



Annual Report **2022**

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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 consumer products segments involving in the manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, and manufacturing and sale of ceramic tiles. Other businesses include manufacturing and sale of fibre cement products, and distribution and trading of marine-related 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 Jim Khor Mun Wei
Group Managing Director

Mr Peter Ho Kok Wai

Ms Quek Sue Yian

YBhg Datuk Noharuddin bin Nordin @ Harun

Mr Edward Chin Fook Ling

Ms Cheryl Khor Hui Peng

COMPANY SECRETARIES

Ms Wong Wei Fong
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-ninth Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 2 November 2022 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 2022.
2. To approve the payment of Director Fees of RM542,493/- (2021: RM388,575/-) for the financial year ended 30 June 2022, to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM46,000/- from the Fifty-ninth Annual General Meeting ("AGM") to the Sixtieth AGM of the Company.
3. To re-elect Mr Peter Ho Kok Wai as a Director pursuant to the Company's Constitution.
4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

Resolution 1

Resolution 2

Resolution 3

SPECIAL BUSINESS

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

5. **Ordinary Resolution**
 - **Authority To Directors To Allot Shares**
 - **Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In The Company Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Company's Constitution**

"**THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], 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 Act to issue and allot new 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, to any persons who are not caught by Paragraph 6.04(c) of the MMLR 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 Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

AND THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, the shareholders of the Company do hereby waive their pre-emptive rights over all new Shares, options over or grants of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities, such new Shares when issued, to rank pari passu with the existing Shares in the Company."

Resolution 4

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"), Guoline Capital Assets Limited ("GCA") And Persons Connected With Them

"**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 4 October 2022 with HLCM, GCA and persons connected with them ("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 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 5

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 4 October 2022 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,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised 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

Notice of Annual General Meeting

(Cont'd)

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 4 October 2022 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 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

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 4 October 2022 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
- (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 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

Notice of Annual General Meeting

(Cont'd)

10. Ordinary Resolution

- Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In The Company Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Company's Constitution

"**THAT** further to the approval of the shareholders obtained on 2 December 2021 for the establishment of a new executive share scheme of the Company ("ESS"), and pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, the shareholders do hereby waive their pre-emptive rights over all options and/or grants offered or to be offered pursuant to the ESS and/or any new Shares to be issued pursuant to the exercise of such options by and/or the vesting of such grants in the eligible executives including the Group Managing Director of the Company, such new Shares, when issued, to rank pari passu with the existing Shares."

Resolution 9

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

By Order of the Board

Wong Wei Fong

SSM PC No. 201908001352

MAICSA 7006751

Valerie Mak Mew Chan

SSM PC No. 202008002623

MAICSA 7017944

Company Secretaries

Kuala Lumpur

4 October 2022

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 25 October 2022 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, Malaysia or lodged electronically via email at cosec-hlmq@hlmq.com.my, 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 Directors' Other Benefits

Director Fees of RM542,493/- are inclusive of Board Committee Fees of RM142,493/-; 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 RM46,000/-.

2. Resolution 2 - Re-Election Of A Director

The Nominating Committee ("NC") has considered the performance and contribution of the retiring Independent Non-Executive Director ("ID") and has also assessed the independence of the retiring Director seeking for re-election at the Fifty-ninth Annual General Meeting ("AGM"). Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2022, the performance of the retiring Director was found to be satisfactory with the retiring ID complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Board has endorsed the NC's recommendation on the re-election of the retiring Director. The retiring Director had abstained from deliberations and decisions on his own re-election at the NC and Board meetings.

The details and profile of the Director who is standing for re-election at the Fifty-ninth AGM are provided in the Board of Directors section on page 10 of the Company's Annual Report 2022.

3. Resolution 4 - Authority To Directors To Allot Shares And Waiver Of Pre-Emptive Rights

The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares ("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 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 2 December 2021 and which will lapse at the conclusion of the Fifty-ninth 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.

Please refer Section 85(1) of the Companies Act 2016 ("Act") and Clause 50 of the Company's Constitution as detailed below.

4. Resolutions 5 to 8 - Proposed Renewal Of 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 4 October 2022, which is available on the Company's website at www.hli.com.my/general-meetings-current/.

5. Resolution 9 - Waiver Of Pre-Emptive Rights Under Executive Shares Scheme ("ESS") Of The Company

The ESS was approved by the shareholders on 2 December 2021. Subsequent to the approval, the Company now seeks for waiver of the pre-emptive rights pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution from shareholders.

Please refer Section 85(1) of the Act and Clause 50 of the Company's Constitution as detailed below.

Notice of Annual General Meeting

(Cont'd)

Details Of Section 85(1) Of The Act And Clause 50 Of The Company's Constitution

Pursuant to Section 85(1) of the Act read together with Clause 50 of the Company's Constitution, shareholders have pre-emptive rights to be offered any new Shares in the Company which rank equally to the existing issued Shares in the Company or other convertible securities.

Section 85(1) of the Act provides as follows:

"85. Pre-emptive rights to new shares

- (1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."*

Clause 50 of the Company's Constitution provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled..."

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

In order for the Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed ordinary resolutions, if passed, will exclude your pre-emptive rights over all new Shares, options over or grant of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities under the Authority To Directors To Allot Shares and pre-emptive rights over options or grants offered or to be offered pursuant to the ESS and/or any new Shares to be issued by the Company pursuant to the ESS.

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-ninth 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 3 of the Notice of the Fifty-ninth Annual General Meeting.

Board of Directors

YBHG DATUK KWEK LENG SAN

*Chairman; Non-Executive/
Non-Independent*

Age 67, 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 does not sit on any Board committee of HLI.

He is the Chairman of Malaysian Pacific Industries Berhad, Hume Cement 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, a public company.

YBHG DATO' DR JIM KHOR MUN WEI

*Group Managing Director/
Non-Independent*

Age 58, Male, Malaysian

Dato' Dr Jim Khor Mun Wei graduated with a Bachelor of Engineering (Mechanical) from Glamorgan University, United Kingdom. He obtained his Master in Business Administration from University of South Australia in 2009. He further obtained his Doctorate in Business Administration from Binary University of Management and Entrepreneurship on 12 January 2022.

Dato' Dr Jim Khor is concurrently the Managing Director of Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a role he was promoted into in 2015. He has invested three (3) decades of his career with HLYM. He joined the company on 11 November 1991 as Quality Assurance Engineer and has developed his career with the HLI Group. At HLYM, Dato' Dr Jim Khor has well-rounded experience in various parts of the business, including parts and service department, manufacturing operations and sales and marketing.

Dato' Dr Jim Khor was promoted as Group Managing Director of HLI on 1 August 2020. He does not sit on any Board committee of HLI.

MR PETER HO KOK WAI

*Non-Executive Director/
Independent*

Age 63, Male, Malaysian

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

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 Audit Technical Committee, Audit Function and Marketing Department. He has more than thirty-five (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.

Board of Directors

(Cont'd)

MS QUEK SUE YIAN

*Non-Executive Director/
Non-Independent*

Age 47, 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 a founding member of Anyaman Preschool, a kindergarten. She is also a Director and Shareholder of Beyond Academics, an inclusive school. 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 Board committee of HLI.

YBHG DATUK NOHARUDDIN BIN NORDIN @ HARUN

*Non-Executive Director/
Independent*

Age 66, Male, Malaysian

Datuk Noharuddin bin Nordin @ Harun graduated with a Master of Business Administration from University of Birmingham, United Kingdom and a Member of the Chartered Institute of Transport (United Kingdom). 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 of MATRADE from 2006 to 2011 and then as Chief Executive Officer of MIDA until his retirement in February 2014.

Datuk Noharuddin was appointed to the Board of HLI on 13 March 2018. He is the Chairman of the Nominating Committee of HLI.

He is a Director, Chairman of the Nomination Committee and a member of the Risk and Sustainability Committee of Apex Healthcare Berhad, a company listed on the Main Market of Bursa Securities.

Board of Directors

(Cont'd)

MR EDWARD CHIN FOOK LING

*Non-Executive Director/
Independent*

Age 61, Male, Australian

Mr Edward Chin Fook Ling graduated from Oxford University with a Bachelor of Arts (First Class Honours) in Mathematics.

He has more than thirty-nine (39) years of information technology ("IT") management experience in various business sectors, including oil, banking and insurance, pharmaceuticals, and the United Nations. He is currently the Group Infrastructure and Solutions (GIS) Key Account Manager and Community Lead of ROCHE Services (Asia Pacific), Malaysia ("ROCHE"), responsible for identifying strategic technology needs across Asia Pacific and guiding the delivery of solutions through the Malaysia delivery centre in collaboration with other global centres in Warsaw, Basel and Madrid. Prior to joining ROCHE, he was the Deputy Director of the United Nations High Commissioner for Refugees (UNHCR), Geneva, Switzerland and led a diverse team of more than a dozen nationalities based in Geneva, Budapest, Copenhagen, Nairobi and Bangkok and an IT service provider in India in designing, developing and supporting global applications to protect and assist millions refugees around the world.

Mr Edward Chin was appointed to the Board of HLI on 1 June 2021. He is a member of the Board Audit & Risk Management Committee and Nominating Committee of HLI.

MS CHERYL KHOR HUI PENG

*Non-Executive Director/
Independent*

Age 47, Female, Malaysian

Ms Cheryl Khor Hui Peng graduated with a Bachelor of Mathematics (Honours). She is a member of the MICPA and MIA. She is also a Fellow and Faculty Member of the Institute of Corporate Directors Malaysia ("ICDM") which was established by the Securities Commission Malaysia and supported by Bank Negara Malaysia, Bursa Malaysia and the Capital Market Development Fund. As a faculty of ICDM, she conducts training for directors on various board, governance and sustainability topics.

Ms Cheryl Khor has more than twenty-four (24) years of experience covering financial, operational and internal audits as well as governance, controls, sustainability, internal audit and risk assessments for many companies across a broad range of industries.

She began her career in 1998 as a financial auditor and Chartered Accountant at Ernst & Young. Ms Cheryl Khor diversified her skill sets and breadth of experience when she joined Deloitte in 2013 where she led the Risk Advisory practice, complementing her Chartered Accountant experience with sustainability, governance and risk expertise. She was appointed as Managing Director of Deloitte Risk Advisory in 2014 and held the position until 2021. Whilst in Deloitte, she held numerous leadership positions culminating her career as the Asia Pacific Accounting and Internal Control Leader and was also a member of the Deloitte South East Asia Board of Directors.

Ms Cheryl Khor was appointed to the Board of HLI on 1 June 2021. She is a member of the Board Audit & Risk Management Committee of HLI.

She is a Director of Alliance Bank Malaysia Berhad, Kuala Lumpur Kepong Berhad and Malaysia Airports Holdings Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of Chubb Insurance Malaysia Berhad, a public company.

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 2022.

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 JOHN LAU SIEW HONG

General Manager,
HLY Marine Sdn Bhd

Age 51, Male, Malaysian

Mr John Lau Siew Hong graduated from University Malaya with a Bachelor degree (Honours) in Economy.

Mr John Lau has spent over two decades developing and advancing his career at Hong Leong Yamaha Motor Sdn Bhd ("HLYM"). He began his career at HLYM as a management trainee in June 1996. He has twenty-three (23) years of working experience in several critical parts of the business, such as Sales and Marketing, as well as the Part departments. He was promoted to the role of General Manager of HLY Marine Sdn Bhd in July 2019, to head the Yamaha marine outboard motor distribution business in Peninsular Malaysia.

MS SALLY CHENG LI YONG

Managing Director,
Guocera Sdn Bhd

Age 45, Female, Malaysian

Ms Sally Cheng Li Yong graduated from University of Science Malaysia with a Bachelor degree (Honours) in Mass Communication.

Ms Sally Cheng started her career in 2001 as an Account Executive in Lafarge Roofing Malaysia and took on the role of the Senior Technical Sales at Boral Plasterboard in 2006 where she was promoted to Sales Manager in 2008. She joined Gypsum division of Saint Gobain Malaysia as the National Sales Manager in 2012 managing the teams in Malaysia/Singapore and subsequently promoted to Deputy Managing Director in 2014.

In 2015, she joined Niro Ceramic Sales & Services Sdn Bhd as the General Manager of Domestic Project Sales and taking over of the whole domestic sales division in 2018. In 2020, she joined Mydecor Sdn Bhd as Managing Director before joining Guocera Sdn Bhd as Head of Commercial in March 2021 and subsequently promoted as the Managing Director in October 2021.

MR GOH ENG TATT

Chief Financial Officer,
Hong Leong
Industries Berhad

Age 49, 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.

Mr Goh Eng Tatt has over seven (7) years of auditing experience with PricewaterhouseCoopers before joining the Hong Leong Group in 2004 where he has held various finance roles of increasing responsibility over a period of eighteen (18) years in the Hong Leong Group, including the chief financial officer positions in Southern Steel Berhad Group and Hong Leong Industries Berhad Group.

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 shareholders 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 2022.

Chairman's Statement

Dear valued shareholders,

I am grateful to have the opportunity to write to you again as Chairman of Hong Leong Industries Berhad (the "Company") and to present to you the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2022 ("FY2022").

FY2022 started with Movement Control Orders that curtailed 2 months' production of our businesses and affected negatively both the revenue and profit of the first quarter and the financial year as a whole. The operating environment was challenging as the supply chain disruption arising from the Covid-19 pandemic affected the supply of motorcycle parts and the Russia-Ukraine conflict caused significant surge in costs for freight, energy and materials.

As the result of these, the Group (excluding discontinued operations) generated a lower revenue of RM2,466 million and a lower profit before tax ("PBT") of RM377 million for FY2022 as compared with the revenue of RM2,633 million and PBT of RM472 million for the previous financial year.

Despite the lower profit, the Group endeavored to maintain a stable dividend return to our shareholders and paid out a total dividend of RM166 million for FY2022. This constitutes a dividend payout ratio of 79% from the profit after tax after non-controlling interest for the financial year.

While the market outlook remains uncertain with various lingering challenges, we will continue to build our resilience for future growth and seek business opportunities that will expand our businesses.

In addition, the Group has taken steps to align our business objectives with Environmental, Social and Governance (ESG) initiatives to enhance sustainable value and growth.

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, financiers and the Government for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman



Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

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



HLI is principally engaged in the Consumer Products Segment, namely:

- Manufacturing, assembling and distribution of motorcycles, scooters and related parts;
- Manufacturing and sale of ceramic tiles;
- Manufacturing and sale of fibre cement boards; and
- Distribution and trading of marine-related products and provision of services.

Associated companies of HLI are involved in the manufacturing, assembling and distribution of motorcycles and related parts in Vietnam as well as the manufacturing and assembling of motorcycle engines and spare parts in Malaysia.

The Group's businesses are primarily based in Malaysia, which accounts for 94% (2021: 94%) of the Group's total revenue for the financial year ended 30 June 2022 ("FY2022").

GROUP'S FINANCIAL PERFORMANCE

The Group recorded a 6.3% year-on-year ("y-o-y") reduction in revenue to RM2,466 million in FY2022 from RM2,633 million in FY2021. Profit before tax ("PBT") for FY2022 reduced by 20% y-o-y to RM377 million in FY2022 from RM472 million in FY2021. The lower revenue and PBT for FY2022 was mainly due to the lower sales in the first quarter of FY2022 as Covid-19 restrictions curtailed production for two months.

The Group has been continuously driving digitalisation and transformation through automation, improving operational efficiencies and reducing structural costs to enhance the Group's competitive advantage.

Management Discussion And Analysis

(Cont'd)

CONSUMER PRODUCTS SEGMENT

The Group's Consumer Products Segment comprises motorcycles which are distributed under the Yamaha brand and ceramic tiles which are distributed and sold under the Guocera brand. The Group's consumer products are distributed and sold mainly through an established network of dealers and distributors.

MOTORCYCLE

Overview

Hong Leong Yamaha Motor Sdn Bhd ("HLYM") commenced in 1978 with the signing of a franchise agreement between HLI and Yamaha Motor Co., Ltd ("YMC") to venture into the manufacture, assembly and marketing of Yamaha motorcycles in Malaysia. HLYM operates from its factory in Sungai Buloh, Selangor, Malaysia and currently distributes 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 player in the motorcycle industry in Malaysia.

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



Performance Review

Malaysia recorded a total industry volume (TIV) of 633,000 units in FY2022 as compared to 655,000 units in FY2021. The demand for motorcycles was strong, even though the supply was disrupted by restrictions imposed under the Movement Control Order ("MCO") in the months of July and August 2021.

Yamaha continued to uphold its market leadership position in FY2022. HLYM had expanded its upstream capacity and placed significant efforts to ensure that production was able to cope with the rapid ramping up of outputs. These initiatives had mitigated to some extent the challenges brought by global supply chain disruptions and manpower shortages due to the Covid-19 pandemic.

Alongside with the thriving second-hand motorcycles market, demand for motorcycle spare parts are expected to remain robust. HLYM plans to accelerate the development of its Yamaha Quality Service (YQS) centres and expand its Parts distribution network so that it can achieve a quantum leap in its spare parts sales.

In Vietnam, total motorcycle industry demand declined by 10% y-o-y to 2.53 million units in FY2022. This was mainly attributed to the lockdown in several provinces between July to September 2021, resulting in a decline of 300,000 units in total motorcycle industry demand against the same period of preceding year. YMVN's domestic retail sales also declined by 13% to 440,000 units, primarily due to the lockdown in Vietnam's Southern provinces during the first quarter of FY2022. On the upside, YMVN expanded its export business, recording a three-fold growth in motorcycle exports in FY2022.

Management Discussion And Analysis

(Cont'd)

CERAMIC TILES

Overview

Guocera Holdings Sdn Bhd ("GHSB") is the holding company of the Group's tiles businesses. GHSB manufactures and distributes a full range of ceramic and porcelain tiles, through its two manufacturing facilities located in Kluang, Johor and Meru, Selangor ("GHSB Group"). Guocera is a well-recognised brand in Malaysia and key international markets of Vietnam, Thailand, Singapore and Australia for the past 40 years.



GHSB Group focuses on producing porcelain tiles with distinctive product features and concept-based selling for the mid to high-end market segments. GHSB Group targets to broaden and deepen its penetration in both the domestic and international markets to fortify its brand position and increase its market share.

Performance Review

In FY2022, GHSB's revenue was affected by supply chain disruptions during the MCO period of the Covid-19 pandemic. Production at the manufacturing plant in Meru was also impacted by the severe floods that hit Selangor in December 2021.

GHSB has been actively developing and promoting new products in the market to increase its average selling prices and seize new market opportunities. This is supported by the launch of its new f+n collection and a focus on nature-based designs (such as wood, stone, concrete) to expand its customer base. It aims to build stronger sales pipelines by addressing the untapped retail and project market segments domestically and increasing market spread by entering the green export markets.

GHSB has embarked on plant automation and energy conservation programmes to create long term competitive advantages, mitigate the effects of rising inflationary pressures and to protect the environment surrounding its operational sites. It also focused on growing its talent pool through the upskilling and reskilling of existing and new employees to meet the industry's current and future requirements.

Looking forward, GHSB is exploring the establishment of a new plant with fully automated technology that requires minimal manpower and low energy consumption to expand its porcelain product range to grow its revenue and profit base.

Management Discussion And Analysis

(Cont'd)

OTHER BUSINESSES

FIBRE CEMENT BOARDS

Fibre cement boards are distributed and sold by Hume Cemboard Industries Sdn Bhd ("HCB") under the brand name "PRIMA". The products are distributed to both local and international markets via both retail and project channels.



Overview

HCB, a wholly-owned subsidiary of the Group, began manufacturing fibre cement boards in 1982. HCB manufactures and distributes a range of products comprising of cellulose fibre cement boards in multiple thickness and dimensions for diverse applications. HCB's fibre cement products are made from sustainably-sourced cellulose fibre, top quality cement, high specification sand and softened water. Fibre cement boards are widely used for the internal linings of homes, external architectural cladding for buildings as well as permanent formwork of flyovers and bridges.

HCB is the leading fibre cement board manufacturer in the domestic market, with two manufacturing plants located in Petaling Jaya, Selangor and Kanthan, Perak. Its products are exported to international markets, which includes Australia, New Zealand, Taiwan, South Korea, the Middle East, Vietnam and the South Pacific Islands.

Performance Review

FY2022 was a challenging year for HCB as demand was low due to the construction industry slowdown, supply chain disruption and rising costs of raw materials and freight. HCB's production was also affected by the Covid-19 restrictions in the first quarter of FY2022.

