)	**(72,596)**	(82,870)
Tax attributable to associated companies	**(21,809)**	(29,194)	**-**	-
Tax incentive	**(3,668)**	(5,333)	**-**	-
	88,954	61,797	**361**	194
Under/(Over) provision in prior years	**2,523**	248	**(18)**	1
	91,477	62,045	**343**	195

NOTES TO THE FINANCIAL STATEMENTS
cont'd

26. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM327,085,000 (2018: RM334,603,000) by the weighted average number of ordinary shares outstanding during the financial year of 313,916,000 (2018: 310,466,000) as follows:

	2019 RM'000	2018 RM'000
Profit attributable to owners of the Company	**327,085**	334,603

	2019 '000	2018 '000
Weighted average number of ordinary shares (basic):		
Issued ordinary shares at 1 July 2018/2017	**327,905**	327,905
Less:		
Treasury shares held at 1 July 2018/2017	**(8,432)**	(8,432)
Trust shares held at 1 July 2018/2017	**(5,732)**	(9,850)
	313,741	309,623
Effect of Trust shares vested	**175**	843
Weighted average number of ordinary shares	**313,916**	310,466

	2019	2018
Basic earnings per ordinary share (sen)	**104.20**	107.77

Diluted earnings per ordinary share

The Group's has no dilution in its earnings per share for the financial year as there were no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

27. OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR

Group	Before tax RM'000	Tax benefit/ (expense) RM'000	Net of tax RM'000
2019			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- *Fair value loss arising during the year*	**(6,441)**	**-**	**(6,441)**
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- *Reclassification adjustments for the loss included in profit or loss*	**(572)**	**-**	**(572)**
Foreign currency translation difference for foreign operations			
- *Fair value gain arising during the year*	**267**	**-**	**267**
- *Share of other comprehensive income of equity-accounted associates*	**545**	**-**	**545**
	(6,201)	**-**	**(6,201)**
2018			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- *Fair value loss arising during the year*	(23,830)	-	(23,830)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- *Reclassification adjustments for the gain included in profit or loss*	181	40	221
Foreign currency translation difference for foreign operations			
- *Fair value loss arising during the year*	(462)	-	(462)
- *Share of other comprehensive expense of equity-accounted associates*	(14,352)	-	(14,352)
	(38,463)	40	(38,423)

27. OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR *cont'd*

Company	Before tax RM'000	Tax benefit/ (expense) RM'000	Net of tax RM'000
2019			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Fair value loss arising during the year	**(6,400)**	**-**	**(6,400)**
2018			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Fair value loss arising during the year	(21,285)	-	(21,285)

28. DIVIDENDS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
First interim				
15 sen per share single tier (2018: 15 sen per share single tier)	**47,094**	46,492	**47,921**	47,460
Second interim				
25 sen per share single tier (2018: 22 sen per share single tier)	**78,498**	69,023	**79,868**	70,284
Special interim				
10 sen per share single tier (2018: 10 sen per share single tier)	**31,399**	31,374	**31,947**	31,947
	156,991	146,889	**159,736**	149,691

Dividends received by the ESS Trusts amounting to RM2,745,000 (2018: RM3,263,000) and RM Nil (2018: RM461,000) for the Group and the Company respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(l)(iii).

NOTES TO THE FINANCIAL STATEMENTS
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29. OPERATING SEGMENTS

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

The following summary describes the operations in each of the Group's reportable segments:

(a) Consumer products – Manufacture and sale of consumer products comprising motorcycles and ceramic tiles and distribution of consumer products comprising outboard motor products.