HCB's performance was greatly affected by the Covid-19 restrictions in the first quarter of FY2022. The market demand was low due to the construction industry slowdown. Moreover, the business also faced challenges from supply chain disruption, the rising cost of raw materials and freight that eroded the profit margin. Management will continue to manage plant efficiency, reduce cost and explore new export markets to overcome these challenges.

Management Discussion And Analysis

(Cont'd)

MARINE-RELATED PRODUCTS

HLY Marine Sdn Bhd ("HYM") distributes Yamaha outboard motor products through its strategic partnership with key distributors and dealers.

Overview

HYM, a wholly-owned subsidiary of the Group, was appointed as the exclusive distributor of Yamaha outboard motor products in West Malaysia since April 2017. The Company currently operates from Sungai Buloh, Selangor, Malaysia and has four branches in West Malaysia. Its revenue comprises of the sale of Yamaha outboard motors, provision of after-sales services and sale of spare parts related to outboard motors.

Performance Review

Despite the economic challenges due to the Covid-19 pandemic, HYM recorded a 17% y-o-y growth in revenue and improved profitability in FY2022. This was contributed by the strong demand of outboard motors arising from an increase in commercial fishing due to a special financing scheme offered by Agro Bank to fishermen, the recovery of the tourism industry following the lifting of travel restrictions as well as the increased demand in the pleasure or hobby fishing segment during the pandemic.

Notwithstanding the disruptions in outboard motor supply and shipments caused by the adverse global supply chain conditions, HYM managed to secure a higher quantity of supply from Yamaha Japan to cater for the increase in domestic demand. To enhance its market leading position, HYM has embarked on a digital branding programme via social media marketing as well as intensified on-the-ground activities and education programmes under the Yamaha Technical Academy.



Management Discussion And Analysis

(Cont'd)



RISKS AND OPPORTUNITIES

While the risk of movement restrictions due to the Covid-19 pandemic has eased off in Malaysia, the risk of global supply chain disruptions and cost inflationary pressures remain key concerns that may affect the Group's business performance.

To mitigate these risks, the Group has adopted a more prudent inventory management approach for Completely Knocked Down (CKD) parts of motorcycles and key raw materials for products across its businesses. Management will also continue to diversify its supply sources for key materials as well as develop alternate materials through research and development. Operational excellence remains a major focus to deliver structural cost savings. The Group will also intensify digital marketing to maintain close engagement with customers and leverage on digitalisation to enhance efficiency.

In the past few years, the Group has implemented various process improvements, plant automation, streamlined operations and rationalised products. The various businesses in the Group are well positioned to capture the demand for further growth once economic recovery continues to gain momentum.

The Group's businesses are exposed to foreign currency fluctuations around the import of raw materials and export of finished goods. The Group manages and minimises foreign currency fluctuation risks through non-speculative hedging in forward contracts.

DIVIDEND

Despite the challenging business environment, the Company declared and paid a first and second interim single tier dividend totalling 52 sen per share for FY2022.

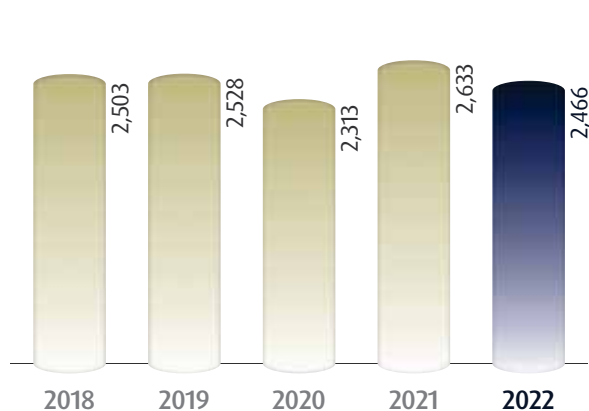
The Group considers dividend payouts as one of the important elements in enhancing its shareholder value. Earnings, capital expenditure requirements, borrowings repayment, capital adequacy, dividend yield and other relevant factors are considered by the Board in determining the actual dividend payout.



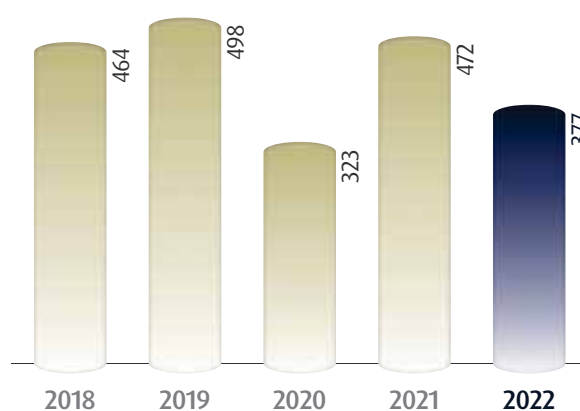
Group Financial Highlights

RM' million	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	2,503	2,528	2,313	2,633	2,466
Profit before taxation	464	498	323	472	377
Profit attributable to Owners of the Company	335	327	169	292	211
Net earnings per share (sen)	108	104	54	93	67
Net dividend per share (sen)	47	50	42	52	52
Total equity	1,585	1,763	1,838	2,014	2,054
Total assets	2,014	2,179	2,199	2,366	2,566
Capital expenditure	38	38	57	51	58

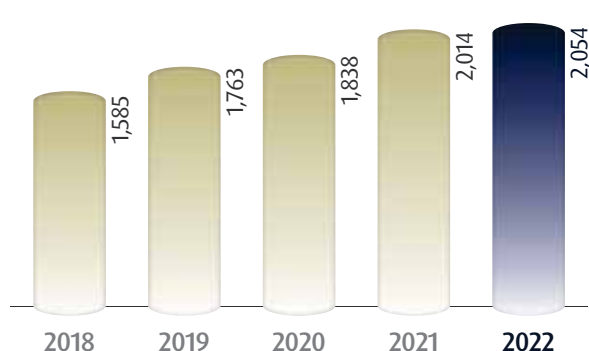
REVENUE
(RM'million)



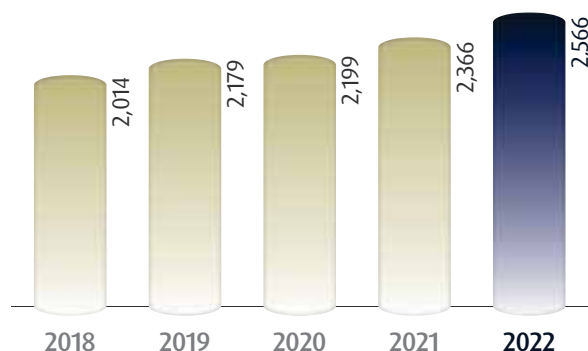
PROFIT BEFORE TAXATION
(RM'million)



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
(RM'million)



Sustainability Statement

Snapshot of HLI



VISION

To be recognized as a leading Group in consumer and industrial products and creating value for our stakeholders



MISSION

To enhance the customers' lifestyle and convenience by providing innovative, quality products and services



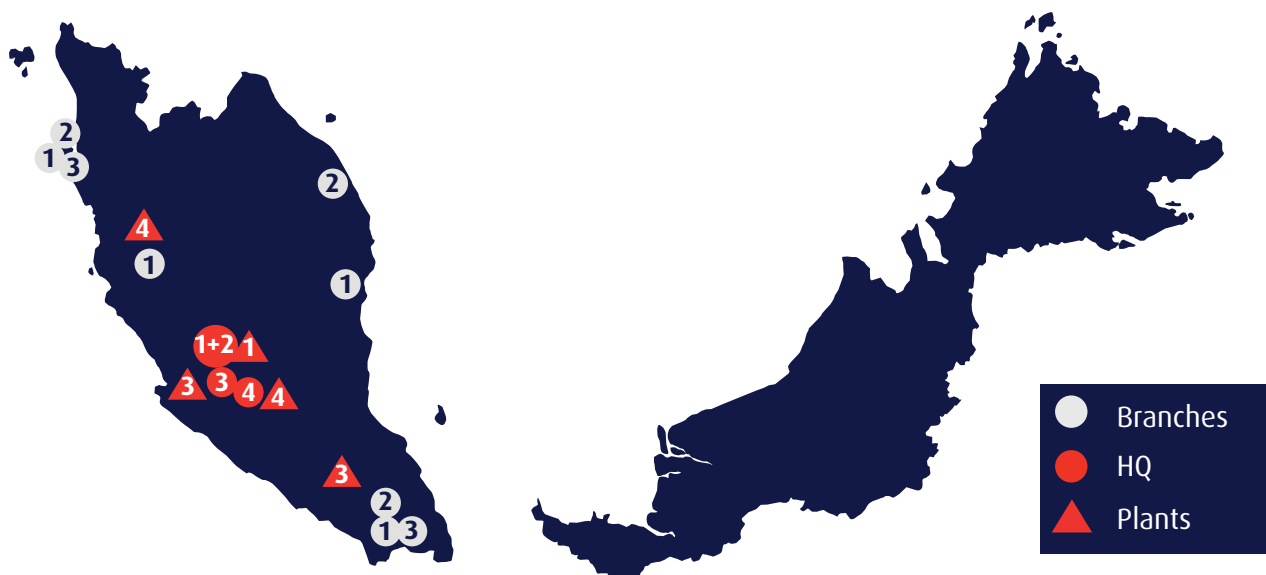
9
Branches



5
Plants



565
Dealers/
Distributors



Company	HQ	Branches	Plants
① HLYM	Sungai Buloh, Selangor	Penang, Ipoh, Kuantan, Johor Bahru	Sungai Buloh, Selangor
② HLY Marine	Sungai Buloh, Selangor	Penang, Johor Bahru, Kuala Terengganu	None
③ Guocera	Petaling Jaya, Selangor	Penang, Johor Bahru	Kluang, Johor; Meru, Selangor
④ HCB	Petaling Jaya, Selangor	None	Kanthan, Perak; Petaling Jaya, Selangor



3 Research
Departments/Facilities



2,800
Total active employees, with diverse skills and backgrounds



3 Divisions
Automotive, Trading and Building Materials



5 Regions
Products exported to ASEAN, Greater China, Middle East, Asia Pacific, Europe

Sustainability Statement

(Cont'd)

Sustainability At HLI

At HLI, we are committed to growing our businesses responsibly. Our sustainability efforts reflect our commitment towards maximising opportunities for stronger fiscal growth and optimising operational efficiency, while creating long-term value in accordance with economic, environmental and social considerations. We are guided by our values in our responsibility towards society and the environment.



This year, we have taken impactful measures to improve sustainability reporting and data tracking. This includes strengthening the sustainability governance structure, revamping the HLI website, establishing our sustainability framework, disclosing data that is currently being tracked and providing training to key sustainability committee and subject expertise taskforce members.

We acknowledge that the extent of data tracking requires improvement to provide a more reliable and accurate representation of our sustainability impact to stakeholders. The Sustainability Working Committee (SWC) is already engaging and working closely with subject expertise taskforce members in operating companies to improve data tracking processes and procedures.

Sustainability Statement

(Cont'd)

About this statement

This sustainability statement covers the economic, environmental, and social aspects of key operations within HLI in Malaysia. We are focused on improving our sustainability disclosures in line with the sustainability reporting guidelines of Bursa Malaysia, FTSE4Good Index Guidelines and the UN Sustainability Goals.



Guidelines and References

Bursa Malaysia Sustainability Reporting Guide 2nd Edition

FTSE4Good Bursa Malaysia Index Rating Guide

UN Global Compact Business Reporting on the SDGs: An Analysis of the Goals and Targets

The scope of this report covers activities of four operating companies (see page 22) which account for over 85% of HLI's revenue. The information reported in this statement includes policies, programmes, initiatives and data tracked for key sustainability areas. Data tracking processes will be enhanced over the short to medium-term to enable extensive and reliable data collation for disclosures.

Forward-looking statements

This report contains forward-looking statements that are contingent on risks and uncertainties which could result in differences between performance and communicated aims. These forward-looking statements are no predictions of our future performance. We make no guarantees that results anticipated by these statements will be achieved. We are under no obligation to update these forward looking statements presented in this report.

Reporting period

1 July 2021 to 30 June 2022 (FY2022)

Awards and Recognition

44th Yamaha President's Award in 2020

Recognition of HLYM's leading market share in Malaysia and brand-value cultivation

Five-Star Rating in 2022, Malaysian Motorcycle Assessment Programme (MyMAP)

Recognition of safety technology in the Yamaha YZF-R15M, XMAX, NVX-ABS models

Reader's Digest Trusted Brand 2022

Voted by consumers, recognition of consumer confidence in Guocera's brand and products

Archidex Star Award Industry Choice 2021

Recognition of Guocera's new product, D'Iseo with Diamond Surface Technology

Archidex Star Award Industry Choice 2021

Recognition of HCB's top product, PRIMAFlex FCB Multipurpose Board

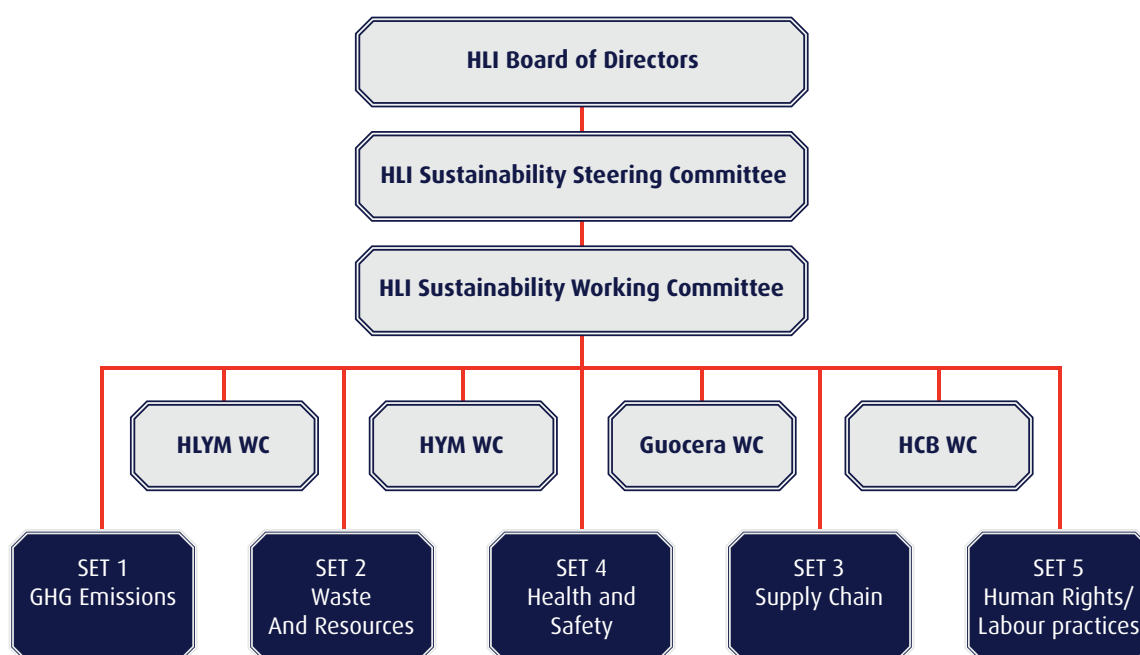
Sustainability Statement

(Cont'd)

Sustainability Framework

FY2025 Vision	
We aim to create a positive impact on sustainability in collaboration with our people, our customers and our community.	
FY22 and FY23 Targets	Progress
Establish foundation for sustainability management and climate change	Strengthen the sustainability structure with five subject matter expertise teams
Establish baseline targets	Compiled three-year data and set targets
Update risk management	Reviewing business risk management process
Improve current ESG practices	Identified gaps based on guidelines. Implemented new materiality assessment approach
Enhance disclosure and reporting	Revamped the HLI website (launched at end of March 2022)

Sustainability Governance Structure



Sustainability Statement

(Cont'd)

HLI's sustainability governance structure comprises the Board of Directors (the Board) as the highest governing body. The Board plays an integral role by approving HLI's sustainability framework and deliberating on reports from the Board Audit and Risk Management Committee (BARMC) covering risk governance issues.

The Sustainability Steering Committee (SSC), chaired by member of the HLI Board of Directors and Group Managing Director Dato' Dr Jim Khor Mun Wei, consists of Managing Directors/Operating Managers and appointed Head of Departments. The committee acts as a guiding role and bridge between the Sustainability Working Committee (SWC) with the Board.

The SWC comprises General Managers and appointed Head of Departments of each operating company. In FY2022, HLI had strengthened sustainability governance by appointing working committees and establishing taskforces comprising subject matter experts from each operating company. The SWC works closely with the working committees and taskforces on the implementation of sustainability policies and frameworks, execution of sustainability plans as well as performance tracking. This allows for improved engagement and alignment on sustainability goals, guidelines, learning, and reporting across HLI.

Concurrently, members of the SWC are also part of the HLI Business Strategic Team (BEST), which oversees HLI's business direction and strategy. The HLI BEST Team comprises financial controllers and operation managers from key departments. It is supported by teams in charge of the Quality and Production Programme (QPP), 5S Programme, Sustainability, IT, Marketing and New Business. The involvement of SWC members and HLI Best Team facilitates synergy and alignment of sustainability improvements to organisational culture and the business strategy of HLI.

Codes, Policies and Procedures

HLI is guided by our codes, policies and procedures, as well as those issued by Hong Leong Manufacturing Group (HLMG) to uphold good governance. Due to differences in the nature of business, each operating company is also guided by its own codes, policies and procedures to mitigate environmental and social impacts of operations.






Governance

HLMG Code of Conduct and Ethics	Specifies high standards of professional employee conduct, ethics and integrity in the conduct of business and professional activities.
HLMG Self-Declaration Policy	Specifies the requirements and procedures for the declaration of any conflict of interest by employees.
HLMG Gift and Entertainment Policy	Prohibits employees from giving and/or receiving gifts and entertainment (G&E), except permitted G&E, whether directly or indirectly.
HLMG Donations Policy	Details acceptable donations made to charities and non-profit organisations by an operating company.
HLI Anti-Bribery and Corruption Policy	Provides guidance on how to prevent, deal with and combat bribery and corrupt activities as well as issues that may arise in the course of business. Policy is supported by the HLMG Anti-Bribery and Corruption and Management System, which details procedures for risk management, periodic reviews, as well as internal and external audits. (see <i>Economic, Anti-Bribery and Corruption</i> , page 34).
HLI Whistleblowing Policy	Encourages employees to raise genuine concerns on improper or wrongful conduct early and appropriately for good corporate governance.

Sustainability Statement

(Cont'd)

 <p>Economic</p>	HLMG Risk Management Policy and Framework	Specifies requirements and procedures to identify, evaluate, manage and report all major risks to ensure business continuity.
	HLI Supplier Code of Conduct and Ethics	Sets out the minimum standard of business conduct expected from all suppliers, including compliance with environmental, health and safety, anti-bribery and corruption, anti-money laundering laws and regulations. Suppliers must adhere to labour and human rights standards, and the code prohibits forced, abusive and illegal labour. (see <i>Economic, Supply Chain Management</i> , page 42)
	ISO9001 Quality Policy	Policy applies to HLYM, Guocera and HCB. It is supported by the Quality Manual, which provides guidance on proper documented procedures, specifications, risk identification and management, periodic management review, internal and external audit as well as improvements. Supporting procedures include assessment and due diligence checks on financial track records, director listing and anti-bribery and corruption of suppliers, vendors, contractors and agents prior to their engagement.
 <p>Environment</p>	HLYM Environmental Policy	States commitment to conserve natural resources and prevent pollution. Policy is supported by the Environment Manual and SOPs for monitoring of emissions, wastewater, scheduled waste management and chemical management.
	HLYM Environmental Procedures For Suppliers and Contractors	Details procedures for environmental controls and safety measures, including chemical handling, waste management and transportation.
	Yamaha Motor Co. Ltd Green Procurement Guidelines	Provides procurement guidance for HLYM suppliers to promote environmental protection, including the control of Environmentally Hazardous Substances in products delivered to HLYM.
	Environmental, Health and Safety Policy	Implemented by Guocera and HCB. States commitment to minimize impact to the environment and provide safe and healthy working conditions. Policy is supported by the ISO14001:2015 Management System Manual, which provides guidance on emissions monitoring procedures, wastewater monitoring and recycling, scheduled waste management and waste recycling procedures.
 <p>Social</p>	HLI Recruitment Policy	Specifies hiring procedures, equal opportunity and no discrimination on the grounds of gender, age, race, religion, and disability in the recruitment of employees. Positions are awarded based on qualifications, experience and potential.
	HLYM Occupational Safety and Health Policy	States priorities to control risks and maintain a safe workplace for employees and other personnel. Policy is supported by SOPs on reducing injuries from noise and chemical handling, as well as emergency preparedness and response, Hazard Identification, Risk Assessment and Risk Control (HIRARC), and COVID-19 case management.
	Environmental, Health and Safety Policy	Implemented by Guocera and HCB. States commitment to provide safe working conditions to minimize the risks of injuries and ill-health of workforce. Policy is supported by manuals on standards and other SOPs to reduce the risks of injuries, near misses, ill-health and property damage.

*Note: For more information on policies, visit the HLI website at www.hli.com.my.

Sustainability Statement

(Cont'd)

Partnerships and Memberships

Association	Operating Company Representation	Operating Company Position In Association	About The Association
Motorcycle & Scooter Assemblers and Distributors Association of Malaysia (MASAAM)	HLYM	<ul style="list-style-type: none"> - President - Honorary Secretary - Committee Members 	A platform for HLYM and motorcycle manufacturers to engage with government bodies on the formulation and alignment of standards for regulation compliance, as well as collaborate on safety riding events and educational programmes.
Federation of Asian Motorcycle Industries (FAMI)	HLYM	Vice President	Established in 1999, FAMI represents and promotes the consultation, coordination and cooperation of motorcycle industries in Indonesia, Japan, Malaysia, Philippines, Singapore, Taiwan, and Thailand.
World Ceramic Tiles Forum	Guocera	Member	Established in 1995, the forum provides a platform for global ceramic tiles manufacturers to discuss issues of interest such as trends in consumption and production, national or international standardisation, regulatory developments affecting the industry's competitiveness and sustainability initiatives promoting ceramic tiles.
Federation of Malaysian Manufacturers (FMM)	HLYM and HCB	Member	Formed 30 years ago and serves as a platform for manufacturers to promote cooperation and represent the interests of respective industries in the formulation and enforcement of government policies, regulations and legislations.
FMM Malaysian Ceramic Industry Group (MCIG)	Guocera	Member	Formed 30 years ago, the FMM MCIG comprises members who are ceramic product manufacturers and associate members who are ceramic manufacturing suppliers.
Building Materials Distributors Association of Malaysia (BMDAM)	HCB	Member	Established in 1976 to promote cooperation among building materials manufacturers and distributors, as well as represent their interests for discussions with government agencies.

Sustainability Statement

(Cont'd)

Materiality

Methodology of Material Matters



1. Clarify

Update changes to the Group's business activities, internal and external factors



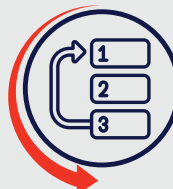
2. Identify

Establish the Group's economic, environmental and social interactions



3. Determine

Specify stakeholders' needs and expectations



4. Prioritise

Rate stakeholders' dependence and influence on the Group



5. Establish

Evaluate economic, environment and social impacts to stakeholders based on set criteria



6. List

Short list material matters according to priority



7. Confirm

Approval of material matters from SSC and Board of Directors

HLI has implemented a more structured methodology for its materiality assessment in FY2022 to better reflect current stakeholder concerns and our exposure to key sustainability areas.

Through communication with and feedback from internal sources as well as reference to external sources, sustainability issues that are significant to stakeholders across economic, environmental, and social spheres have been identified.

Internal Sources: Technical subject matter experts, Head of Departments directly engaging with key stakeholders, senior management.

External Sources: Standards and guidelines, media reports, analyst reports, dealers views, social media.

Sustainability Statement

(Cont'd)

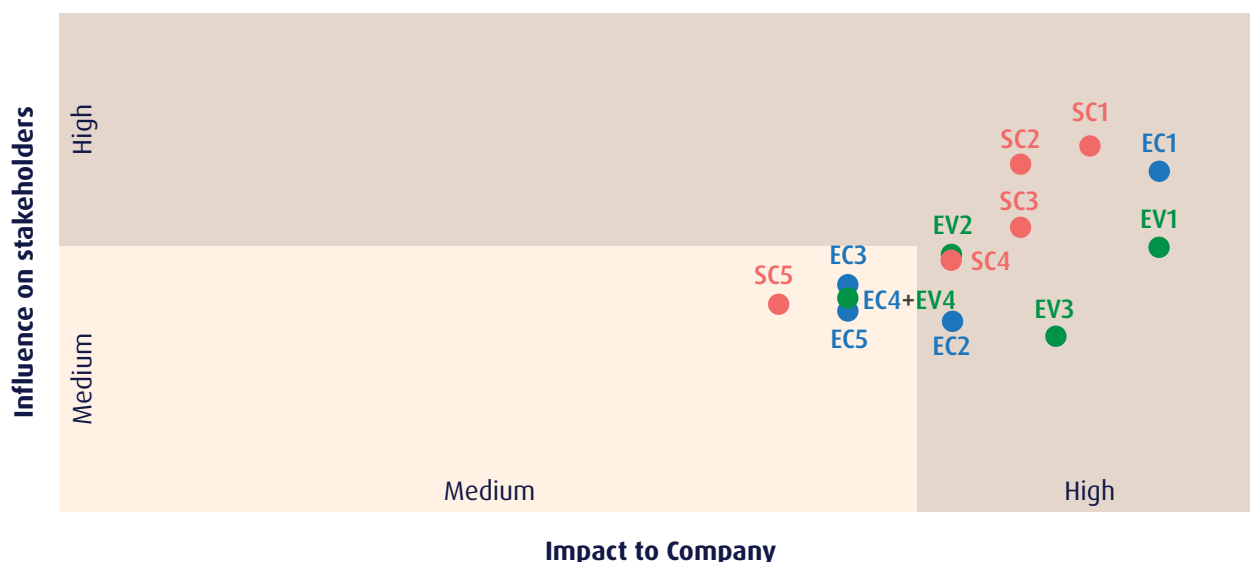
Stakeholder Engagement

Stakeholders	Types of Engagement	Needs and expectations
Customers	Events, showroom, surveys, training, customer relationship management.	Customer satisfaction. Affordable prices for quality products and services; innovative products that meet lifestyle needs. Training on safe use of products.
Shareholders and investors	Board of Directors' meetings, annual general meetings.	Ethical business conduct. Profitable returns, stable cash flow, good governance and reliable company with quality products and processes.
Employees	Meetings, company events, training, annual performance reviews.	Fair remuneration, benefits and welfare. Fair and equitable practices. Safe and conducive working environment. Learning and development for career advancement.
Regulators and authorities	Onsite visits and correspondence.	Compliance with regulations and applicable requirements. Cooperation to support national initiatives or projects (for example, road safety).
Local communities	Community projects.	Projects that support the improvement of communities' quality of life. Corporate responsibility initiatives for the community and provision of job opportunities.
Suppliers and business partners	Supplier visits or assessments and meetings.	Business continuity or security and relationship, on-time payment, strategic business partner. Fair and ethical business conduct. Support for Yamaha's Environmental Plan 2050.
Trade unions	Meetings, company events.	Safeguard employees' rights, safe and conducive working environment and freedom to join unions.
Industry associations	Meetings and correspondence	Support industries' objectives and goals, as well as implement or feedback on policies governing industry-related issues.
General public	Feedback from events and training, social media, customer surveys	Ethical business conduct, environmental-friendly operations, contribution to society, product safety and employment opportunities.

Sustainability Statement

(Cont'd)

Materiality Matrix



Area	Code	Material Matters	Matter Ranking
Economy	EC1	Anti-Bribery and Corruption	M1
	EC2	Technology and Digitalisation	M9
	EC3	Improving Living Standards	M10
	EC4	Supply Chain Management	M12
	EC5	Business Performance	M13
Environment	EV1	Greenhouse Gas Emissions	M3
	EV2	Resource Management	M6
	EV3	Environmental Management	M8
	EV4	Waste Management	M11
Social	SC1	Community Investment	M2
	SC2	Occupational Safety and Health	M4
	SC3	Learning and Development	M5
	SC4	Human Rights and Labour Practices	M7
	SC5	Organisation Culture	M14

Materiality Analysis

This year, the Sustainability Committees reviewed and updated HLI's materiality matrix with a more robust methodology involving members across levels of the Sustainability Governance Structure. The SWC held discussions with working committee and subject matter taskforces in operating companies to establish HLI's operational business context and identify a list of relevant stakeholders. Each stakeholders' needs and expectations were mapped out. Stakeholders were then ranked according to their level of influence and dependence on HLI.

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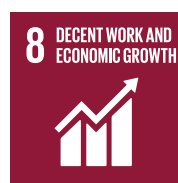
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The SWC then worked with operating companies and subject matter expertise members to establish how HLI's activities, products and services interacts with the economy, environment and social spheres, as well as its corresponding impacts. Scores were established to measure the significance of economic, environment and social impacts to HLI based on set criteria. The material matters were then shortlisted as low, medium and high priorities, and presented to the SSC and Board of Directors for approval.

Based on the exercise, the SWC identified 14 material matters. Out of these, nine matters were identified to be of high priority. Another five matters were identified to be of medium priority. This enables HLI to focus our sustainability initiatives and programmes on high and medium priority material issues, and progress will be tracked and reported.

Aligning material matters to the United Nation's Sustainability Development Goals (UNSDGs)

As a responsible business entity with a local and international footprint, we recognise that we have a role to play in supporting and contributing towards goals identified by the global community. The UNSDGs aim for sustainable development corresponds with our focus on generating long-term value while creating a positive impact for communities and minimising impact to the environment. We have linked the UNSDGs to our material matters and focus areas in mitigating identified risks and maximising opportunities. We will continue to focus on initiatives that contribute towards the UNSDGs.



Economy Matters	Risks	Opportunities	Initiatives
Anti-bribery and corruption	Risk of malpractice that may negatively impact company image and decline in business profitability.	Incorporating ethics and good business conduct into processes and building trust amongst business partners.	Antibribery and Corruption Management System (ABCMS): page 34
Technology and digitisation	Risk of product obsolescence and loss in competitiveness.	Potential to explore new possibilities in process improvement and product innovation.	SMART factory roadmap: page 37 Product Technology: page 37
Living standards	-	Providing knowledge and skills for higher income jobs and developing local small and medium enterprises.	Improving Living Standards: page 41
Supply chain management	Supply disruptions and price fluctuations due to volatile global supply conditions and new legislation. Inability to fulfill market demands.	Developing alternate sourcing of materials and research into alternative materials.	Supply Chain Management: page 42
Business performance	Potential loss of business may lead to decline in share value.	Financial management excellence and strengthening strategic business planning.	Management Discussion and Analysis: page 15

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Environment Matters	Risks	Opportunities	Initiatives
GHG emissions	Insufficient risk identification due to the rapid change in regulations and trends including implementation of carbon tax. Pressure to transition to renewable energy.	Exploring investments into more fuel-efficient technologies and application of renewable energy.	<ul style="list-style-type: none"> Energy Efficiency: page 46 Renewable energy and product emissions: page 49 Product Technology: page 37
Environment management	Potential non-compliance with environmental laws and regulations.	Activities to implement better environmental controls and educating employees on the importance of protecting the environment.	Environmental controls and Environmental Management System (EMS) of ISO14001: page 52
Resource Management	Depletion of non-renewable resources and escalating production costs due to supply disruptions.	Quality and productivity improvement and alternative sourcing.	<ul style="list-style-type: none"> Energy Efficiency: page 46 Resource Management: page 50 Quality and Productivity Programme (QPP): page 70
Waste Management	High cost in disposal of waste. Violation of legal requirements.	Increase 3R projects and cost reduction opportunities.	<ul style="list-style-type: none"> Wastewater recycling: page 50 Waste reduction and recycling: page 54 and 55

Social Matters	Risks	Opportunities	Initiatives
Community Investment	Lack of engagement with relevant communities may lead to miscommunication and dissatisfaction.	Engagement that supports communities and improve business processes.	Safe use of products: page 57 and 58
Occupational Safety and health	Major accidents as a result of non-compliance with health and safety policies and procedures may lead to potential fatalities and serious injuries.	To build a safer and conducive working environment that improves employee performance.	<ul style="list-style-type: none"> Annual health and safety master plan: page 60 to 63 Covid-19 pandemic controls: page 63 and 64
Learning and development	Lack of skills may lead to inefficiencies and inability to meet company performance or objectives.	Training opportunities and self-improvement for career advancement. Talent attraction and retention.	Learning and Development Framework and Programmes: page 64 and 65
Human Rights and Labour practices	Risk of non-compliance and legal actions against the company and potential loss of business.	Constant review and monitoring of employee benefits and compliance to labour laws. Social and recreational activities for employees for their well-being.	<ul style="list-style-type: none"> Compliance with relevant labour laws: page 67 Employee well-being and welfare: page 68 Employee volunteer programme: page 60
Organisation culture	Diversity and lack of understanding among employees of different nationalities may lead to social problems and drop in productivity.	Create a positive and cohesive culture that brings people together and in harmony.	<ul style="list-style-type: none"> 5S Programme: page 69 QPP: page 70

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Economic



HLI believes that ethical business conduct and integrity are core to its functions, and has a role to play in supporting economic growth by providing job opportunities to local youths, promoting the growth of primary, secondary and tertiary manufacturing sectors, as well as small medium enterprises. Our aim is for our products to enhance customers' lives, and therefore we prioritise efficient production processes and operations that adhere to quality standards. Our economic material matters are:

- Anti-bribery and corruption
- Technology and digitalisation
- Improving living standards
- Supply chain management
- Business Performance

M1: Anti-Bribery and Corruption

HLI believes that a high standard of professional employee conduct, ethics and integrity are critical to its success. Thus, operating companies are guided by the HLMG Code of Conduct and Ethics. HLI also endeavours to inculcate an anti-bribery culture. Operating companies have adopted the ISO37001: 2016 Anti-Bribery and Corruption Management System (ABCMS) as a strong framework to impress upon our employees, directors, partners, or other parties that perform services on our behalf that HLI does not condone any form of corrupt practices. In FY2021, HLI's and its operating companies' ABCMS was certified by SIRIM International Sdn Bhd.

Management plays a key role in the oversight of the ABCMS. The Management team in operating companies conducts periodic risk assessments of operations to identify, analyse, assess and prioritize actions needed to mitigate internal and external bribery and corruption risks. The Management team also reviews risk assessment reports, considers improvements to our policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery. Board oversight of bribery and corruption risk is conducted through the Governing Body, BARMC. Each operating company has an ABCMS Compliance Committee, which is overseen by the HLI Anti-Bribery and Corruption (ABC) Compliance Officer, who reports to BARMC.

Following the adoption of the ABCMS, we have implemented an Anti-Bribery and Corruption policy (see *Codes, Policies and Procedures*, page 26), in compliance with the Malaysian Anti-Corruption Commission (MACC) Act 2009 and other anti-bribery and corruption laws in the countries in which HLI operates. All employees, directors, and business associates such as suppliers, service providers, contractors, consultants, and working partners are required to undertake to adhere to the Anti-Bribery and Corruption Policy. The policy and related procedures are communicated annually to suppliers. Current and new employees are required to be aware of the Anti-Bribery and Corruption policy and other policies. Awareness activities under the ABCMS are listed in Table M1A.

Policy	Awareness Activity	Action
HLMG Anti-Bribery and Corruption Policy	Mandatory training for employees on the forms of bribery and corruption, MACC Act 2009, legal ramifications, and penalties. ABC policy is communicated with business associates prior to their appointment, and policy revisions are communicated to them within a month of revision date. New joiners are briefed on policy during their induction programme.	-
HLMG Code of Conduct and Ethics	Communication	Directors and employees are required to declare and acknowledge policy annually as it forms part of the terms and conditions of employment.

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Policy	Awareness Activity	Action
HLMG Self-Declaration Policy	Communication	Specified categories of employees are required to declare interest in other companies annually. New employees are required to submit declaration within 30 days of joining HLI.
HLMG Gift and Entertainment Policy	Communication	Employees are required to declare receiving or offering gifts and entertainment twice a year.
HLI Supplier Code of Conduct and Ethics	Briefing for suppliers	Signing of declaration to abide by the policy and relevant laws and regulations

M1A: Policy awareness initiatives for employees and suppliers.

Awareness activities on policies, best practices as well as rules and regulations are conducted for employees all year round. The ABCMS Compliance Committees in operating companies target each employee to undergo a minimum of one hour of training on the ABCMS every year, which was met in FY2022. Training covers policies on Bribery and Corruption, Whistleblowing, Gift and Entertainment, Code of Conduct and Ethics, and Self-Declaration. Compliance Committee meetings, involving top management and BARMC, are conducted every quarter to review the implementation of the ABCMS.



The HLI Whistleblowing Policy and accompanying procedures support employees to report bribery and corruption incidences. Employees are able to raise whistleblowing reports or any concerns on improper or wrongful conduct directly to the BARMC Chairman. The policy demonstrates our commitment to promoting and maintaining transparency, accountability, and ethics in the conduct of our business and operations. The number of reports received through the whistleblowing channel in FY2022 is shown in table M1B.

	FY2022	Status
No of reports received through whistleblowing channel	Four	Three reports were raised on operational issues, which were resolved without financial impact to HLI. One case is pending investigation.

Table M1B: Reports received through whistleblowing channel in FY2022.

M9: Technology and Digitalisation

HLI considers technological development and digitisation as key business growth drivers that facilitate production efficiency and product innovation. HLI has initiated a systematic approach towards digitising operations. The aim was to improve productivity, simplify and accelerate the application development process as well as to gather all satellite applications into a centralised platform where employees are able to access and retrieve information. HLI's workflow automation plan is shown in Figure M9 and initiatives are shown in Table M9A.

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Figure M9: HLI workflow automation plan.

		● Ongoing	● Completed
Area	Systems	Status	
Collaboration	Enterprise collaboration platform for employees	●	
	Enterprise communication platform for employees	●	
Audit systems	Platform for employees to access policies		●
	Digitise internal audit tracking		●
	Enterprise risk management and license tracking		●
Operation	Digitise supply chain processes		●
	Digitise supply chain management's (SCM)'s pricelist and tender processes	●	
	Real-time production tracking		●
Human Resources and META Analytics	Internal online learning platform	●	
	External online learning platform	●	
	Digitise recruitment and appraisal processes		●
	HLYM enterprise dashboard		●
	Customer self-service dashboard		●

Table M9A: Process automation initiatives across HLI.

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I) Moving Towards Industry 4.0

HLI is also exploring technologies to be leveraged upon to further digitise and automate production processes, such as data analytics, Internet of Things (IoT) applications and cloud technology. Backed by its three-year SMART Factory Roadmap (2022 to 2025), HLYM aims to increase digitalisation and scale up automation across its production lines, distribution and customer engagement channels. This includes the implementation of:

- an Andon system to track daily production targets,
- supervisory control and data acquisition (SCADA) system to monitor machinery performance and effluence from the treatment plant,
- autonomous guided vehicles (AGVs) to move assembled motorcycles along the production floor, predictive maintenance analysis for machines, and;
- autonomous mobile robots to move stock in the parts warehouse.

HLI will continue to increase automation and digitalisation of our manufacturing processes in stages as we move towards Industry 4.0.

II) Cybersecurity and Safeguarding Data Privacy

While digitalisation and automation of operations accelerates, we remain cautious and vigilant on ensuring the protection of data privacy and enhancing cybersecurity. No cyberattacks occurred in HLI in FY2022. However, we recognise the risk posed by cyber threats, and HLI's principal cybersecurity strategy is to adopt the ISO27001 framework for managing cyber risks.

The ISO 27001 framework is the international Information Security Management System (ISMS) standard and is deployed globally. It provides a risk-based approach to managing people, processes, and technical controls. The standard's modular approach to auditing people and technical dependencies ensures that numerous operational benchmarks can be measured, compared, and improved if security gaps are discovered. The standard engages with all stakeholders across the organization, enabling individuals, business units, or the entire organization to accept responsibility for security within the environment.

III) Product Technology

In line with our Vision and Mission (*see Snapshot of HLI, page 22*), we believe that we have a responsibility to deliver safe and quality products that customers can trust. We have set in place policies to assure products are safe for use and comply with regulations as well as relevant standards before distribution to local and international markets. We adhere to various product quality standards, which serve as the foundation of our internal procedures. The standards are listed in Table M9B.