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

Segment profit

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

Segment assets

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

Segment liabilities

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

	Consumer Products		Industrial Products		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Segment profit/(loss)	**391,214**	297,743	**(7,013)**	(12,971)	**384,201**	284,772
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	**2,309,120**	1,985,998	**418,667**	502,248	**2,727,687**	2,488,246
Depreciation and amortisation	**(48,538)**	(57,967)	**(11,344)**	(11,360)	**(59,882)**	(69,327)
Impairment loss on goodwill	**-**	(8,252)	**-**	-	**-**	(8,252)

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. OPERATING SEGMENTS *cont'd*

Reconciliation of reportable segment profit or loss

	2019 RM'000	2018 RM'000
Profit		
Total profit for reportable segment	**384,201**	284,772
Unallocated income/(expense)	**25,130**	59,784
Interest income	**3,763**	3,511
Finance costs	**(3,191)**	(5,303)
Share of profit in associated companies	**90,871**	121,643
Consolidated profit before taxation	**500,774**	464,407

	2019		2018	
	External revenue RM'000	Depreciation & amortisation RM'000	External revenue RM'000	Depreciation & amortisation RM'000
Total reportable segments	**2,727,687**	**59,882**	2,488,246	69,327
Non-reportable segments	**22,695**	**13**	14,720	40
Consolidated total	**2,750,382**	**59,895**	2,502,966	69,367

Geographical information

Revenue of the Group by geographical locations of the customers are as follows:

	Revenue	
	2019 RM'000	2018 RM'000
Malaysia	**2,474,603**	2,212,839
Australia	**52,594**	77,691
Vietnam	**45,323**	31,184
Thailand	**35,083**	29,884
Singapore	**40,547**	32,836
Taiwan	**21,946**	19,293
Qatar	**1,970**	4,565
The United States of America	**266**	1,193
Others	**78,050**	93,481
	2,750,382	2,502,966

NOTES TO THE FINANCIAL STATEMENTS
cont'd

29. OPERATING SEGMENTS *cont'd*

Geographical information *cont'd*

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

	Non-current assets	
	2019	**2018**
	RM'000	**RM'000**
Malaysia	**318,002**	340,981
Singapore	**240**	109
	318,242	341,090

Major customer

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

30. CAPITAL COMMITMENTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment		
Authorised but not contracted for	60,851	31,338
Authorised and contracted for	15,395	6,465

31. RELATED PARTIES

31.1 Significant related party transactions

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

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

(ii) Tasek Corporation Berhad ("Tasek") is a person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company. YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company and a past major shareholder of Tasek;

(iii) Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company; and

(iv) Yamaha Motor Co., Ltd ("YMC") is a major shareholder of a subsidiary of the Company. Yamaha Motor Asia Pte Ltd ("Yamaha Asia"), Yamaha Motor Distribution Singapore Pte Ltd ("YDS"), Thai Yamaha Motor Co, Ltd ("TYM"), P.T. Yamaha Indonesia Motor Manufacturing ("YIM"), Yamaha Motor Taiwan Trading Co Ltd ("YMTT"), Sunward International Inc ("SII"), Yamaha Motor (China) Co Ltd ("YMCC") and Yamaha Motor Vietnam Co., Ltd ("YMVN") are persons connected with YMC (Yamaha Asia, YDS, TYM, YIM, YMTT, SII, YMCC and YMVN are collectively referred to as "YMC Group").

Significant transactions with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

			Group	
			2019	**2018**
Transactions		**Related Party**	**RM'000**	**RM'000**
(a)	Sale of goods and services	Subsidiary and associated companies of HLCM	**2,142**	8,514
		Hong Bee Hardware and Hong Bee Motors	**56,502**	56,060
		YMC Group	**2,630**	3,246
(b)	Purchase of goods and services	Subsidiary and associated companies of HLCM	**101,082**	159,741
		YMC Group	**531,121**	381,917
		Tasek and subsidiary and associated companies of Tasek	**9,258**	9,479
		Associated companies of HLI	**359,383**	315,008
(c)	Rental of properties	Subsidiary and associated companies of HLCM	**1,625**	1,247
		YMC Group	**148**	148

NOTES TO THE FINANCIAL STATEMENTS
cont'd

31. RELATED PARTIES *cont'd*

31.1 Significant related party transactions *cont'd*

			Group	
			2019	2018
Transactions		Related Party	RM'000	RM'000
(d)	Receipt of services	Subsidiary and associated companies of HLCM	**1,103**	1,125
(e)	Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	**22,580**	19,041
(f)	Payment for usage of the Hong Leong logo and trade mark	A subsidiary company of HLCM	**117**	103
(g)	Payment of royalties and technical fees for usage of the Yamaha trademark and technical support	YMC	**35,048**	25,423
(h)	Receipt of research and development services	YMC	**3,076**	3,370
(i)	Provision of advertising and provisional services	YMC	**453**	190

Significant balances with related parties at the reporting date are disclosed in Note 13 and Note 21.

The above transactions were based on terms which have been established on negotiated basis consistent with the usual business practices and policies of the Group and of the Company.

31.2 Key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

31. RELATED PARTIES *cont'd*

31.2 Key management personnel *cont'd*

The fees, remuneration and other benefits of the Directors of the Group and the Company are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors				
Remuneration and other benefits	**-**	-	**-**	-
Non-Executive Directors				
Fees*	**452**	575	**382**	505

* This includes the fees for a Director which has been assigned in favour of the Company where the Director is employed.

32. FINANCIAL INSTRUMENTS

32.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

(a) Fair value through other comprehensive income ("FVOCI");
- Equity instrument designated upon initial recognition ("EIDUIR");
(b) Financial assets measured at amortised cost ("FAAC");
(c) Financial liabilities measured at amortised cost ("FLAC"); and
(d) Fair value through profit or loss ("FVTPL") – Designated upon initial recognition ("DUIR").

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
2019					
Financial assets					
Group					
Other investments	34,026	-	26,289	7,737	-
Trade and other receivables, including derivatives (excluding prepayments)	347,668	347,668	-	-	-
Cash and cash equivalents	1,039,941	1,039,941	-	-	-
	1,421,635	1,387,609	26,289	7,737	-
Company					
Other investments	30,541	-	24,041	6,500	-
Trade and other receivables, including derivatives (excluding prepayments)	131	131	-	-	-
Cash and cash equivalents	662,076	662,076	-	-	-
	692,748	662,207	24,041	6,500	-
Financial liabilities					
Group					
Loans and borrowings	38,730	38,730	-	-	-
Trade and other payables, including derivatives	309,155	308,850	-	-	305
	347,885	347,580	-	-	305
Company					
Trade and other payables, including derivatives	794	794	-	-	-
	794	794	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	Derivatives used for hedging RM'000
2018				
Financial assets				
Group				
Other investments	39,296	-	39,296	-
Trade and other receivables, including derivatives (excluding prepayments)	356,708	356,444	-	264
Cash and cash equivalents	831,340	831,340	-	-
	1,227,344	1,187,784	39,296	264
Company				
Other investments	37,006	-	37,006	-
Trade and other receivables, including derivatives (excluding prepayments)	457	457	-	-
Cash and cash equivalents	517,750	517,750	-	-
	555,213	518,207	37,006	-
Financial liabilities				
Group				
Loans and borrowings	70,630	70,630	-	-
Trade and other payables, including derivatives	295,701	295,701	-	-
	366,331	366,331	-	-
Company				
Trade and other payables, including derivatives	1,469	1,469	-	-
	1,469	1,469	-	-

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on:				
Financial assets carried at amortised cost	**34,815**	26,648	**18,505**	11,418
Fair value through profit or loss:				
Gain on fair value of financial assets at fair value through profit or loss	**2,473**	-	**2,000**	-
Write back of impairment loss on investment in an associated company	**-**	53,481	**-**	53,481
Others	**(2)**	57	**-**	-
Fair value through other comprehensive income:				
Fair value loss on equity investments	**(6,441)**	(23,830)	**(6,400)**	(21,285)
Dividend income	**658**	706	**658**	706
Other liabilities	**(3,191)**	(5,303)	**-**	-
	28,312	51,759	**14,763**	44,320

32.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Receivables *cont'd*

Exposure to credit risk and credit quality

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

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Domestic	**283,412**	318,653
Asia	**25,557**	4,701
Europe	**1,144**	324
Others	**3,469**	3,362
	313,582	327,040