We have also established dedicated research and development departments as well as facilities to conduct research and testing of our products to meet necessary quality and safety standards. Consistency in production of high-quality products matter, and we are planning to increase the adoption of digital technologies to further automate and digitise production processes.

Company	Standard
HLYM	ISO9001: 2015 (Quality Management System)
	ISO14001: 2015 (Environment Management System)
	ISO37001 (Anti-bribery Management Systems)
	Certification of Communications Equipment, Malaysian Communications and Multimedia Commission
	Vehicle Type Approval (VTA) for motorcycles
	United Nations Economic Commission for Europe (UNECE) standard
HYM	ISO 37001 (Anti-bribery Management Systems)

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Company	Standard
Guocera	ISO9001: 2015 (Quality Management System)
	ISO14001: 2015 (Environment Management System)
	ISO45001: 2018(Health and Safety System)
	MS ISO 13006 (Product Certification)
	EN14411:2012 (CE Mark)
	OHSAS 18001:2007 (Occupational Health and Safety Management System)
	SIRIM Eco Label
	ISO/IEC17025 (Testing and Calibration Laboratories)
HCB	ISO9001:2015 (Quality Management System)
	ISO14001:2015 (Environment Management System)
	ISO37001 (Anti-bribery Management Systems)
	ISO 8336: 2009 - SIRIM Product Certification License (Cellulose – cement flat sheet)
	CodeMark CM 20164 – New Zealand and Australia Product Certification (PRIMAflex, PRIMAp plank, PRIMABase and PRIMAalpha Weatherclad)
	CodeMark CM 20210 – New Zealand and Australia Product Certification (PRIMAaqua, PRIMAlux, PRIMACTU, PRIMAliner and PRIMAalpha Groove)
	StandardsMark License AS/NZS 2908:2:2000 (Cellulose – cement flat sheet)
	Singapore Green Label
	Korea Eco Label
	SIRIM Eco Label
	Myhijau Mark
	Class 'O' Certification by the Fire and Rescue Department of Malaysia
	MS1296: 2010 SIRIM Product Certification License (Fibre – cement flat sheet)

Table M9B: Standards and certifications.

Domestic requirements

At HLYM, quality assurance begins at the initial phase of model development. New products are tested and evaluated to meet regulatory requirements prior to launch and distribution. Motorcycle models obtain Vehicle Type Approvals (VTAs) to ensure build characteristics and specifications comply with stipulations set under the Road Transport Act 1987 and Road Transport Rules (Road Transport Department, 2017)¹, as well as ensuring that motorcycles are outfitted with radio wave devices certified by the Malaysian Communications and Multimedia Commission (MCMC). During the mass production stage, motorcycles are subjected to rigorous electrical, performance, speedometer, brakes, head lights, noise, and appearance testing and inspections. Carbon emission and fuel consumption tests are conducted based on the World Motorcycle Test Cycle of the United Nations Economic Commission for Europe (UNECE) international requirements, in line with the requirement under domestic regulations.

HLYM has gone further to introduce technology that adds value to customer safety. For example, three Yamaha models - Yamaha YZF-R15M, XMAX and NVX-ABS - received a five-star rating from the Malaysian Institute of Road Safety Research (MIROS) under the Malaysian Motorcycle Assessment Programme (MyMAP). MyMAP is an initiative to promote safer motorcycles in Malaysia with the utilization of safety technology on motorcycles and enhancing consumer awareness on riding safety. The Yamaha YZF-R15M, launched in June 2022, comes with a built-in side stand engine cut-off switch, along with the introduction of a dual channel anti-lock braking system (ABS) for precise braking even at high speed.

¹ Road Transport Department (2017). VTA Application Procedure. Retrieved from https://www.jpj.gov.my/en/web/main-site/teknikal-kenderaan-en/-/knowledge_base/technical/vta-application-procedure

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HLI Group Managing Director and HLYM Managing Director Dato' Dr Jim Khor Mun Wei (centre) receiving the five-star MyMap rating from MIROS' Vehicle Safety and Biomechanics Research Centre Director Zulhaidi Mohd Jawi (second from left) during the launch of the Yamaha YZF-R15M model. Also pictured are (left to right) HLYM Sales, Service and Spare Parts General Manager Goh Wei Ping, HLYM Director Taketoshi Takabayashi and HLYM Marketing and META General Manager Hoo Wan Tim.

Guocera focuses on stringent testing and research to provide high quality tiles with safety features. Guocera's testing facility Ceramic Research Company Sdn Bhd (CRC), a subsidiary of Guocera that is accredited with the ISO/IEC 17025 standard, conducts product safety tests on its tiles and provides ISO anti-slip testing as well as relevant dimensional, physical and chemical properties for the tile industry in conformity to international standards. Guocera organises a Quality Forum every month, where Management reviews issues on product quality. Internal audits on the ISO9001: 2015 Quality Management System are conducted annually, as well as reviews and updates on risks related to quality. Guocera has also obtained the MS ISO 13006 and SIRIM Eco Label product certifications, which is renewed annually. The MSO ISO 13006 certification verifies Guocera tiles comply with the ISO13006 standard, while the SIRIM Eco Label certifies Guocera tiles fulfill eco-standards specified under the scheme. Guocera's tiles are fired at a high temperature that exceeds 1,000 degrees Celsius, making the tiles non-toxic. The tiles do not emit volatile organic compounds.

HCB focuses on incorporating good quality and product safety into the manufacturing processes of PRIMA products. Manufacturing methods and processes are ISO certified, and PRIMA products are certified 100% asbestos-free. PRIMA products are certified with the SIRIM Eco Label and MyHijau Mark, meeting eco-friendly requirements under the schemes. Product quality research is conducted by CRC, ensuring that PRIMA products comply with quality standards.

International requirements

Guocera tiles and HCB's PRIMA products are manufactured to meet requirements for distribution in international markets. Guocera tiles are certified with a CE Mark, a certification of conformity with health, safety and environmental protection standards for products sold within the European Economic Area. Guocera tiles have also obtained Singapore's Green Label Certificate, which is renewed biannually, certifying Guocera tiles as environmental-friendly products.

HCB's PRIMA products are manufactured to meet and achieve requirements for distribution in the Asia Pacific, European Union, Middle East and Greater China regions. Products require certification before entrance and distribution in these markets, and are renewed annually, biannually or once in five years as required. PRIMA products have undergone several tests by external laboratories, as documented in Table M9C. PRIMA products have also received various green label certifications globally.

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External Laboratory	Findings
TÜV SÜD PSB Singapore	No emission of toxic gasses, do not contain formaldehyde (a known carcinogen), has negligible emissions of total volatile organic compounds.
SGS Laboratories Taiwan	
Korea Conformity Laboratories	
SIRIM Berhad	Heavy metal concentrations are below the threshold of maximum acceptable levels, pesticide-free.
Korea Atomic Energy Research Institute	No radioactive components.

Table M9C: Tests conducted on PRIMA products.

Apart from product quality requirements and standards, we are also monitoring developments in product technology and consumer trends arising from a focus on climate change. HLI recognises its critical position to support local and international plans as well as strategies to curb greenhouse gas emissions (GHG). HLI supports the Malaysian government's commitment towards a national goal of reaching net-zero GHG emissions by 2050. The Water and Environment Ministry has drafted a roadmap towards this goal – the Environmental Sustainability In Malaysia 2020 to 2030 Plan – which details 30 initiatives including targets for low carbon cities and low carbon mobility (Water and Environment Ministry, 2022)².

As a licence holder of Yamaha Motor Co., Ltd. (YMC)'s motorcycles in Malaysia, HLYM also supports the Yamaha Motor Group Environmental Plan 2050. Under the reviewed and updated plan, YMC has set a new goal of aiming for carbon neutrality throughout its business activities.

YMC has embarked on a few measures to support its goals. In February 2022, YMC announced that it will expand its research and development facilities to develop eco-friendly technologies for Yamaha products (YMC, 2022)³. YMC had also announced that several Southeast Asian countries – namely Indonesia, Malaysia and Thailand – have been selected to test the Yamaha E01 electric scooter (YMC, 2022)⁴.

In the ASEAN market, the EV penetration rate is expected to increase by more than double in the next decade, with greater adoption in the two-wheel segment (Liaw, 2022)⁵. HLI recognises that the EV market has a strong long-term growth potential, albeit with current challenges of charging infrastructure. As a major player in the two-wheel automotive segment in Malaysia, HLYM is studying the opportunities and challenges of introducing EVs in the Malaysian market.



The Yamaha E01 electric scooter will be tested in Malaysia.

² Water and Environment Ministry (2022). Environmental Sustainability In Malaysia 2020 to 2030. Retrieved from https://www.kasa.gov.my/resources/rujukan/Roadmap_KASA_2020-2030-en.pdf

³ Yamaha Motor Co., Ltd. (2022). Yamaha Motor Expanding Facilities for Carbon-Neutral Powertrain R&D. Retrieved from <https://www.yamaha-motor.com.my/yamaha-motor-expanding-facilities-for-carbon-neutral-powertrain-rd/>

⁴ Yamaha Motor Co., Ltd (2022). Yamaha Motor Introduces E01 Electric Scooter with Fixed Battery for POC Testing - Fast-chargeable urban commuter providing convenience and a high-quality ride. Retrieved from <https://global.yamaha-motor.com/news/2022/0317/e01p.html>

⁵ Liaw Thong Jung (2022). ASEAN Automotive: The Rise of ASEAN EV. Maybank IB Research. Retrieved from https://www.maybank.com/mibg/files/10_ASEAN_Automotive_The_Rise_of_ASEAN_EV.pdf

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M10: Improving Living Standards

HLI recognises it has a role to play in supporting the local economy. Our businesses are supported by enterprises in the primary (raw materials) and tertiary (services) sectors, with suppliers providing us with raw materials for our products and an established product distribution network of dealers and dealerships. A significant proportion of our first-tier (direct) suppliers and dealers are small and medium enterprises (SMEs). HLI has close to 2,000 suppliers, of which over 500 are SMEs. Our dealers are supported by a network of second-tier dealers and distributors, a majority of which are SMEs. Second and third-tier (indirect) product distributors include stockists, hardware dealers, and other establishments across Malaysia.

As such, we strive to build strong relationships with our dealers and suppliers. At HLYM, dealer relationship is fostered through its Dealers Development Programme (DDP). Implemented in 2016 by HLYM's Motorcycle Education and Training Academy (META) and structured like a Master in Business Administration programme, the one-year DDP programme aims to develop second generation dealers to transform their family business by enhancing their management skills, knowledge about the motorcycle industry, digital tools and trends in the marketplace. Since its inception, a total of 46 second generation dealers have participated in the programme. Apart from the DDP, META conducts customised technical programmes for mechanics and staff of dealers, equipping them with vital skills in the motorcycle service industry through the Yamaha Technical Academy (YTA) programme. META also conducts host of training programmes for the general public on safe riding (see *Social, Community Investment*, page 57).

In 2021, Guocera launched the Tiles and Beyond Academy (TAB Academy) with the aim of offering high quality, industry-related education to enrich the knowledge and skills of employees and business partners through structured tile-related education and knowledge-sharing programmes (see *Social, Community Investment*, page 57). Training programmes are conducted for distributors to optimise their product knowledge and technical competency skills. Training involves understanding the various properties of tiles, selecting suitable tiles for the right application and prevention of common tiling failures. TAB also conducts training for developers and contractors to enhance their knowledge on proper methods of tile installation and the provision of quality workmanship. Factory workforce and suppliers are trained on technical competencies in manufacturing.

HCB has maintained its focus on new product innovation and development of new applications for the use of PRIMA fibre cement boards to meet changes in the construction industry. Therefore, there is a need for its distributors and dealers to keep pace with market developments and possess necessary knowledge on PRIMA products for use in new and ongoing developments. HCB's PRIMA technical team provides bi-annual refresher courses to distributors and dealers, training or retraining them on functionality, technicality and installation of PRIMA products as well as its applications in various aspects of a construction project. In addition, distributors and dealers are provided hands-on technical training on-site to experience the application of PRIMA fibre cement boards. The training provides an opportunity to enhance problem solving skills to address any issues that may arise by users, such as contractors and construction workers at construction sites.

Through HLYM's products, we provide lower income communities with an affordable mode of transportation for income generation. With the advent of food delivery apps and e-Commerce which increased in usage and demand during the COVID-19 pandemic, HLYM's vehicles are a mode of income generation for many of our consumers.

As our operating companies are significant players in their markets and sectors, HLI also recognises its role as a responsible employer. Local employees are prioritised for job opportunities and provided access to unions. This is reflected in a higher ratio of local employees compared to foreign workers (see *Social, Table S4*, page 56) and union representation for workers (see *Social, Human Rights and Labour Practice*, page 67 and 68). We also strive to provide them with comprehensive employment benefits (see *Social, Human Rights and Labour Practice*, page 67) and training opportunities. As HLI aims to move towards a continuous learning organisation, we will focus on training to increase the skills and knowledge of our workforce over the next few years (see *Social, Learning and Development*, page 64).

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M12: Supply Chain Management

HLI strives to support local businesses and the growth of local SMEs. Operating companies' rate of local material supply is shown in Table M12A. As HLYM and HYM are official distributors of Yamaha products in Malaysia, local material purchases are lower compared to Guocera and HCB.

	HLYM	HYM	Guocera	HCB
Percentage of local material purchase	56.7	0.1	75	54

Table M12A: Local material purchase.

HLI adheres to a tender process and procurement policy of sourcing based on value and quality to ensure fair and transparent business transactions. We endeavour to ensure our suppliers adhere to good governance, environmental and social standards. Details on the guidelines, procedures and action taken in FY2022 is listed in Table M12B.

Policy/Procedure	Procedure	FY2022 Results		
		HLYM	Guocera	HCB
HLI Supplier Code of Conduct and Ethics	Declaration of commitment to adhere to policy	100% of 598 suppliers.	*99.2% of 775 vendors.	100% of 551 vendors.
Yamaha Green Procurement Guidelines	<ol style="list-style-type: none"> Annual supplier assessments. Declaration of conformity from suppliers that supplied parts conform to non-use of banned substances or the controlled use of harmful chemical substances which are listed under the Global Automotive Declarable Substances List. Briefing to suppliers on guidelines. 	62 suppliers briefed on new compliance for guidelines on May 20, 2022. Annual assessments and declaration of conformity conducted.	-	-
Supplier Audits	Annual site visits to verify suppliers' compliance with environmental and labour policy requirements, including minimum wage requirements and verification of proper waste disposal.	Six out of six suppliers were audited via online and on-site audits by using YMC's Quality Management System (QMS) checklist.	Self-assessments carried out. Five vendors completed self-assessment and complied with regulatory standards.	Self-assessments carried out. Vendors complied with regulatory standards.
YMC Supplier Evaluation System (eValues)	Annual assessments conducted for local content parts suppliers, in accordance with requirements under YMC CSR Purchasing Guidelines.	36 out of 44 suppliers audited. Three suppliers have been selected to improve their company operation, manufacturing and other segments.	-	-

* Two of Guocera's suppliers have referred Guocera to their own established Code of Ethics in place of Guocera's requirements. Guocera is in discussion to resolve and ensure compliance while also seeking alternative sources of supply.

Table M12B: Procedures and audits on suppliers.

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Suppliers are required to adhere to the HLI Supplier Code of Conduct and Ethics policy by signing a declaration of commitment (see *Codes, Policies and Procedures*, page 26). Failure to comply with the policy may result in termination of business. Management will look for alternative suppliers to replace vendors who do not comply with the HLI Supplier Code of Conduct and Ethics policy.

HYLM has been certified with the ISO9001 standard since 1995. Under the ISO9001 Quality Management System, we have established vendor assessment procedures for suppliers. Pre-assessments and due diligence exercises are conducted prior to the registration of new suppliers to ensure they meet HLYM's policy requirements, including environmental management system (EMS) criteria. Suppliers who enter into contracts with HLYM are required to acknowledge acceptance of the HLYM Environmental Procedures for Suppliers and Contractors and the Yamaha Green Procurement Guidelines (available at www.hli.com.my and www.yamaha-motor.com.my). The Yamaha Green Procurement Guidelines, issued by Yamaha Motor Co., Ltd., prescribe the controlled use of environmental hazardous substances, among other environmental-friendly practices. HLYM also adheres to the Yamaha Technical Standard "Management Rules for Environmentally Hazardous Substances," which covers the raw material development and quality assurance (QA) evaluation processes. Suppliers are required to declare non-use of EHS and comply with the standard.

HLYM's vendor assessment procedures were aligned with the Yamaha Global Quality Assurance Manual for Purchased Products in 2019. In FY2020, HLYM conducted self-assessments of key suppliers according to new audit criteria based on YMC's Quality Management System (QMS) audit checklist to gauge their understanding, followed by training conducted in FY2021 for auditors. HLYM then kicked off audits in FY2022 according to the new criteria, and six vendors were audited. The new criteria cover environmental requirements, such as control of environmental hazardous substances.

In FY2022, operating companies conducted online audits and self-assessments due to restrictions posed by the COVID-19 pandemic, as shown in Table M12B. In September 2020, HLYM rolled out eValues audits based on a checklist issued by YMC, covering nine evaluation segments with a total of 69 evaluation categories, with each category covering five areas:

- knowledge on laws,
- organisational procedures,
- prevention,
- awareness on issues, and;
- actual conditions.

Under the Business Continuity Plan evaluation segment, suppliers are evaluated on green purchasing and labour practices involving open door policy, fair trade, compliance/non-disclosure, respect to global environment and mutual trust/prosperity requirements. Specifically, suppliers are evaluated on six categories of Safety/Quality, Human Rights and Labour/Environment, Environmental Considerations, Risk Management Practices, Thorough Compliance, and Appropriate Information Disclosure. Due to the MCOs, self-assessments were conducted. Assessment results will be used for supplier development plans to increase their understanding and improve compliance with requirements.

HLYM tracks suppliers' performance, particularly quality and delivery. Vendors are rated on a monthly basis to ensure ability to meet production requirements. Supplier performance are monitored on quality, delivery and their responsiveness to quality production index and investigation of issues. Table M12C shows the rating system for suppliers and Table M12D shows the average quarterly ratings of 46 local suppliers that were evaluated in FY2022.

Rating	Percentage
AA	95 and above
A	90 to 94.9
B	80 to 89.9
C	70 to 79.9
D	Below 70

Table M12C: Supplier performance ratings.

FY2022 Quarter (QFY22)	Average Rating
1QFY2022	99.8%
2QFY2022	99.5%
3QFY2022	99.8%
4QFY2022	99.5%

Table M12D: Quarterly average rating of evaluated suppliers.

In FY2021 and FY2022, supplier audits for Guocera and HCB were conducted via self-assessment processes due to MCOs. On-site vendor audits are expected to resume in FY2023 for all three operating companies.

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M13: Business Performance

HLI's businesses of motorcycles, trading of marine outboard motors and building materials involve a high proportion of sales turnover contributed by its domestic core. Following disruptions caused by the MCOs of the COVID-19 pandemic and floods in Selangor in December 2021, HLI has begun to resume normalcy, with key businesses focused on new product differentiation, building strong sales pipelines and plant optimization driven by technological transformation and automation.

To offset rising inflationary pressures, ongoing plant automation and energy conservation programmes will create long-term competitive advantages and minimise environmental impact from operations. To meet business growth and sustain healthy profit margins over the long-term, HLI has been focused on building the competencies of its talent pool through upskilling and reskilling of existing and new employees to meet industry challenges. Details on economic performance is shown in Table M13A.

Economic Performance	Unit	FY2019	FY2020	FY2021	FY2022
ECONOMY					
Revenue and Business Growth	RM Million	2,528	2,313	2,633	2,466
Customer base	Number	507	576	562	565
Leveraging on research and development (R&D expenses)	RM Million	20	20	19	31
Procurement/Sourcing					
Local vs import contents	%	63:37	62:38	62:38	61:39
Employee Benefits					
*Job opportunities (strength of workforce)	Number	3,130	3,052	2,861	2,949
Total staff expenses	RM Million	192	206	172	180
Staff expenses/headcount	RM'000	61	67	60	61
Payments to Other Stakeholders					
Government (direct & indirect taxes)	RM Million	387	385	375	327
Shareholders (dividends)	Refer to Financial Statement				
Suppliers (operational costs)	RM Million	464	356	303	357
Lenders (financing costs)	Refer to Financial Statement				
ENVIRONMENT					
Capital Expenditure					
Plant automation/Process Improvement	RM Million	0.3	4.0	5.9	4.4
Technology investment	RM Million	2.5	5.0	1.5	0.5
Energy conservation	RM Million	4.7	0.2	0.2	0.6
Product Quality Improvement					
Customer claims	Number of cases	2,300	1,116	1,054	713
**Compensation costs	RM Million	1.5	2.0	1.2	1.0
Energy Conservation Initiatives					
Natural gas	RM Million	60	50	29	38
	RM/Revenue	0.02	0.02	0.01	0.02
Electricity	RM Million	45	39	30	31
	RM/Revenue	0.02	0.02	0.01	0.01
Diesel and Medium Fuel Oil	RM Million	5	4	3	5
	RM/Revenue	0.002	0.002	0.001	0.002

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Economic Performance	Unit	FY2019	FY2020	FY2021	FY2022
SOCIAL					
Community project expenses	Refer to Social, Community Investment (page 57)				
Learning and Development (training cost)	RM'000	1,005	657	471	583
*** Medical expenses (Covid-19 related)	RM'000	-	32	203	1,402

* Job opportunities according to payroll data.