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2018 and 30 June 2019

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers taking into account days past due and credit evaluation as applicable, which comprise a very large number of insignificant balances outstanding.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2018 and 30 June 2019 *cont'd*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019 and 30 June 2018.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2019			
Not past due	**257,711**	**(2,591)**	**255,120**
Past due 1 – 30 days	**40,914**	**(396)**	**40,518**
Past due 31 – 60 days	**17,077**	**(989)**	**16,088**
Past due 61 – 90 days	**3,572**	**(1,963)**	**1,609**
Past due 91 – 120 days	**2,573**	**(2,399)**	**174**
Past due more than 120 days	**2,920**	**(2,847)**	**73**
	324,767	**(11,185)**	**313,582**
2018			
Not past due	262,172	(2,157)	260,015
Past due 1 – 30 days	46,982	(559)	46,423
Past due 31 – 60 days	18,998	(1,802)	17,196
Past due 61 – 90 days	4,304	(2,201)	2,103
Past due 91 – 120 days	2,593	(2,438)	155
Past due more than 120 days	7,818	(6,670)	1,148
	342,867	(15,827)	327,040

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Receivables *cont'd*

Expected credit loss ("ECL") assessment for trade receivables as at 1 July 2018 and 30 June 2019 *cont'd*

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Group		
Balance at 1 July 2018/2017	**15,827**	14,599
Net measurement of loss allowance	**(4,642)**	1,228
Balance at 30 June	**11,185**	15,827

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

Expected credit loss of other receivables

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

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

Cash and cash equivalents of the Group and the Company are placed with licensed financial institutions (of which majority is placed with a related company) as disclosed in Note 14 to the financial statements.

Exposure to credit risk and credit quality

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

Impairment losses

The Group and the Company consider that their cash and cash equivalents have low credit risk. Accordingly, no impairment allowance is required.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(b) Liquidity risk

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

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

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

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Group				
2019				
Non-derivative financial liabilities				
Trade and other payables	**308,850**	**-**	**308,850**	**308,850**
Loans and borrowings	**38,730**	**4.2%-4.8%**	**39,708**	**39,708**
	347,580		**348,558**	**348,558**
Derivative financial liabilities				
Forward exchange contract (gross settled):				
Outflow	**305**	**-**	**64,099**	**64,099**
Inflow	**-**	**-**	**(63,794)**	**(63,794)**
	347,885		**348,871**	**348,871**
2018				
Non-derivative financial liabilities				
Trade and other payables	295,701	-	295,701	295,701
Loans and borrowings	70,630	3.9%-4.8%	70,954	70,954
	366,331		366,655	366,655

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(b) Liquidity risk *cont'd*

Maturity analysis cont'd

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
Company				
2019				
Non-derivative financial liabilities				
Trade and other payables	**794**	**-**	**794**	**794**
2018				
Non-derivative financial liabilities				
Trade and other payables	1,469	-	1,469	1,469

(c) Market risk

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

(i) Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

The Group and the Company's exposure to foreign currency (a currency other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period is not material.

Currency risk sensitivity analysis

The exposure to currency risk is not material and hence, sensitivity analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(ii) Interest rate risk

Risk management objectives, policies and processes for managing the risk

The Group and the Company manage their interest rate exposure by maintaining available lines of fixed and floating rate borrowings. Investments in deposits with licensed banks are not significantly exposed to interest rate risk.

Exposure to interest rate risk

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Deposits with licensed banks	**977,768**	778,159	**597,000**	517,010
Loans and borrowings	**(14,030)**	(27,230)	**-**	-
	963,738	750,929	**597,000**	517,010
Floating rate instruments				
Loans and borrowings	**(24,700)**	(43,400)	**-**	-

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

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

(b) Cash flow sensitivity analysis for floating rate instruments

No disclosure of sensitivity analysis is presented as a reasonable change in interest rate would not be material.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(iii) Other price risk

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

Risk management objectives, policies and processes for managing securities

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

Equity price risk sensitivity analysis

No disclosure of sensitivity analysis is presented as a reasonable change in market value would not be material.