** Compensation costs only accounts for product quality issues.

*** Medical expenses (Covid-19 related) in FY2022 covers costs of bi-weekly swab tests and vaccinations for employees. Table M13A: Economic performance.

Environment



HLI adheres to environmental standards as prescribed by Malaysian laws in its operations. We are focused on minimising environmental impact through prudent use of energy and resources, as well as controls in emissions. HLYM's, HCB's and Guocera's plants adhere to the ISO14001: 2015 standard and have their respective Environmental Management System (EMS), with HLYM's environmental focus areas shown in Figure E1. HLI's environmental material matters are:

- Greenhouse gas emissions
- Resource management
- Environmental management
- Waste management

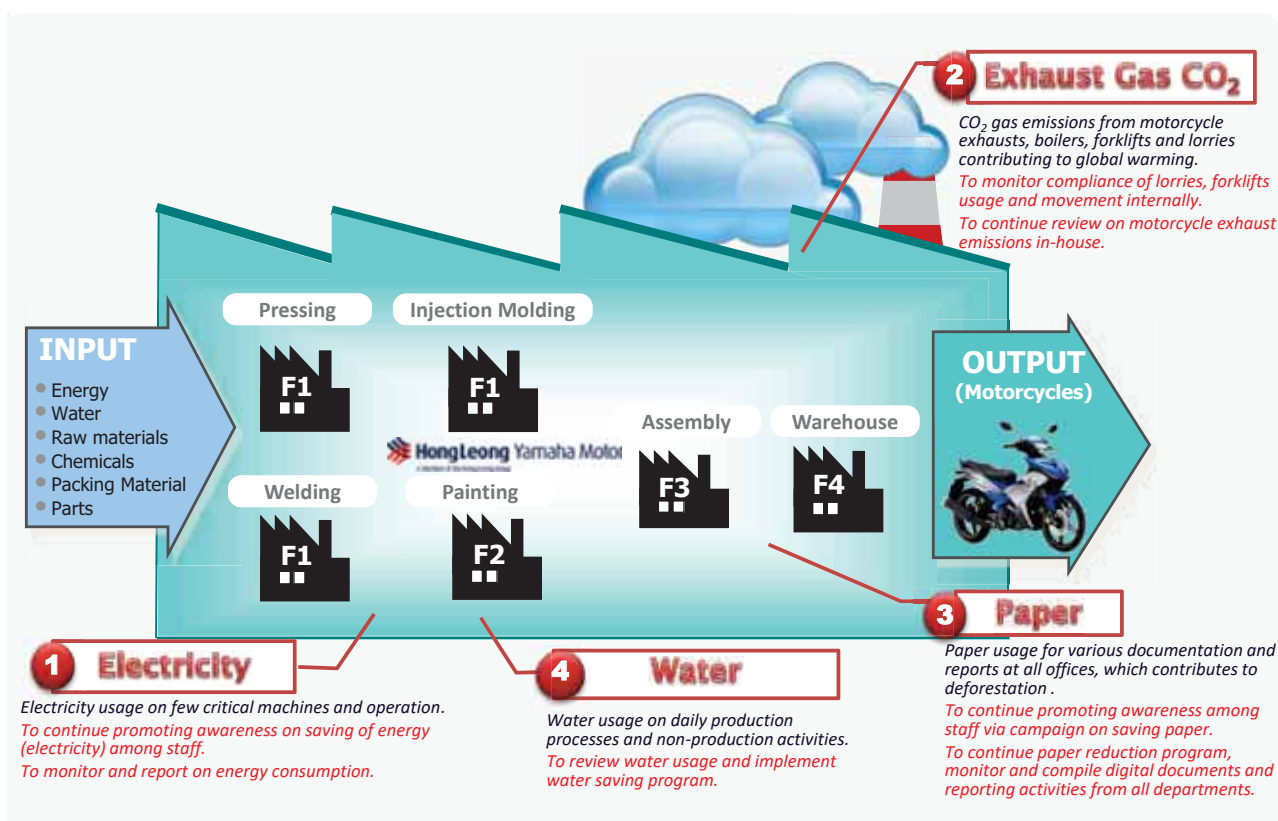


Figure E1: HLYM's environmental focus areas in FY2022.

Sustainability Statement

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M3: Greenhouse Gas Emissions

We acknowledge greenhouse gas emissions as a key element of sustainability management. The increase in greenhouse gasses is contributing to adverse weather conditions across the world, with more frequent and intense floods in Malaysia. At HLI, we recognise that floods pose a significant risk to HLI's operations, having been impacted by the devastating floods in Selangor in December 2021 that resulted in supply chain disruptions. Climate change is also driving many policy updates and technological developments that have a potential impact on HLI's business cost and operations. The potential introduction of a carbon tax will add to production costs. Product technology innovation of electric vehicles is propelling the automotive industry forward, with the risk of increasing production costs and a shift in customer demand towards low-carbon vehicles. Therefore, we support the Malaysian government's target to achieve carbon neutrality by 2050. As a business partner of YMC, HLYM also acknowledges YMC's accelerated carbon neutrality goal for factories, including those out of Japan (YMC, 2022)⁶. In line with YMC's direction to focus on cleaner energy and minimise energy use, HLYM will continue to explore ways to increase energy efficiency and renewable energy sources. We seek to reduce the impact of emissions from manufacturing processes and products by consuming energy responsibly and efficiently.

I) Energy efficiency

HLI's main energy sources are non-renewable fuel. We closely monitor energy sources to avoid wastages, and each operating company has an energy saving programme to reduce energy consumption year-on-year. Our energy consumption and intensity is shown in Table M3A, followed by Scope One and Scope Two data in Tables M3B to M3D. Scope Three data is shown in Table M3E. Scope One data covers the fuel used in production processes, with tonnes CO₂ equivalent (tCO₂e) data calculated for three major greenhouse gasses – Carbon Dioxide (CO₂), Methane (CH₄) and Nitrous Oxide (N₂O). Scope Two data covers electricity consumption. Scope Three data tracks fugitive gas used in HLYM processes. We are working on improving the extent of data tracking of Scope One and Scope Two emissions.

HLI targets to reduce the energy intensity (kWh per revenue[RM]) by 30% (with reference to baseline year FY2019) by FY2025. Energy efficiency is on a downward trend, contributed by the planned decommissioning of several production lines in Guocera since FY2020 and disruptions to production caused by the MCOs of the COVID-19 pandemic. However, we remain cautious with our target to reduce energy intensity, on the back of plans to accelerate business growth. The target was reached based on the assumption that production is expected to increase in line with business growth plans, energy reduction plans at operating companies and ramping up of economic activity post-COVID-19 pandemic. Our energy intensity target will be reviewed on an annual basis and updated accordingly.

Energy consumption (kWh)	FY2019	FY2020	FY2021	FY2022	Target
HLYM	19,133,421	17,496,056	18,549,110	17,014,740	
HYM	141,172	233,264	252,947	202,927	
Guocera and HCB	667,774,178	547,542,366	411,064,231	408,074,784	
Total	687,048,771	565,271,686	429,866,288	425,292,451	
Energy intensity (kWh per revenue/RM)	0.25	0.24	0.16	0.17	30% reduction by 2025
Percentage reduction (%)	Baseline	4	36	32	

Table M3A: Energy consumption.

⁶ Yamaha Motor Co., Ltd. (2022). Yamaha Motor Expediting Carbon Neutrality Goal for Company Factories to 2035 - Carbon-free electricity accelerating progress toward a decarbonized society. Retrieved from <https://www.mynewsdesk.com/yamaha-motor/pressreleases/yamaha-motor-expediting-carbon-neutrality-goal-for-company-factories-to-2035-carbon-free-electricity-accelerating-progress-toward-a-decarbonized-society-3191458>

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Scope 1 Data

Scope 1 emissions (tonnes of CO ₂ e)	FY2019	FY2020	FY2021	FY2022
HLYM				
Diesel	437	359	311	277
Petrol	285	343	343	395
Natural Gas	1,352	1,189	1,346	1,198
Total	2,073	1,891	2,001	1,869
HYM				
Diesel	Not available	19.6	20.9	20.1
Guocera and HCB				
Diesel	2,576	2,104	1,718	1,558
Petrol	129	132	62	10
Natural Gas	104,978	87,245	61,894	61,311
Medium Fuel Oil	6,724	4,662	6,720	6,607
Total	114,407	94,143	70,394	69,486

*Note: Conversion of energy consumption to CO₂ emissions is calculated based on guidelines from Malaysia Green Technology Corporation and the Intergovernmental Panel on Climate Change. tCO₂e data includes CO₂, CH₄ and N₂O.

Table M3B: Scope 1 emissions.

Scope 2 Data

Electricity consumption (kWh)	FY2019	FY2020	FY2021	FY2022
HLYM	9,686,365	8,906,735	9,358,196	8,483,633
HYM	141,172	158,783	173,633	126,490
Guocera and HCB	113,982,873	90,675,410	73,991,114	75,045,034
Total	123,810,410	99,740,928	83,522,943	83,655,157

Table M3C: Electricity consumption.

Scope 2 emissions (tCO ₂ e)	FY2019	FY2020	FY2021	FY2022
HLYM	6,722	6,181	6,495	5,888
HYM	98	110	121	88
Guocera and HCB	79,105	62,929	51,350	52,081
Total	85,925	69,220	57,966	58,057

Table M3D: Scope 2 emissions (tCO₂e).

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Scope 3 Data

Scope 3 emission	FY2019	FY2020	FY2021	FY2022
CO2 Welding Gas (kg)	10,647	11,630	14,578	11,326

*Note: Data only covers HLYM. HLYM tracks and monitors the consumption of CO2 gas purchased and used as shielding gas for its welding process.

Table M3E: Fugitive gas consumption.

HLYM is guided by a set of energy efficiency requirements for machinery acquisition. HLYM is planning to implement an energy conservation programme aimed at reducing excess cooling in the office during periods of maximum demand. This is in addition to the reorganization of manufacturing processes in FY2020 to reduce carbon emissions, which involved converting diesel to electric forklifts, reducing travel distances and introducing an updated SOP that required engines be turned off during uploading of materials and products.

Guocera and HCB have focused their efforts on replacing and updating their respective machinery, while HLYM has short-term plans to increase energy efficiency, as shown in Table M3F. Guocera's and HCB's on-going energy efficiency programmes have resulted in a decreasing trend of total energy consumption over the past four financial years.

Initiative	Operating Company	Ongoing Activity
Installing inverters	HLYM	Install 55kW inverter compressor.
	Guocera	Replace conventional air compressors with inverter-type energy saving compressors.
		Install inverters in motors of spray dryers, ball mills, kilns and other equipment.
	HCB	Convert high consumption motors to inverter drives.
New machines	HLYM	Install electric injection moulding machine.
Heat recycling	Guocera	Implement heat recovery system for kilns and dryers, enabling recycling of heat for drying process.
		Implement energy-saving burner system for kilns.
LED lights	HLYM	Replace street lights in phases.
	Guocera and HCB	Replace conventional lights. Installation of 'skylight' roof panels in HCB's PJ plant.
Machine downtime	HCB	Implement programmes to reduce unplanned machine downtime. Achieved 12% in FY2022 compared to 24.2% in FY2019.
Reduction in rejects	HCB	Focus on tackling top six rejects by restoring machines and implementing process improvements identified in periodic assessments. Rate of rejects reduced to 8.5% in FY2022 compared to 15.4% in FY2019.
Power factor	HCB	Replaced damaged capacitors in FY2021 for both PJ and Kanthan plants, and upgraded capacitors in Kanthan plants. Monitor electricity usage and upgrade machines to higher efficiency motors to improve power factor to 0.95 (industry optimum level).
Machine Optimisation	HCB	Eliminate air leakages and optimised air compressors in both PJ and Kanthan plants.
Restoration of equipment and machinery	HCB	Reduce leakages, enhance machine efficiency and contribute to safety enhancements at the production floor.

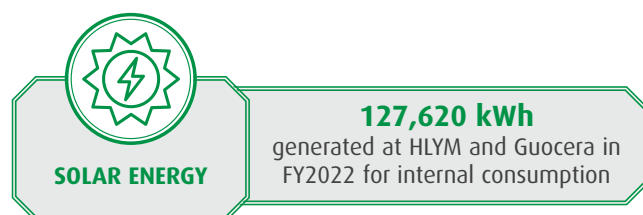
Table M3F: Initiatives to increase energy efficiency.

Sustainability Statement

(Cont'd)

II) Renewable energy sources

HLI has implemented several small-scale solar projects to generate solar energy for use in its factory operations. In FY2020, HLYM embarked on a solar project to reduce energy consumption and consequently, its carbon footprint. HLYM's first phase of solar panel installation was completed in FY2020, while the second phase was completed in FY2021. The project has a total capacity of 108 kilowatt peak (kWp). To further increase renewable energy usage, HLYM is planning to install a 40 kilowatt peak (kWp) solar panel in its factory to power its sewage treatment plant in FY2023. Guocera has also implemented a solar energy project to generate electricity for its street lights.



Note: Data does not include HYM.

III) Product emissions

HLYM products distributed in the Malaysian market are in line with industry specifications and standards (*as set out in Table M9B, Product Technology, page 37*). Yamaha models distributed in Malaysia comply with the Environmental Quality (Control of Emissions from Motorcycles) Regulation 2003 and adhere to the European (EU) Emissions Standards, as shown in Table M3G.

EU3 Yamaha Models	EU4 Yamaha Models
Lagenda 115Z	Y16ZR
R25	NVX
Y15ZR	NMax
Ego Avantiz	MT-25
R15	MT-15
	MT-07
	MT-09
	Tracer 900GT
	XMax
	135 LC

Table M3G: Yamaha product compliance with EU standards for exhaust emissions that are distributed in Malaysia.

Yamaha's energy efficient vehicles (EEV) that are distributed in Malaysia are approved by the International Trade and Industry Ministry (MITI) (MITI, 2022)⁷.



⁷ Ministry of International Trade and Industry (2022). EEV. Retrieved from <https://www.miti.gov.my/index.php/glossary/term/309>.

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M6: Resource Management

We endeavour to consume resources ethically and responsibly by promoting the 3R (reduce, reuse and recycle) concept, recycling and reusing resources and materials used in or generated from production processes. Standards and guidelines on the use of non-hazardous materials are recognised. We aim to use sustainable sources of materials in production processes where possible. We are also focused on the prudent use of energy (see *Environment, Greenhouse Gas Emissions, page 46*), water sources and minimising wastage of raw materials used in manufacturing processes. HLI operating companies rely on municipal water supplies for manufacturing processes and have implemented a water recycling system to minimise use of water resources.

Water consumption is shown in Table M6A and Table M6B. Water consumption for HLYM increased in FY2021 despite the MCOs due to machinery operations and maintenance activities that were carried out during the period. Water consumption reduced for Guocera and HCB in FY2021 due to the MCOs as production was temporarily halted, but water was used for cleaning and maintenance purposes. Resource management data is not applicable to HYM. Measures to reduce water intensity is part of operating companies' EMS programmes.

Volume of water used (m ³)	FY2019	FY2020	FY2021	FY2022
HLYM	69,055	71,915	80,148	87,830
Guocera and HCB	806,529	709,304	639,059	734,084
Total	875,584	781,219	719,207	821,914

Table M6A: Water consumption.

Water intensity (usage per product/output)	FY2019	FY2020	FY2021	FY2022	Target (reduction by FY2025, baseline FY2022)
HLYM (m ³ per bike)	0.25	0.27	0.26	0.27	5%
Guocera (m ³ per m ²)	0.025	0.032	0.027	0.029	3%
HCB (m ³ per tonne)	3.1	3.8	2.7	3.0	2%

*Note: Water intensity reduction targets are based on action plans under each operating company's EMS programme. Factors that could impact the achievement of targets are abnormal/unforeseen disruptions and major breakdowns of water-related infrastructure at the plants.

Table M6B: Water usage intensity.

At HLYM, processed water is treated and recycled for use at painting lines. At Guocera's Meru and Kluang plants, treated wastewater recycling systems have been implemented. The plants' closed loop water recycling system recycles treated wastewater generated from processes such as raw material body, glaze preparation, glazing, trimming and polishing to be used back in production processes. This minimises water loss, with only approximately 5% loss recorded due to evaporation. Guocera's Meru plant has obtained a special permit from the Environment Department for treated water testing to be conducted once a month, due to zero discharge of treated wastewater into public drains. At HCB, fresh water used in softeners, water jetting systems, pump seals and steam generation is recycled and reused in machine spray systems and its raw material transportation during the wet process of product formation. Rate of recycled water in FY2022 listed in Table M6C.

Percentage of water recycled and reused (%)	FY2019	FY2020	FY2021	FY2022
Guocera	96.8	96.7	95.7	96.8
HCB	82	79	77	78

Table M6C: Water recycling rates.

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(Cont'd)



We also recognise our responsibility to minimise wastage of raw materials. At Guocera, its testing facility CRC works closely with vendors to ensure consistency of quality and continuity of raw material supplies to avoid wastage. Quality control measures are extended to bulk raw material supply, which covers 80% of the total overall supply. Tests are conducted to verify raw material quality. Body formulation of samples from vendor's proposed site is conducted before land mining activities are carried out. Key raw materials data is shown in Table M6D and Table M6E.

Materials used by weight or volume (tonnes)	FY2019	FY2020	FY2021	FY2022
HYLM				
Resin (plastic)	853	860	1,019	619
Steel sheet	506	453	578	412
Total	1,359	1,313	1,597	1,031
Guocera and HCB				
Cement	60,379	41,457	52,505	54,058
Fine Sand	102,369	70,914	89,695	96,422
Refined Pulp	12,162	8,966	10,719	11,127
Clay	147,794	123,465	143,814	134,366
Feldspar	97,160	83,943	97,865	92,873
Total	419,864	328,745	394,598	388,846

Note: Resin and steel sheets are used by HYLM to manufacture key components for motorcycles internally. Cement, fine sand and refined pulp are materials used by HCB for manufacturing of its products while clay and feldspar are the two major materials consumed by Guocera.

Table M6D: Key Raw Material Usage

Raw materials sourced from sustainable sources (tonnes)	FY2019	FY2020	FY2021	FY2022
HCB	0.067	0.072	0.070	0.071

*Note: HCB uses refined pulp produced from wood certified by Forest Stewardship Council (FSC) in its products.

Table M6E: Ratio of sustainably sourced raw materials.

CRC also conducts a risk mitigation programme of raw materials to ensure continuity of raw material supplies. This is crucial as supply interruptions will result in inconsistencies of quality, leading to rejects and wastages. Periodic raw material tender exercises are conducted to discover potential new materials for continuity in raw material supply. Once raw materials are in the production process, Guocera recycles tile rejects and dosing of sludge into its tiles' body formulation to further reduce wastages.

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M8: Environmental Management

We seek to reduce the environmental impact of our waste, effluence and emissions from our operations, focusing on compliance with standards, legal and statutory requirements. We strive to eliminate or control the use of environmental hazardous substances based on relevant laws, guidelines and standards. Therefore, regulatory compliance is a key focus area to control waste, effluence and emissions. Operating companies have adopted the ISO14001: 2015 Environment Management System (EMS), as shown in table M8A, and are vigilant in monitoring emissions and effluence. EMS teams are established, with key personnel and management from production floors, to monitor compliance and implement awareness activities on understanding regulations as well as internal processes on scheduled waste handling, waste reduction, and other environmental issues. In FY2022, HLI operating companies did not receive any summonses/fines for non-compliance with environmental requirements.

Percentage of sites covered by ISO14001:2015	FY2020	FY2021	FY2022
HYLM	80%	100%	100%
Guocera and HCB	100%	100%	100%

**Note: HLYM data covers Kompleks HLYM and branches. Branches were certified from FY2021 onwards. Guocera and HCB's data covers its manufacturing plants.*

Table M8A: Sites covered by ISO14001 standard.

I) Regulatory Compliance: Air, Water and Land

Air

We recognise that manufacturing processes generate hazardous and non-hazardous emissions. Therefore, we conduct rigorous emissions monitoring, as shown in Table M8B. Emissions monitoring is required under environmental, safety and health regulations to reduce and control dust and fume exposure in the workplace as well as surrounding areas at safe levels. Operating companies conduct monitoring of isokinetic stack emissions, nitrogen oxide (NOx), sulphur oxide (SOx), particulate matter (PM) for chimneys and dust collectors. Table M8C shows data on particulate matter emissions.

Type of Monitoring	Frequency	Results
LEV Monitoring: Measurement of LEV performance and system assessment	Annual	Complied with regulatory standard.
Scheduled stack air emission: Testing of chimney stack gas and particulate emissions	Triannual	Complied with regulations under the Malaysian Environmental Quality (Clean Air) Regulations 2014.
Chemical Health Risk Assessment	Once every five years	Exposure to hazardous chemical below permissible limits, in compliance with legal requirements.
Ambient Air Monitoring: monitor surrounding air quality	Monthly	Complied with ambient air standard 2000.
Boundary noise: measurement of noise levels at premises	Annual	Complied with regulatory standard; noise level emitted from workplace or premises is below limits set by Environment Department

Table M8B: Emissions monitoring.

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Particulate matter (mg per m ³)	FY2019	FY2020	FY2021	FY2022
HLYM	1	9.8	1.4	7
Guocera	29.2	25.6	31.5	14.2
HCB	11.3	11.5	13	18.0

*Note: According to the Clean Air Regulation 2014, Environmental Quality Act (EQA) 1974, particulate matter emission must not exceed 50mg/m³.

Table M8C: Particulate emissions.

Water

We have invested in on-site water treatment facilities to ensure compliance with environmental regulations on wastewater discharge. In FY2022, the manufacturing plants of operating companies did not record any adverse issues in treated wastewater, having met requirements under Standard B of 5th Schedule of the Industrial Effluent Regulation 2009, Environmental Quality Act 1974. Compliance with standards on discharge are listed in Table M8D.

Type of Discharge	Environmental Quality (EQ) Standard	Monitoring Frequency	Reporting
Scheduled Waste	(Scheduled Waste) Regulation 2005	Monthly	Self-reporting on the Electronic Scheduled Waste Information System (E-SWIS) portal
Wastewater	(Industrial Effluent) Regulation 2009, Standard B	Weekly and monthly for 31 parameters	Results are recorded on the DOE's Environmental Reporting Online Portal
Sewage	(Sewage) Regulation 2009, Standard B	Monthly for five parameters	Results are recorded on the DOE's Environmental Reporting Online Portal

Table M8D: Effluence monitoring.

HLYM uses a SCADA system to monitor the PH, aeration, sludge and discharge amounts of the factory's industrial effluents. The system is outfitted with sensors to detect deviations from normal levels in real-time, which are monitored by production personnel. Wastewater analysis at Guocera's Meru and Kluang plant are conducted weekly by third party labs to ascertain whether treated water meets requirements under Standard B of the 5th Schedule of the Industrial Effluent Regulation 2009, Environmental Quality Act 1974. Guocera's Kluang plant has a trimming process which contributes to higher treated water discharge, whereas its Meru plant does not have a trimming process. Most of the treated water is re-used in factory operations (see *Environment, Resource Management*, page 50). Treated water discharge at HLYM and HCB are also tested for compliance with the requirement. Treated wastewater discharge data is shown in Table M8E.

Volume of effluent generated (m ³)	FY2019	FY2020	FY2021	FY2022
HLYM	19,510	25,235	26,657	24,433
HCB	56,782	43,624	42,893	46,588
Total	76,292	68,859	69,550	71,021

*Note: Guocera achieves zero discharge of treated wastewater into public drains as treated wastewater is recycled and reused in its production.

Table M8E: Total wastewater discharge.

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(Cont'd)

Land

We endeavour to manage waste responsibly, adhering to prevailing laws and guidelines on proper disposal of waste. Our scheduled waste management is shown in Table M8F and M8G.

Initiative	Frequency	Results
Scheduled Waste Management	Quarterly/Biannually	Scheduled waste is collected by contractors registered with the Environment Department when it reaches more than 20 metric tonnes or before six months, in compliance with regulatory requirements.
Chemical Management and Handling	Annually	Complied with Occupational Safety and Health Regulation 2013 and 2000. This covers the classification, labeling and safety data sheet of hazardous chemicals as well as standards of hazardous chemical exposure to health.

Table M8F: Scheduled waste management.

Weight of hazardous waste (metric tonnes)	FY2019	FY2020	FY2021	FY2022
HLYM	365.6	468.8	451.4	299.2
Guocera and HCB	47	40.5	30.5	41
Total	412.6	509.3	481.9	340.15
Hazardous waste for recycling (metric tonnes)				
HLYM	42.4	47	57.6	39.2

*Note: Hazardous waste comprises paint sludge, spent thinner and waste cake for HLYM and contaminated containers, rags/gloves, spent oil and spent hydraulics for Guocera and HCB. HLYM's spent thinner is collected and recycled by waste collectors.

Table M8G: Total scheduled waste.

M11: Waste Management

We aim to reduce solid waste sent to the landfill by recycling materials generated from manufacturing processes. Recycling of materials is conducted monthly, with collection, segregation and recycling handled by certified third party waste collectors. Solid waste collection, recycling rates and amounts are shown from Table M11A and M11D. Guocera's and HCB's reduction of waste to landfill can be attributed to the closure of several production lines in Guocera in FY2020 and HCB's process improvements that contributed to reduction of line rejects sent to landfills. In FY2022, HLI operating companies did not receive summonses/fines for non-compliance with solid and hazardous waste management. We will review waste targets in the short-term.

Weight of waste to landfill for disposal (metric tonnes)	FY2019	FY2020	FY2021	FY2022
HLYM	403	464	462	474
Guocera and HCB	55,123	36,636	32,314	14,557
Total	55,526	37,100	32,776	15,031

Table M11A: Total solid waste.

Weight or volume of recycled waste (metric tonnes)	FY2019	FY2020	FY2021	FY2022
HLYM	257	194	222	256
Guocera and HCB	447	455	365	342
Total	704	649	587	598

Table M11B: Total recycled waste.

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(Cont'd)

Ratio of waste to production output	FY2019	FY2020	FY2021	FY2022
Waste to number of bikes (kg/bike)	2.8	3.5	3.0	3.2
Waste (kg) to output (m ²)	0.028	0.026	0.015	0.016
Waste (kg) to output (tonnes)	0.3	0.29	0.21	0.09

*Note: Waste consists of hazardous and solid waste.

Table M11C: Waste to production ratio.

Operating Company	Initiative
HLYM	Recycling of plastic from parts manufacturing, metals, wooden pellets, carton boxes
Guocera	Recycling of strapping belt and reject cartons
HCB	Recycling of paper, cartons and scrap metal

Table M11D: Waste recycling initiatives.

HLYM has embarked on a project with YMC to minimize total logistical, packing, storage and unpacking costs. This involves maximising container space when packing products for shipment to reduce usage of cases or boxes in overseas shipments to Malaysia. The target is to achieve an 88% filling ratio for a model. The activity has resulted in cases of various sizes packed in containers, resulting in a lower filling ratio and space loss. YMC has also targeted to reduce packing material by simplifying packing and reusing or returning packing materials. For local transportation of goods, paper boxes have been converted to corrugated boxes, which can be reused repeatedly to deliver plastic goods. HLYM targets to achieve a 60% conversion rate to corrugated boxes from paper by FY2023. As for raw material goods, plastic pallets are returned to sellers to be reused. HLYM targets to achieve a 60% return rate by FY2023.

Social



At HLI, we believe that our employees are essential to our success. We strive to cultivate a diverse and inclusive work environment that is key to recruiting, developing and retaining talent. We aim to foster an environment where everyone has the opportunity to reach their full potential and contribute towards the business with creativity and innovation. We also believe that we have a role to play in creating a positive impact for communities, contributing to social development programmes and initiatives. Employee demographics are shown in Table S1 to S8. HLI's social material matters and focus areas are:

- Community Investment
- Occupational health and safety
- Learning and Development
- Human Rights and Labour Practices
- Organisation Culture

Percentage (%) of employees per age group	FY2020	FY2021	FY2022
18 to 26	23	26	27
27 to 41	42	40	40
42 to 57	32	31	30
58 and above	3	3	3

Table S1: Employees by age group

Sustainability Statement

(Cont'd)

Percentage (%) of employees per gender	FY2020	FY2021	FY2022
Female	17	16	16
Male	83	84	84

Table S2: Employees by gender

Percentage (%) of employees per ethnicity	FY2020	FY2021	FY2022
Malay	67	65	68
Chinese	11	11	10
Indian	10	12	11
Others	12	12	11

Table S3: Employees by ethnicity

	FY2020	FY2021	FY2022
Ratio of foreign to local hire of workers	1:5	1:6	1:5

Table S4: Foreign to local hires

	FY2020	FY2021	FY2022
Temporary staff (%)	1%	4%	1%

Table S5: Temporary staff percentage

Percentage of directors per age group	FY2020	FY2021	FY2022
40 to 50 years old	16.7	28.6	28.6
50 to 60 years old	33.3	14.3	14.3
60 to 70 years old	50	57.1	57.1

Table S6: Directors by age group

Percentage of directors per gender	FY2020	FY2021	FY2022
Female	33.3	28.6	28.6
Male	66.7	71.4	71.4

Table S7: Directors by gender

Percentage of directors per ethnicity	FY2020	FY2021	FY2022
Malay	33.3	14.3	14.3
Chinese	66.7	85.7	85.7

Table S8: Directors by ethnicity

Sustainability Statement

(Cont'd)

M2: Community Investment

As a consumer-driven organisation, we recognise we have a role to play in contributing towards community support and development. We aim to enhance sustainability across our value chain, by collaborating with our dealers and distributors to increase awareness on the safe use of our products and implement community projects. Guocera's TAB Academy offers programmes across Guocera's supply chain, from the promoters of the product (tile dealers), influencers who choose and specify the product (architects, interior designers, quality surveyors and developers), to the users of the product (contractors and end-users). Focus areas of the programmes are:

- Creating a better understanding of ceramic tiles.
- Increasing knowledge on selecting the right tiles for the right application to prevent potential slip injuries.
- Importance of proper installation methods to prevent common tiling failures, which often results in costly rectification work, unnecessary delays in construction and tile disposal.

HCB regularly conducts training on the features and use of PRIMA board to various stakeholders. A summary of HCB's and TAB Academy's training completed in FY2022 are shown below.



HYLM introduced the Yamaha Safety Riding Science (YSRS) programme in 2005, with the aim of educating motorcyclists on safe riding skills. The programme is divided into two sessions covering theory and practical usage of motorcycles, targeting 16 and 17 year-old schoolchildren. In 2018, HLYM expanded the target audience by creating YSRS KIDS, a road safety education programme for primary school students aged between 10 and 12 years old. As the COVID-19 pandemic affected schoolchildren's opportunities for learning, HLYM launched SMART KIDS in 2020, a virtual road safety education programme for pre-school children aged five and six years old, with the aim of improving awareness on the importance of road safety. The number of schoolchildren participation in FY2022 is shown below.



HYLM also organised the annual Balik Kampung Road Safety campaign in April 2022 to promote safe riding during the Hari Raya festive season. The programme, a collaboration with the Malaysia Motorcycle and Scooter Dealers Association, has been conducted for 24 consecutive years. This year, HLYM partnered with Petronas Dagangan Berhad to provide motorcyclists with free motorcycle checks and consultations by HLYM technicians at selected Petronas stations. They were also given the opportunity to exchange their old helmets with new ones. A total of 364 riders benefitted from the programme. In addition, HLYM supported Petronas Dagangan Berhad's five-day Petronas Coffee Break campaign, providing free safety checks and gifts to all motorcyclists at participating Petronas stations. A total of 242 motorcyclists benefitted from the programme, as shown in Table M2A.

Sustainability Statement

(Cont'd)

Date (2022)	Location	Total motorcyclists
23 April	Petronas Station Technology Park Malaysia, Kuala Lumpur	100
25 April	Petronas Station Taman Pengkalan Utama, Ipoh, Perak	50
25 April	Petronas Station KM 11 Jalan Skudai, Johor Bahru, Johor	66
26 April	Petronas Station Simpang Ampat 2, Penang	50
27 April	Petronas Station Pekan Bandar Diraja, Kuantan, Pahang	98

Table M2A: Number of motorcyclists who benefitted from HLYM's Balik Kampung Road Safety Campaign.



HLI Group Managing Director and HLYM Managing Director Dato' Dr Jim Khor (middle) with motorcyclists at HLYM's Balik Kampung Road Safety campaign.



HLYM technicians conducting checks on motorcycles of customers at the Petronas station.

HLYM continues to organize Safety Riding Training Courses to the public. This year, HLYM collaborated with dealers to expand the coverage of this training by making the course available to dealers' customers. Additionally, HLYM also provides Marshal Riding Training (MRT) to promote safe convoy activities to its customers. In FY2022, a total of 330 riders attended both trainings.

HLI strives to support livelihoods by providing industry training programmes and job opportunities. HLYM offers training to graduates to hone technical skills required in the motorcycle industry through the Technician Apprenticeship Programme (TAP). The programme offers opportunities for graduates from technical training institutes, a majority of whom are from underprivileged backgrounds, to develop technical competencies and gain employment. Graduates undergo nine months of an "On-The-Job" training programme, including a three-month attachment at selected Yamaha authorised dealers, before they are awarded with a certificate and offered employment at Yamaha authorised dealerships nationwide. Since its inception in October 2018, a total of 27 apprentices were deployed to dealers.

We also believe in contributing to efforts that uplift communities in need. We aim to create a positive impact by contributing resources to support vulnerable and disadvantaged communities. HLYM offers support to communities in need under the Yamaha Cares banner, launched in 2018. Yamaha Cares has since inspired HLYM's network of dealers to conduct community outreach programmes, with participants of the Dealers Development Programme (DDP) (see *Economic, Improving Living Standards*, page 41) being at the forefront of outreach activities.

The COVID-19 pandemic had impacted many communities over the past two years, including frontliners who risked their lives to treat COVID-19 patients. Sungai Buloh Hospital, situated less than 5km away from Kompleks HLYM, has been at the forefront of treating COVID-19 patients. In order to support healthcare workers at Sungai Buloh Hospital as well as Klinik Kesihatan Sungai Buloh and Klinik Kesihatan Kuang situated nearby, HLYM and DDP participants donated packed food from GenBlu Café at Kompleks HLYM and face masks in October 2021.

Sustainability Statement

(Cont'd)



FRONTLINERS

800

frontliners received packed food and face masks from HLYM and dealers



In conjunction with Chinese New Year celebrations, HLYM and its dealers organised a Yamaha Ego Gear Chinese New Year (CNY) Charity Ride to donate food, goods and cash to deserving community homes. More than 120 HLYM dealers and 20 employees rode the new Yamaha Ego Gear to deliver the handouts to five homes in Selangor, Penang, Johor and Pahang that have been impacted by the pandemic, as listed in Table M2B. More than 200 residents at the homes will benefit from the contributions.



COMMUNITY

RM63,688

total cash donated to deserving community homes for CNY 2022



Date (2022)	Welfare Home	Location
Jan 15	Rumah Warga Emas Gemilang Kuala Lumpur	Kuala Lumpur
	Persatuan Kebajikan Kanak-Kanak Terencat Akal Malaysia	Petaling Jaya
Jan 16	Amitabha Malaysia Orphanage	Johor Bahru
Jan 22	Pusat Penjagaan Kanak-Kanak Komuniti Istimewa Kuantan	Kuantan
Jan 23	Pertubuhan Penyayang Chi Yun	Penang

M2B: List of community homes that received donations from HLYM.

Sustainability Statement

(Cont'd)

Recognising the importance of environmental restoration initiatives to combat climate change, HLYM supported a mangrove replanting initiative organised by Malaysian Nature Society on May 21, 2022. Held under the Yamaha Cares banner in collaboration with the second batch of DDP participants, the employee volunteer programme saw 32 HLYM employees and dealers plant mangrove saplings in Kuala Selangor Nature Park.



HLYM employees and dealers at Kuala Selangor Nature Park.



Realising the impact of the devastating floods in Selangor in December 2021, HCB provided PRIMA products for home repairs to underprivileged families affected by the floods. HCB ran a social media campaign in February 2022, with PRIMA ceiling boards distributed to families in Kg Subang and Sri Muda to repair their homes.

M4: Occupational Safety and Health

HLI values the health and well-being of our employees, and we strive to ensure a workplace that puts the safety and health of our workers first. Operating companies focus on reducing hazards to minimise accidents, recognising that safety and health awareness is crucial for our employees and business partners, as well as adhering to occupational health, safety and environment regulations.

I. Safety and Health Committees

Safety and Health Committees are established in each Operating Company, headed by the Production General Manager or Plant Manager at each manufacturing plant, with members comprising key departmental management and employee representatives. The Committee is supported by sub-safety and health committees at the departmental level. Key functions of the Safety and Health Committee are listed under Table M4A.

Health and Safety Committee Roles and Responsibilities	Review the safety and health policies at the workplace
	Assist in the development of safety and health rules as well as a safe system of work
	Review the effectiveness of safety and health programmes
	Investigate accidents at the workplace and improve conditions that pose as a risk to employee safety and health
	Inspect the workplace to protect safety and health of employees
	Propose revisions to safety and health policies as well as programmes

Table M4A: Safety and Health Committee Responsibilities.

Sustainability Statement

(Cont'd)

Each operating company's Safety and Health Committee develops an annual Safety and Health Masterplan, and meets once every quarter to review it. The review includes:

- Safety and health effectiveness,
- worksite safety inspections,
- worksite improvements to legal compliance,
- safety assessments and monitoring,
- contractor safety management, and;
- emergency response and preparedness.

They also conduct annual accident analysis, hazard identification, risk assessment and risk control (HIRARC) procedures, implementation of initiatives for compliance with legal and other requirements. Lost time injury (LTI) rates are shown in Table M4B. There is a discernible positive trend in the accident rate, we will continue to further reduce frequency rates, as stated in operating companies' safety and health policies.

Division	Indices	FY2020	FY2021	FY2022
HLYM	LTI - Accident rate	7.77	6.63	5.41
	LTI - Frequency rate	3.67	3.08	3.02
HLY Marine	LTI - Accident rate	0	0	0
	LTI - Frequency Rate	0	0	0
Guocera and HCB	LTI - Accident rate	23.89	28.45	23.90
	LTI - Frequency rate	10.54	13.15	11.06

Table M4B: Safety and Health Indices.



The safety and health performance of each operating company is reviewed every month at meetings chaired by the Managing Director of each operating company. Matters for discussion include the effectiveness of the Safety and Health Committees, accident case and management, annual safety and health management as well as safety and health assessments.

The Safety and Health Management Committee is supported by an Emergency Response and Preparedness Team, comprising of representatives trained in evacuation, emergencies such as chemical spillage management and first aider. Team representatives also receive relevant trainings, such as firefighting training from the Fire and Rescue Department of Malaysia (BOMBA).

We recognise the importance of protecting employees' health. Operating companies conduct comprehensive assessments and monitoring to comply with legal requirements, such as chemical health risk assessments (once every five years), chemical exposure monitoring, medical health surveillance and audiometric tests to ensure that ambient air quality and noise levels in the workplace is below permissible limits. Results from assessments and monitoring are used to identify and plan for improvement measures in the Safety and Health Master Plans.

Sustainability Statement

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II) Workplace inspections

Periodic workplace inspections, in line with the Occupational Safety and Health Act 1994, are conducted across our manufacturing plants to ensure compliance with safety and health regulatory requirements and standards. Inspections are conducted internally and externally by regulators and third parties such as the Occupational Safety and Health Department (DOSH), BOMBA. Internal workplace inspections, called "Gemba walks" that are based on our 5S Programme and Quality and Productivity Programme (see *Organisational Culture*, page 69), are conducted to identify unsafe conditions.