32.4 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

32. FINANCIAL INSTRUMENTS *cont'd*

32.4 Fair value information *cont'd*

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2019										
Financial assets										
Investment in quoted shares	**34,026**	**-**	**-**	**34,026**	**-**	**-**	**-**	**-**	**34,026**	**34,026**
Financial liabilities										
Forward foreign exchange contracts	**-**	**(305)**	**-**	**(305)**	**-**	**-**	**-**	**-**	**(305)**	**(305)**
2018										
Financial assets										
Investment in quoted shares	39,296	-	-	39,296	-	-	-	-	39,296	39,296
Forward foreign exchange contracts	-	264	-	264	-	-	-	-	264	264
Company										
2019										
Financial assets										
Investment in quoted shares	**30,541**	**-**	**-**	**30,541**	**-**	**-**	**-**	**-**	**30,541**	**30,541**
2018										
Financial assets										
Investment in quoted shares	37,006	-	-	37,006	-	-	-	-	37,006	37,006

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS
cont'd

33. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio. There was no change in the Group's approach to capital management during the financial year.

The debt-to-equity ratios at 30 June 2019 and 30 June 2018 were as follows:-

	Group	
	2019	**2018**
	RM'000	**RM'000**
Total loans and borrowings	**38,730**	70,630
Less: Cash and cash equivalents	**(1,039,941)**	(831,340)
Net cash	**(1,001,211)**	(760,710)
Total equity	**1,763,315**	1,584,772
Debt-to-equity ratios	**Nil**	Nil

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 55 to 129 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Datuk Kwek Leng San

Peter Ho Kok Wai

29 August 2019

STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Goh Eng Tatt, the person primarily responsible for the financial management of Hong Leong Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 55 to 129 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed, Goh Eng Tatt (MIA Number: 17152) at Kuala Lumpur in the Federal Territory on 29 August 2019.

Goh Eng Tatt

Before me

Mohan A.S. Maniam
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the Members of Hong Leong Industries Berhad
(Company No. 5486-P) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hong Leong Industries Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 129.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories	
Refer to the accounting policy on Note 2.1(ii) Basis of preparation – use of estimates and judgements, Note 2.2(h) – Inventories and Note 12 – Inventories, to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Inventories are carried at the lower of cost and net realisable value. Inventories that are consumer products, especially for ceramic tiles are subject to risk of obsolescence because of continued changes in design to meet trends and consumer demands. Management applied significant judgement to identify and determine the requisite quantum of allowances for slow moving and obsolete inventories to derive net realisable values. This is a key audit matter because ceramic tile inventories represent 36% of the Group's inventory balance and it required significant judgement from us to evaluate management's assessment.	Our audit procedures, amongst others include: - Challenged management's process in identifying inventories that were having risk of obsolescence and also considered whether there were elements of biasness in the identification process; - Challenged management's process in determining the net realisable value of these inventories by considering whether the process considered sufficient latest and reliable information of net realisable value; and - Selected sample items of inventories and tested these against unit sales price close to the year-end to determine that these are stated at the lower of cost and net realisable value.

INDEPENDENT AUDITORS' REPORT

to the Members of Hong Leong Industries Berhad
(Company No. 5486-P) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Key Audit Matters *cont'd*

Impairment assessment of cost of investment in subsidiaries – Company	
Refer to the accounting policy on Note 2.1(i) Basis of preparation – use of estimates and judgements, Note 2.2(j)(ii) – Impairment of other assets and Note 6 – Investments in subsidiary companies, to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
As disclosed in Note 6 to the financial statements, the Company has material interests in subsidiaries. It is approximately 29% of the total assets of the Company. Where there are indicators of impairment assessed for any of the subsidiaries, management will perform impairment tests which will require management to estimate their recoverable amounts and to provide impairment loss when required. This is a key audit matter because it required significant judgement from us to evaluate management's assessment.	Our audit procedures, amongst others include: - In management's assessment of impairment indicators, we challenged whether internal and external factors were considered; - Assessed the appropriateness of the impairment test carried out by the Company by comparing it with the requirements of the relevant accounting standard; - Evaluated the key assumptions adopted in the subsidiary's cash flow projections used to determine recoverable amounts, in particular, those relating to sales growth, gross profit margin and terminal growth rates, to determine reasonableness by comparing them with historical performance, and internal and external sources of information to corroborate the recoverable value of the cost of investment in the subsidiaries; and - Challenged the discount rate applied in the model by comparing it with weighted average cost of capital of other entities in the similar industry.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining relevant sections of the annual report, which are expected to be made available to us after the audit report date.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining relevant sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