HLI's workplace inspections conducted in FY2022 are listed in Table M4C. External inspections yielded findings of satisfactory compliance with regulatory requirements, while internal inspections revealed gaps for improvements and effectiveness that were implemented.

Internal/External	Inspection/Audit
External	DOSH inspection on new machinery and COVID-19 SOP compliance
External	Risk Insurance Survey Audit on measures to minimize risk to assets
External	Worksite inspection for permission to operate (PTO) new gas pipeline
External	DOSH worksite inspection for renewal of factory eligibility certificate
External	BOMBA firefighting system inspection by third party
External	DOSH annual factory and machinery inspection
External	ISO 14001 Recertification Audit by SIRIM and Intertek
Internal	Main Safety and Health Committee Audit on risks and hazards at the workplace
Internal	Weekly worksite inspection for new projects
Internal	Accident case site investigation by Head of Department and Safety and Health Committee
Internal	Monthly HSE workplace inspection

Table M4C: Workplace Inspections

Guocera's Kluang plant has successfully migrated to the ISO45001: 2018 standard in October 2021, and was awarded certification by SIRIM QAS. Guocera is targeting to obtain the ISO45001: 2018 standard for its Meru plant in financial year 2023.

HCB has leveraged on digitalization by implementing an e-Safety Observation system in July 2021. The platform enables supervisors to submit their safety observations during "Gemba walks." Supervisors are required to make at least three submissions a year. Since its implementation, 338 safety issues were reported through the platform, with 170 issues tackled as of April 2022. HCB has also initiated a health, safety and environment (HSE) Reward System to promote safety at the workplace. Deserving employees are rewarded with gift vouchers based on their safety performance and behaviours at the workplace.

III) Safety and Health Training

Safety and Health training is conducted regularly for employees at HLI. Employees, especially those working on the production floors, are required to attend general safety awareness briefings, including personal protective equipment (PPE) and legal requirements on safety. Additionally, special trainings are conducted annually for targeted employees. These safety and health trainings in FY2022 are listed in Table M4D. In October 2021, HCB also initiated a weekly Health and Safety Toolbox briefing for employees on production floors to increase awareness on safety issues and prevention.

Sustainability Statement

(Cont'd)



Health and Safety Training

Chemical Safety Handling: Handling and Disposing Chemicals Safely

Noise Hearing Conservation: Importance of hearing conservation and PPE usage

Basic Occupational First Aid, CPR, AED

PPE and Ergonomics

Behavioural-based Safety: Near miss, unsafe act and unsafe condition reporting

Hand and finger injury prevention

Environmental Management System Awareness

Health and Safety, Environment Legal requirements

OSH: At The Office

Work at Height (WAH) Safety

Safety induction for contractors, visitors and new employees

Safe handling of forklift

Covid-19 safety operating procedure

Basic log-out and tag-out (loto) for maintenance awareness training

Scheduled Waste Awareness

Internal Fire Drills and Emergency Response Team

ISO45001 Awareness

Contractor Safety, Health and Environment Management

Table M4D: Health and Safety Training



IV) COVID-19 Management

During the COVID-19 pandemic, operating companies faced significant challenges in playing a role to combat the COVID-19 pandemic and worked diligently to protect the safety and health of employees at the workplace.

HLI adopted a systematic approach and established a management system that emphasizes active engagement as a means of joint collaboration between employees and Management. A comprehensive emergency preparedness plan, coupled with a set of policies and procedures, were prepared to guide Management, safety and health committees as well as employees to play important roles in curbing the spread of COVID-19.

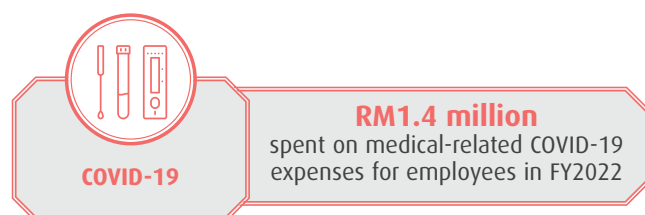
Sustainability Statement

(Cont'd)

HLI's Safety and Health committees were instrumental in safeguarding employees' health and well-being during the COVID-19 pandemic. The committees, supported by the Human Resources Departments in each operating company, were at the helm of monitoring COVID-19 SOPs announced by the government and establishing company-wide COVID-19 SOPs. Fortnightly swab tests were made compulsory for employees, in line with the directive from MITI for manufacturing companies issued in August 2021 (MITI, 2021)⁸.

HLI also implemented measures to safeguard foreign workers' health during the pandemic. Foreign workers were provided with cleaning tools and materials to ensure cleanliness at hostels. Periodic checks were conducted to ensure compliance with COVID-19 SOPs. Some operating companies went further by translating COVID-19 SOPs to the mother tongue languages of foreign workers.

HYLM took additional measures by providing COVID-19 positive workers with separate housing for isolation from other workers in hostels. HLI also worked with the MITI to join the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS) and provide COVID-19 vaccinations for foreign workers. To increase employees' access to healthcare at the workplace, HLYM had established a clinic in its factory at Kompleks HLYM. During the COVID-19 pandemic, HLYM's in-house clinic started a booster vaccination programme to provide vaccinations to employees.



M5: Learning and Development

We believe that learning and development is essential in creating an engaged workforce. Towards this, HLI focuses on providing training and educational opportunities to employees, stakeholders and communities that supports skills development, product quality and safety.

We aim to move towards a learning organisation, driving a performance-driven culture that meets long-term objectives of business sustainability, know-how retention, competency and talent development as well as building a leadership organisation. Therefore, we recognise that continuous learning is crucial to performance and career development. Learning opportunities are provided to employees to hone their competencies with necessary skills and knowledge. Our learning and development framework is shown in Figure M5.

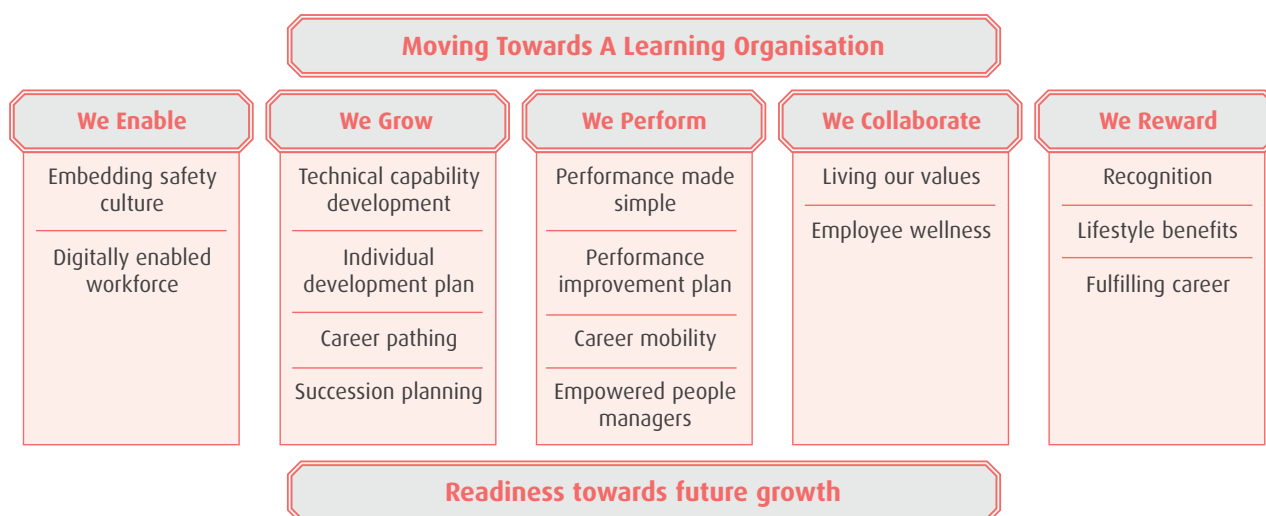


Figure M5: HLI Learning and Development Framework

⁸ International Trade and Industry Ministry (2021). Manufacturing Sector Allowed To Operate Based On Employees Full Vaccinated Rate. Retrieved from https://www.miti.gov.my/miti/resources/Media%20Release/Media_Release_-_Manufacturing_Sector_Allowed_To_Operate_Based_On_Employees_Full_Vaccination_Rate.pdf

Sustainability Statement

(Cont'd)

The four main pillars of learning and development are:

1. Culture and values,
2. Leadership,
3. General Management, and;
4. Business specific skills.

Training programmes are geared towards core, technical, leadership and lifelong learning competencies, as shown in Table M5A.

Operating Company	Competencies	Number of Programmes
HLYM	Corporate Requirements	2
	Digital Transformation	5
	Tech Savvy	5
	Creativity and Innovation	6
	Leadership and Management	4
	ISO and Regulatory	12
Guocera	Corporate Requirements	2
	Leadership and Management	10
	ISO and Regulatory	13
	Functional Development	7
HCB	Corporate Requirements	2
	Creativity and Innovation	1
	Leadership and Management	7
	ISO and Regulatory	10

Table M5A: Number of Learning Programmes

Employee learning and development data is shown in Table M5B to M5E. In response to restrictions of the COVID-19 pandemic, online learning was conducted, resulting in an increase of total training programmes that were rolled out in FY2022.

	FY2022
Total training hours	57,199.5

Table M5B: Total training hours at HLI

	FY2022
Average hours per employee	20.10
Average days per employee	2.5

Table M5C: Average training hours per employee

	FY2021	FY2022
Total training programmes	91	168

Table M5D: Total training programmes

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Average hours of training per annum per employee by employee category	FY2022
Production workers	23.7
Executives and above	9.7

Table M5E: Training hours by employee category

HLYM has partnered with the Department of Polytechnic Studies to conduct a Work-based Learning Programme. The programme aims to provide skills development and job opportunities to underprivileged youths by providing industry placements to undergraduate students. Under the programme, students are provided a placement at HLYM for a year, where they are able to hone their capabilities. HLYM also offers on-the-job training for key functions on the production floor – technical assistant, foremen, leaders and operators.

At HLYM, skills matrix – a visual tool that shows skills required for specific roles, current competencies and skill levels – is used as a benchmark to identify employees for skills development programmes that are developed by respective divisions or departments. Technical training opportunities are provided by the Yamaha Technical Training Centre. Training involves production skills such as welding, wiring, new models, painting, assembly, inspection and other relevant skills.

Guocera and HCB provide internship programmes to undergraduate students from various local colleges and universities, listed in Table M5F. Undergraduate students are provided on-the-job training while obtaining working experience, and are provided an opportunity to gain industry knowledge, develop technical and personal skills as well as hone personal interests and abilities.

Local Colleges and Universities
Universiti Sains Malaysia (USM)
Universiti Putra Malaysia (UPM)
Universiti Tun Hussein Onn Malaysia (UTHM)
Universiti Teknologi Mara (UiTM)
Universiti Tunku Abdul Rahman (UTAR)
Universiti Malaysia Sarawak (UNIMAS)
Universiti Kuala Lumpur (UniKL)
Asia Pacific University (APU)
Politeknik Ibrahim Sultan (PIS)
Politeknik Muadzam Shah (PMS)
Universiti Malaysia Pahang (UMP)
Kolej Poly-Tech Mara (KPTM)
Politeknik Sultan Mizan Zainal Abidin (PSMZA)
German Malaysian Institute (GMI)

Table M5F: Universities and Colleges Involved in HLI Internships

Sustainability Statement

(Cont'd)

M7: Human Rights and Labour Practice

As a company with a diverse workforce that has various skills and capabilities, we recognise our responsibility in treating employees fairly. We strive to foster a work environment that is respectful, engaging and collaborative. Towards this, our focus areas are on employees' rights and supporting employee well-being.

I. Employees' Rights

We understand the importance of upholding the rights of all employees, and adhere to requirements under the Employment Act 1995 and Industrial Act 1967. We believe in the fair treatment of employees, observing a rewards policy that is based on experience, individual capabilities and market benchmarking exercises. Operating companies adhere to Malaysia's labour regulations on statutory monthly minimum wages and overtime compensation for relevant employees. We also ensure that our employees' working hours do not exceed the maximum hours stipulated by the local law. Annual salary increments are offered to employees based on performance regardless of the operating company's performance. Employees are provided with comprehensive medical benefits, including dental coverage. We also believe that employees deserve to be heard, and have taken measures to ensure they are able to raise concerns through appropriate channels. Table M7A shows our initiatives to safeguard employee rights and welfare following policy and legal developments.

Financial Year	Regulation/Policy	Initiative
2022	Minimum Wages Order 2022 (Attorney General's Chambers Malaysia, 2022) ⁹	Eligible employees paid RM1,500 minimum wage beginning from 1st May, 2022
2020	Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Attorney General's Chambers Malaysia, 2019) ¹⁰	<ul style="list-style-type: none"> Measures taken to ensure housing conditions in workers' hostels comply with requirements. Workers' hostels were found to be satisfactory. Procedures and reporting mechanisms implemented to monitor workers adherence to 5S practices in hostels, housing conditions and compliance with COVID-19.
2019	Malaysian Code of Corporate Governance (Securities Commission Malaysia, 2021) ¹¹	Established a whistleblowing hotline for employees to raise work-related issues of grievances with Management

Table M7A: Adherence to Regulations and Policies

We recognise employees' rights to freedom of association and collective bargaining. Employees on the production floors of operating companies are represented by trade unions. Management negotiates collective agreements with trade union representatives, taking into account labour practices, employee well-being and employees' concerns. Unionised employees are provided with retirement benefit payments under their collective agreements. The ratio of unionised workers are shown in Table M7B.

⁹ Attorney General's Chambers Malaysia (2022). Federal Government Gazette Minimum Wages Order 2022. Retrieved from [https://lom.agc.gov.my/ilims/upload/portal/akta/outputp/1730859/PUA%20140%20\(2022\).pdf](https://lom.agc.gov.my/ilims/upload/portal/akta/outputp/1730859/PUA%20140%20(2022).pdf)

¹⁰ Attorney General's Chambers Malaysia (2019). Laws of Malaysia, Act A1604 Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019. Retrieved from <https://lom.agc.gov.my/act-view.php?type=amendment&lang=BI&act=A1604>

¹¹ Securities Commission Malaysia (2021). Malaysian Code on Corporate Governance. Retrieved from <https://www.sc.com.my/api/documents/download.ashx?id=239e5ea1-a258-4db8-a9e2-41c215bdb776>

Sustainability Statement

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	FY2021	FY2022
Ratio of non-unionised to unionised employees	1 : 1	1 : 1.3

Table M7B: Ratio of Union Workers

HLI is committed to the elimination of illegal, forced, bonded, compulsory and child labour. Foreign workers are hired in accordance with regulations enforced by the Immigration Department. In line with our respect for human rights principles, we do not retain workers' passports/identity documents or withhold workers' wages other than as prescribed by the law. We respect employees' wishes to cease employment with operating companies, by following due processes and ensuring foreign employees are able to return to their home countries safely. We comply with the legal employment requirement age of 18 years old and above, and conduct background checks before a candidate is deemed fit for employment.

II) Supporting Employee Well-being

Foreign Worker Welfare

Since the enactment of the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019, HLI remains vigilant that foreign workers' housing fulfils requirements under the law. We hire and oversee third party agencies to manage workers housing, transportation and welfare. Annual and ad-hoc internal audits on foreign worker housing are conducted with involvement of the Internal Audit department to ensure compliance with the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990. Foreign worker hostels are equipped with amenities and facilities that meet requirements under the law, such as proper cooking spaces, bathrooms and beds. Foreign workers are also provided transportation to and from work as well as to seek medical treatment when they fall ill.

Foreign workers are briefed to conduct 5S practices (see *Organisation Culture, 5S Programme*), adhere to safety and health SOPs, and since the beginning of the COVID-19 pandemic, COVID-19 SOPs (see *Occupational Health and Safety, COVID-19 Management, page 63*). They are able to report any grievances to hostel leaders due to the lack of amenities, who then raise these concerns to Human Resources personnel for further action. Quarterly internal audits are conducted in foreign worker hostels to ensure compliance on safety, 5S practices, COVID-19 SOPs and legal requirements.

Work-life Balance and Welfare

At HLI, we strive to support employees' health and welfare. We recognise that the COVID-19 pandemic had a significant impact on employees' mental health and took steps to support employees' well-being. During the movement control order in 2021, communication for employee engagement was increased and focused on COVID-19 updates, mental health support and well-being activities. Mental health services were communicated with employees across HLI, with the aim of extending support to employees should they require professional help. In conjunction with World Mental Health Day on October 10, 2021, infographics on mental health in English and Bahasa Malaysia were communicated with employees across HLI. At HLYM, a 30-minute yoga session was conducted with 10 employees on 10 September 2022.

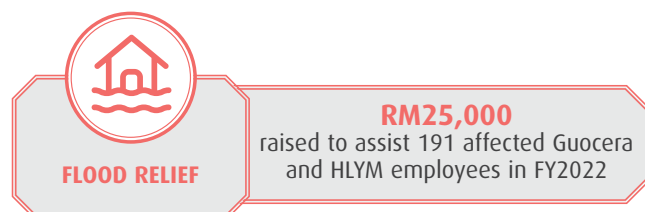
On Dec 3, 2021, we collaborated with Columbia Asia Hospital to organise an online webinar on managing calories and body weight for employees. The webinar was hosted by Columbia Asia Hospital - Petaling Jaya Dietitian Nurullatifah Fauzan who shared tips on healthy eating.

In December 2021, devastating floods in Selangor had affected employees across HLI. Donation drives among employees were launched to ease the burden of those affected by the floods. Cash handouts, essential items like food and sanitary items, garments and linens were collected at operating companies to be distributed to workers.

Sustainability Statement

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However, we recorded an increase in employee turnover over the past three financial years, as shown in Table M7C to M7E. We will continue to work on employee engagement activities and welfare initiatives to address turnover rates.



HLYM staff receiving essential items from HLYM Human Resources employees.

Total number of employee turnover (age group)	FY2021	FY2022
18 to 26	24%	19%
27 to 41	8%	13%
42 to 57	5%	7%
58 and above	31%	30%

Table M7C: Employee turnover by age group

Total number of employee turnover (gender)	FY2021	FY2022
Female	12%	15%
Male	10%	13%

Table M7D: Employee turnover by gender

	FY2020	FY2021	FY2022
Rate of employee turnover (%)	9.9%	11.6%	13.4%

Table M7E: Rate of employee turnover

M14: Organisation Culture

Our values (see *Sustainability At HLI*, page 23) form the crux of HLI's organisation culture. We aim to drive a high-performance culture that leverages on digital competencies, continuous improvement and learning to drive growth. Towards this, we have implemented two key programmes.

1) 5S Programme

Operating companies implement a 5S programme, a workplace organisation method consisting of the principles *seiri* (sort), *seiton* (set in order), *seiso* (shine), *seiketsu* (standardise) and *shitsuke* (sustain).

The programme is a structured and systematic approach to instil a continuous improvement culture among employees. Developed and customised by HLMG for operating companies, the programme serves as the foundation for HLI operating companies to organise a workspace for efficiency, productivity, quality and safety.

Sustainability Statement

(Cont'd)

The programme also promotes collaboration and shared purpose across employee ranks. Employees across HLI are trained to adhere to 5S practices, including foreign workers. Local employees are tasked with training leaders among foreign workers so that they are able to teach their fellow colleagues in their own mother tongue languages. In Guocera, 5S training materials are translated in the Nepali language for foreign workers.

5S Committees, established in each operating company, are headed by Management, and represented by personnel across all departments and key functions. The committees use the Plan, Do, Check, Act (PDCA) methodology to plan for and review activities annually. This covers:

- education and training,
- promotion and publicity,
- deployment programmes,
- standardisation of implementation, and;
- periodic self-audits and third-party independent audit exercises.

The Committee has also implemented the 5S Kaizen Reward system to encourage employees and nurture a continuous improvement culture. Zones are established in factories and offices, with each zone represented by a leader and all levels of employees and workers. Each zone is required to submit continuous improvement ideas regularly to the 5S Committee in the aspects of productivity, quality, cost, delivery, safety and morale. Zone members are rewarded with tokens of appreciation for their process improvements. HLI's 5S Committees are required to periodically report to the HLMG 5S Council on its audit exercises for planning and tracking improvements.

Every year, a 5S Kaizen Competition is held to encourage zone teams to plan programmes according to a theme. Zone teams with the most significant achievements are awarded prizes. At HLYM, the competition theme over the past two years revolves around the 3R concept, with the aim of reducing materials use and waste generation. For Guocera and HCB, the competition focuses on productivity improvements on production floors.