INDEPENDENT AUDITORS' REPORT

to the Members of Hong Leong Industries Berhad
(Company No. 5486-P) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the Members of Hong Leong Industries Berhad
(Company No. 5486-P) (Incorporated in Malaysia)
cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *cont'd*

Auditors' Responsibilities for the Audit of the Financial Statements *cont'd*

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Thong Foo Vung
Approval Number: 02867/08/2020 J
Chartered Accountant

Petaling Jaya,

Date: 29 August 2019

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2019

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 2019 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	23	49,711
5¼ miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	37	689
5½ miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	28-38	21,235
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	34	5,173
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	29	4,221
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	26	14,237
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	10	35,117
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	24	12,335
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	23	8,785
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Vacant industrial land	2014	43,560	-	793
Lot 312490, 127221, 127222 Kawasan Perusahaan Kanthan, Chemor, Perak Darul Ridzuan	Freehold	Industrial land with office and factory buildings	1990	3,159,821	28	8,955
No. 12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	59	17,713

OTHER INFORMATION
cont'd

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2019 *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 2019 (RM'000)
Lot 52, Kawasan Perusahaan Bakar Arang, Sungei Petani, Kedah Darul Aman	Leasehold 99 years expiring 2081	Industrial land with office, store and factory buildings	2000	510,000	37	2,476
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara Kulai, Johor	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	17	1,506
PT 30238 Mukim Setul, Nilai Industrial Estate Negeri Sembilan Darul Khusus	Leasehold 60 years expiring 2043	Industrial land with vacant office and factory buildings	1983	545,934	22	291
P.T. 531 to 534 & P.T. 552 to 560 Taman Panchor Industrial Area, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2096	Vacant land	1998	1,117,627	-	4,000

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2019

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	483	13.61	9,878	0.00
100 – 1,000	1,188	33.48	795,080	0.25
1,001 – 10,000	1,393	39.26	5,288,500	1.65
10,001 – 100,000	392	11.05	11,980,265	3.75
100,001 – less than 5% of issued shares	91	2.57	63,182,052	19.78
5% and above of issued shares	1	0.03	238,217,035	74.57
	3,548	100.00	319,472,810	100.00

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

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 *cont'd*

List Of Thirty Largest Shareholders As At 30 August 2019

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	238,217,035	74.57
2.	AmanahRaya Trustees Berhad *- Public Smallcap Fund*	5,349,533	1.68
3.	HLIB Nominees (Tempatan) Sdn Bhd *- Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)*	4,000,000	1.25
4.	Citigroup Nominees (Asing) Sdn Bhd *- Exempt AN for Citibank New York (Norges Bank 14)*	3,803,000	1.19
5.	Woo Khai Yoon	3,396,300	1.06
6.	AmanahRaya Trustees Berhad *- Public Strategic Smallcap Fund*	3,027,500	0.95
7.	Soft Portfolio Sdn. Bhd.	2,512,000	0.79
8.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund*	2,487,200	0.78
9.	Hong Bee Hardware Company, Sdn. Berhad	2,019,333	0.63
10.	HSBC Nominees (Tempatan) Sdn Bhd *- HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)*	1,993,833	0.62
11.	Cartaban Nominees (Asing) Sdn Bhd *- Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch*	1,800,000	0.56
12.	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for Norges Bank (FI 17)*	1,514,000	0.47
13.	HLIB Nominees (Tempatan) Sdn Bhd *- Exempt AN for Hong Leong Industries Berhad (GSB-ESOS)*	1,480,000	0.46
14.	Cartaban Nominees (Tempatan) Sdn Bhd *- PAMB for Prulink Equity Income Fund*	1,416,500	0.44
15.	Hong Leong Assurance Berhad *- As Beneficial Owner (Life Par)*	1,371,210	0.43
16.	AmanahRaya Trustees Berhad *- PB Smallcap Growth Fund*	1,061,600	0.33
17.	Maybank Nominees (Tempatan) Sdn Bhd *- National Trust Fund (IFM Kenanga)*	1,022,800	0.32
18.	RHB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff*	1,000,000	0.31
19.	Maybank Nominees (Tempatan) Sdn Bhd *- MTrustee Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund (RB-TNB-AHAM) (420317)*	920,500	0.29
20.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *- Deutsche Trustees Malaysia Berhad for Eastspring Investments Equity Income Fund*	825,600	0.26
21.	AmanahRaya Trustees Berhad *- Public Index Fund*	816,700	0.26
22.	AmanahRaya Trustees Berhad *- Affin Hwang Growth Fund*	707,800	0.22

OTHER INFORMATION
cont'd

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2019 *cont'd*

List Of Thirty Largest Shareholders As At 30 August 2019 *cont'd*

	Name of Shareholders	No. of Shares	%
23.	Tung Seok Hooi	700,000	0.22
24.	Maybank Nominees (Tempatan) Sdn Bhd *- Maybank Private Wealth Management for Wong Tuck Meng (PW-M00714) (420211)*	650,000	0.20
25.	Cartaban Nominees (Tempatan) Sdn Bhd *- PAMB for Participating Fund*	627,400	0.20
26.	Citigroup Nominees (Asing) Sdn Bhd *- CBNY for DFA Emerging Markets Small Cap Series*	614,100	0.19
27.	HSBC Nominees (Asing) Sdn Bhd *- JPMBL SA for EVLI Emerging Frontier Fund*	600,000	0.19
28.	Citigroup Nominees (Tempatan) Sdn Bhd *- Employees Provident Fund Board (F Templeton)*	567,200	0.18
29.	Chan Y Kheng	563,100	0.18
30.	AmanahRaya Trustees Berhad *- Affin Hwang Principled Growth Fund*	555,400	0.17
		285,619,644	89.40

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2019 are as follows:

		Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	238,217,035	74.57	-	-
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	240,153,670#	75.17#
3.	YBhg Tan Sri Quek Leng Chan	-	-	242,700,470**	75.97**
4.	HL Holdings Sdn Bhd	-	-	240,153,670*	75.17*
5.	Hong Realty (Private) Limited	-	-	242,173,003^	75.80^
6.	Hong Leong Investment Holdings Pte. Ltd.	-	-	242,173,003^	75.80^
7.	Kwek Holdings Pte Ltd	-	-	242,173,003^	75.80^
8.	Mr Kwek Leng Beng	-	-	242,173,003^	75.80^
9.	Mr Kwek Leng Kee	-	-	242,173,003^	75.80^
10.	Davos Investment Holdings Private Limited	-	-	242,173,003^	75.80^

Notes:

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

OTHER INFORMATION
cont'd

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2019

Subsequent to the financial year end, there was no change, as at 30 August 2019, to the Directors' interests in the ordinary shares of the Company and/or its related corporations appearing in the Directors' Report on pages 51 to 52 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. MATERIAL CONTRACTS

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, chief executives and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

FORM OF PROXY

I/We ____________________

NRIC/Passport/Company No. ____________________

of ____________________

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

____

NRIC/Passport No. ____________________

of ____________________

____

or failing him/her ____________________

NRIC/Passport No. ____________________

of ____________________

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-sixth Annual General Meeting of the Company to be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur on Wednesday, 6 November 2019 at 10.30 a.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Director fees and Directors' Other Benefits		
2	To re-elect YBhg Dato' Dr Zaha Rina binti Zahari as a Director		
3	To re-elect Mr Peter Ho Kok Wai as a Director		
4	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
5	To approve the ordinary resolution on authority to Directors to allot shares		
6	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
7	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Motors Sdn Bhd		
8	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Yamaha Motor Co., Ltd and its subsidiaries		
9	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
10	To approve the special resolution on the proposed adoption of new Constitution of the Company		

Dated this ________ day of ____________________ 2019

____
Number of shares held

____
Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 29 October 2019 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	*% of shareholdings to be represented*

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Fifty-sixth Annual General Meeting will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretaries
Hong Leong Industries Berhad (5486-P)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

Hong Leong Industries Berhad (5486-P)

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