II) Quality and Productivity Programme

We believe that continuous improvement forms the basis of a high-performance culture. Production teams in operating companies are tasked with setting and meeting objectives for process improvements annually. In FY2022, the inaugural HLI Quality and Productivity Programme (QPP) Convention was held to promote teamwork and a continuous learning culture on process improvements. The convention, held on 29 January 2022, recognised the achievement of 5S zone leaders and featured the first-ever HLI Quality Action Team Competition. The competition was organised to promote sharing of best practices to drive productivity, quality, cost, delivery, safety, morale and environmental importance among operating companies. More than 20 teams from operating companies competed to qualify for the final competition, with a total of six teams from HLYM, Guocera and HCB chosen as finalists. The teams presented their process improvement projects that were implemented in the companies to a group of internal judges. Results of the competition are shown in Table M14A.

HLI QAT Team	Project	Prizes
HLYM Plastic System Team	Implementation of surfacing technology to eliminate painting of motorcycle part and reduce painting costs	First
Guocera	Reducing black dirt defects in tiles	Second
HLYM Maintenance Team	Implementation of automatic water level systems to control sludge pit levels in wastewater treatment plant	Third
Guocera	Reducing/eliminating defective cuts on tiles	Consolation
HCB	Reducing product defects due to air pockets	Consolation
HCB	Reduce production downtime rates	Consolation

Table M14A: Results of HLI QAT Competition 2022

Sustainability Statement

(Cont'd)



Participants of the HLI QAT Competition pose with judges, Guocera Managing Director Sally Cheng (back row, white turtleneck) and HLI Group Managing Director Dato' Dr Jim Khor Mun Wei (back row, dark blue shirt).

Looking Forward: Strengthening Sustainability

In alignment with business growth and enhancement of operational processes, HLI plans to progressively implement initiatives within and across the full spectrum of its business operations, which reflect its commitment to responsible and sustainable business practices.

Sustainability remains one of our key priorities in the interests of our stakeholders and future generations. We are committed to improving our sustainable business practices by updating our sustainability strategies, reviewing and upgrading our monitoring as well as implementing activities to reduce our environmental impact, support community development while ensuring business growth and continuity. Towards this, we are committed to increasing knowledge and understanding of our employees on sustainability via training and development programmes.

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 (3) 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 Corporate Governance Report 2022 of the Company in relation to this statement is published on the Company’s website at 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 reviewing and approving corporate policies and broad 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 Group Managing Director (“GMD”) who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. 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 GMD. This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

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

The GMD is responsible for formulating the vision and recommending policies and the strategic direction of the Group 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 of the Group and tracking compliance and business progress.

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 ("CCM"), which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises seven (7) Directors, four (4) 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 of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] 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. Currently, 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 2022, 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") ended 30 June 2022 ("FY 2022") are set out in the Board Audit & Risk Management Committee Report in the 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 NC has been re-constituted as follows:

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

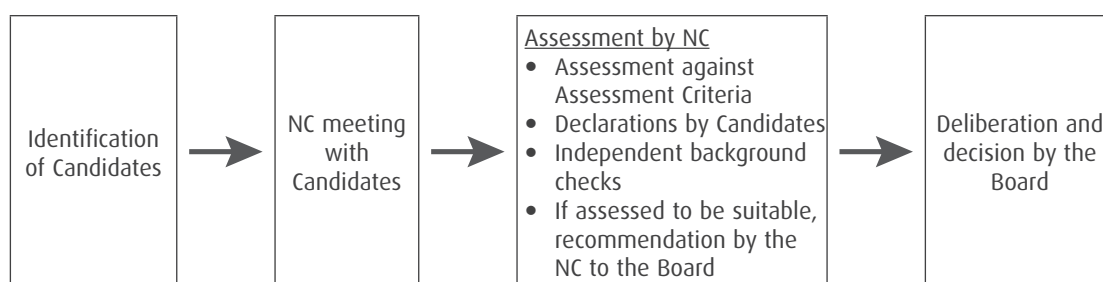
Mr Peter Ho Kok Wai
Independent Non-Executive Director

Mr Edward Chin Fook Ling
Independent Non-Executive Director
(Appointed with effect from 1 June 2022)

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director
(Resigned with effect from 1 June 2022)

(i) New Appointments

The nomination, assessment and approval process for New Appointments, in accordance with the Directors' Fit and Proper Policy, shall be as follows:



All candidates to the Board are assessed by the NC prior to their appointments, taking into account the assessment criteria, inter alia, the candidates' character and integrity, 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, business experience, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

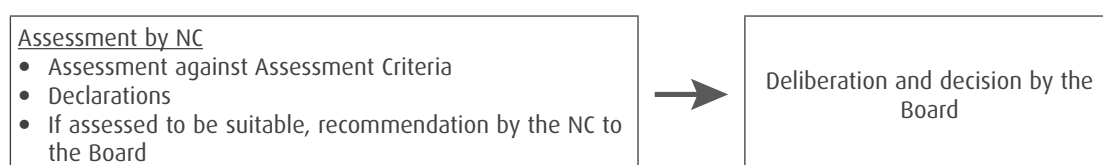
BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

(ii) Re-election

The nomination and approval process for re-election of Directors as set out in the Directors' Fit and Proper Policy are as follows:



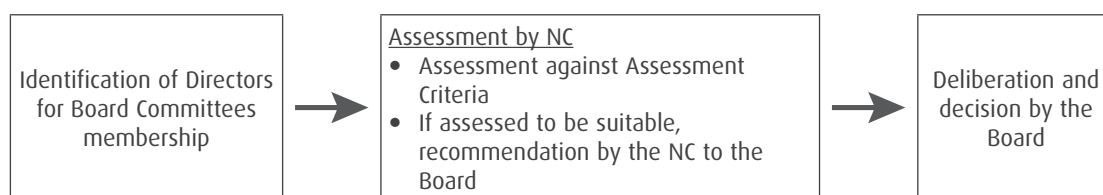
The Chairman, Directors and Chief Executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions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

(iii) Removal

For removal of Directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act 2016 ("Act") 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:



In line with the Directors' Fit and Proper Policy, 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 CFO 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 (1) 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.

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)

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 be taken by way of Circular Resolutions.

The NC met once during FY 2022 and all the NC members attended the meeting.

The NC discharged its duties in accordance with its TOR during FY 2022. The NC considered and reviewed the following:

- Nominating Committee Charter, policies on Independence of Directors, Board Composition, Board Diversity and Directors' Training;
- Nominating Committee Report;
- 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;
- training undertaken by Directors and recommendation of training programmes for Directors; and
- re-election of Directors.

The NC has also considered and recommended to the Board for approval, the adoption of the Directors' Fit and Proper Policy and the re-constitution of NC.

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 and each Board Committee member, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2022. 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") and SM 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

D. Remuneration (cont'd)

The remuneration packages of EDs and key SM ("Key SM") are reviewed by the entire Board. EDs and Key SM 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 and Key SM, 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 Corporate Governance 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.

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 MCGG, 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-ID. 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 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. The ID Policy states that the tenure of an ID shall not exceed a cumulative term of nine (9) years from the date of his or her first appointment in the Company.

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.

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

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

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 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, among others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Act. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators and hold practising certificates issued by CCM. 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 facilitate effective information flow among the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep themselves 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 during FY 2022 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
YBhg Dato' Dr Jim Khor Mun Wei	4/4
Mr Peter Ho Kok Wai	4/4
Ms Quek Sue Yian	4/4
YBhg Datuk Noharuddin bin Nordin @ Harun	4/4
Mr Edward Chin Fook Ling	4/4
Ms Cheryl Khor Hui Peng	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 may include visits to the Group's business operations, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

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

The Company 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 risk management, internal control, information technology, cyber security, environmental, social and governance ("ESG"), industry-related, strategic stakeholder engagement emerging trends and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2022, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, cyber security, anti-bribery and corruption management, ESG and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes/briefings were also organised for the Directors and SM of the Company.

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 2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Anti-Money Laundering ("AML") Training
- Understanding Board Decision-Making Process
- Baker McKenzie Asia Pacific Employment Updates
- Beyond Green and Climate Achieving the global sustainability transition
- Bank Negara Malaysia ("BNM")-Financial Institutions Directors' Education ("FIDE") Forum Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
- BNM-FIDE Forum Dialogue: Licensing Framework for Digital Insurers and Takaful Operators
- BNM-FIDE Forum Dialogue: Climate Risk Management and Scenario Analysis
- BNM Governor FIDE Forum
- Briefing on Cyber Security Awareness Programme for Directors
- Directors' Training on Treaty Reinsurance
- Directors' Training on updated MCCG
- ESG Briefing
- ESG Engagement for the FTSE4Good Bursa Malaysia Index
- FIDE Forum: Capital Markets Plan
- FIDE Core Programme Module A
- FIDE Sustainability for the Palm Oil Sector
- FIDE Materiality: Determining ESG Topics That Matter
- Federation of Public Listed Companies Bhd & PKF Malaysia's Malaysian Code on Corporate Governance 2021 Training Workshop
- Fraud Risk Management Workshop 2021
- Governance in Groups
- Incorporating ESG Practices into Your Business
- KPMG Board Leadership Center Exclusive: The New Reality of Cyber Hygiene
- KPMG Tax & Business Summit Day 1 and Day 2
- LED - Environmental, Social and Governance Essentials (Core)
- MACC Anti-Bribery and Corruption Training
- Malaysia Budget 2022 - Tax Highlights & Their Implications
- Malaysian Code on Corporate Governance
- Mandatory Accreditation Programme
- Masterclass: Climate Governance from a Risk Viewpoint
- Malaysian Institute of Accountants Webinar Series: Courses 1 to 6 ESG Series for Accountants and Financial Professionals
- Overview of Cross-border Compliance Issues on AML Laws in Asia
- Overview of ESG and Climate Change
- Securities Commission's Audit Oversight Board Conversation with Audit Committees
- Sustainability Training for Board of Directors
- Task Force on Climate-Related Financial Disclosures ("TCFD") 101 and 102 sessions
- Tax Highlights of Malaysia's Budget 2022
- The Net Zero Journey: What Board Members Need to Know - Part 2
- Understanding Sustainability and Climate Risks: A Series of Webinar to Future-Proof your Business Parts 1 to 4
- Valuation of Early and Growth Stage Tech Companies

During FY 2022, an induction programme covered overview of business, finance and corporate was organised for newly appointed Directors.

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 ("HLMG Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of business and professional activities.

The HLMG Code is applicable to:

- all employees who work in the Group across the jurisdictions in which the Group operates – 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.

- **Anti-Bribery and Corruption Policy**

The Group has adopted MS ISO 37001:2016 as its Anti-Bribery and Corruption Management System to provide a strong framework to prevent its employees, Directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities. The Anti-Bribery and Corruption Policy, published on the Website, outlines the Group's commitment to conducting business ethically in compliance with all applicable anti-bribery and corruption laws of every country in which the Group operates.

Reports of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

- **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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

II. Directors' Responsibility In Financial Reporting

The MMLR require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the Act requires the Directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance 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 2022 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

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 2022, 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.

For bribery and corruption risks, the Group has adopted the Anti-Bribery Management System ("ABMS") under the MS ISO 37001:2016 and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission (MACC) Act 2009 to prevent, detect and respond to bribery and corruption risks. Hong Leong Industries Berhad and its local active subsidiaries, have been certified for MS ISO 37001:2016 (ABMS) by SIRIM QAS International Sdn Bhd.

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)

Further, on an ongoing 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 reports on a quarterly basis for reporting to the BARMC.
- 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 2022 covered human resource management, tender and procurement function, product costing review, cybersecurity, refund management and occupational safety and health review.
 - 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 2022 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 GMD 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 associated companies.

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, *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 2022 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 and their fees are recommended by the BARMC. 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 Engagement Quality Control Review 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 2022, the BARMC members 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.

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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

B. Shareholders

I. Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, corporate governance 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 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. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are published on the Website.

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

Queries may be conveyed to the following person:

Name : Ms Wong Wei Fong
Tel : 03-2080 9200
Fax : 03-2080 9238
Email : 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 attend and vote on all resolutions. Directors, SM and the external auditors are also available to respond to shareholders' queries during the AGM.

In light of the Covid-19 pandemic and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 2 December 2021 was conducted in virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors of the Company attended the said AGM either physically at the broadcast venue or virtually to engage with shareholders and address issues of concern raised by the shareholders. Questions from the Minority Shareholders Watch Group and shareholders, which were raised prior to and during the meeting as well as the Company's response to the same were shared with all shareholders during the Question & Answer session at the AGM. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are also published on the Website.

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.

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") was established since 21 March 1994.

COMPOSITION

The composition of the Committee is as follows:

Mr Peter Ho Kok Wai

Chairman, Independent Non-Executive Director

Mr Edward Chin Fook Ling

Independent Non-Executive Director

Ms Cheryl Khor Hui Peng

Independent Non-Executive Director

SECRETARY

The Secretary(ies) to the Committee shall be the Company Secretary(ies) 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. Recommendations and decisions may also be taken by way of Circular Resolutions. 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, Group Managing Director and senior management may attend Committee meetings, at 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 2022 ("FY 2022") 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 2022, 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
Mr Edward Chin Fook Ling	4/4
Ms Cheryl Khor Hui Peng	4/4

The Committee carried out the following key activities during FY 2022:

- Reviewed and recommended to the Board for approval, the annual financial statements of the Group and of the Company, 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 Group and of the Company.
- Reviewed and recommended 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.
- 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 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 2022 are stated in the notes to the financial statements.
- Reviewed with the external auditors, the audit plan for FY 2022, 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.
- Held two (2) separate sessions with the external auditors without the presence of senior management to discuss all major issues, including co-operation of Group's officers rendered to the external auditors. During the separate sessions, no critical issues were raised.
- Discussed with the external auditors, the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed and approved the annual internal audit scope and plan.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the internal audit findings and investigation reports, and recommendations, including management responses, progress status and updates of management's action plans on internal audit's findings and recommendations thereto.
- Received and deliberated on the whistleblowing reports and further steps to be taken.
- Reviewed periodically and recommended to the Board for approval, the Whistleblowing Policy.
- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, COVID-19 pandemic impact and relevant management information system, including the processes 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)

- Reviewed and assessed the Group's compliance with the existing occupational safety and health laws and regulations, as well as its readiness to meet the new requirements prescribed in Occupational Safety and Health (Amendment) Bill 2020.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Reviewed the Policy and Procedures of Recurrent Related Party Transactions ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures 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 the 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 the 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.
- Acted as Governing Body of Anti-Bribery and Corruption Management System ("ABCMS") and reviewed the Governing Body Report comprised ABCMS activities, progress updates on the Group's MS ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment and ABCMS internal audit report, on a quarterly basis.
- Recommended to the Board for approval, the Directors' annual declaration of Hong Leong Manufacturing Group Gift and Entertainment Policy, Anti-Bribery and Corruption Policy and Code of Ethics for Company Directors.

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.

As at 30 June 2022, there were twelve (12) staff in the GIAD and the total cost incurred by the GIAD for FY 2022 amounted to RM2,409,090.

The purpose, authority, scope, independence and responsibilities of IA function are 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 is a Professional Member of the Institute of Internal Auditors Malaysia and holds the qualifications of Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiners. 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. The GIAD has received cooperation in the performance of their work and do not have any disagreement that may have adverse impact on the audit process or findings.

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 2022 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 2022 are described in the SORMIC.

The GIAD also facilitates the maintenance of the risk management framework of the Group on an ongoing 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.

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

Financial Statements

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Directors' Report

For the Financial Year Ended 30 June 2022

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 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries consist of manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, manufacturing and sale of ceramic tiles and fibre cement 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.

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	210,939	158,315
Non-controlling interests	66,719	-
	<u>277,658</u>	<u>158,315</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year.

DIVIDENDS

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

- (i) a first interim single tier dividend of 17 sen per ordinary share amounting to RM54.3 million in respect of the financial year ended 30 June 2022 on 21 December 2021; and
- (ii) a second interim single tier dividend of 35 sen per ordinary share amounting to RM111.8 million in respect of the financial year ended 30 June 2022 on 23 June 2022.

The Directors do not recommend a final dividend for the financial year ended 30 June 2022.

Directors' Report

(Cont'd)

DIRECTORS

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

Company

YBhg Datuk Kwek Leng San*, Chairman
YBhg Dato' Khor Mun Wei*, Group Managing Director
Mr Peter Ho Kok Wai
Ms Quek Sue Yian
YBhg Datuk Noharuddin bin Nordin @ Harun
Mr Edward Chin Fook Ling
Ms Cheryl Khor Hui Peng

Subsidiaries

Mr Tong Woei Luen
Mr Goh Eng Tatt
Ms Khor Sau Mooi
Ms Cheng Li Yong
Ms Mary Goh Swon Ping
Mr Taketoshi Takabayashi
Mr Yasuo Fujita
Mr Tan Wee Bee
Ms Cynthia Cheng
Ms Chee Soo Yuen#

* These Directors are also Directors of subsidiaries.

Director of a company which is in member's voluntary liquidation.

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2021	Acquired	Sold	At 30.6.2022
<i>Shareholdings in which the Directors have direct interests</i>				
Interests of YBhg Datuk Kwek Leng San in:				
Hong Leong Company (Malaysia) Berhad	160,895	-	-	160,895
Hong Leong Industries Berhad	2,588,334	44,166 ⁽¹⁾	-	2,632,500
	44,166 *	-	44,166 ^{(1)*}	-
Malaysian Pacific Industries Berhad	1,108,334	90,833 ⁽¹⁾	-	1,199,167
	74,166 *	50,000 *	90,833 ^{(1)*}	33,333 *

Directors' Report

(Cont'd)

DIRECTORS' INTERESTS (cont'd)

Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks[#]/ordinary shares received or to be received arising from vesting of share grant^{*}

	At 1.7.2021	Acquired	Sold	At 30.6.2022
<i>Shareholdings in which the Directors have direct interests (cont'd)</i>				
Interests of YBhg Datuk Kwek Leng San in: (cont'd)				
Hong Leong Bank Berhad	536,000	-	-	536,000
Hong Leong Financial Group Berhad	654,000	-	-	654,000
Hume Cement Industries Berhad	3,921,600	-	-	3,921,600
	2,017,142 [#]	-	-	2,017,142 [#]
Interests of YBhg Dato' Khor Mun Wei in:				
Hong Leong Industries Berhad	172,585	113,363 ^{(2)*}	-	285,948
	192,225 [*]	114,438 [*]	103,363 ^{(1)*}	203,300 [*]
Hume Cement Industries Berhad	3,220	-	-	3,220

Legend:

- (1) Vesting of shares
(2) Inclusive of shares vested

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 below 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:

Directors of the Company	Group	Company
Fees	RM582,493	RM542,493
Remuneration and other benefits	RM3,747,113	-

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.

Directors' Report

(Cont'd)

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 was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM63,481 and the apportioned amount of the said premium paid by the Company was RM14,933.

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.

Directors' Report

(Cont'd)

OTHER STATUTORY INFORMATION (cont'd)

The financial performance of the Group and of the Company for the financial year ended 30 June 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

The auditors' remuneration of the Group and of the Company during the financial year are RM731,000 and RM193,000 respectively.

On behalf of the Board,

Dato' Khor Mun Wei

Peter Ho Kok Wai

19 August 2022

Statements of Financial Position

As at 30 June 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Assets					
Property, plant and equipment	4	233,250	259,585	24	18
Right-of-use assets	5	24,505	29,064	-	-
Investment property	6	4,000	4,000	-	-
Investments in subsidiary companies	7	-	-	211,636	230,528
Investments in associated companies	8	176,299	165,149	26,898	26,898
Intangible assets	9	39,102	19,128	-	-
Other investments	10	68,726	93,395	65,605	89,925
Deferred tax assets	11	21,829	25,112	-	-
Tax credit receivable	12	960	960	-	-
Total non-current assets		568,671	596,393	304,163	347,369
Inventories	13	311,782	302,692	-	-
Trade and other receivables, including derivatives	14	279,685	202,023	3,088	136
Current tax assets		2,006	2,467	-	-
Short-term money market fund and Term investment account-i	15	132,683	233,308	103,948	209,156
Cash and cash equivalents	16	1,271,174	1,029,139	815,972	701,023
Total current assets		1,997,330	1,769,629	923,008	910,315
Total assets		2,566,001	2,366,022	1,227,171	1,257,684
Equity					
Share capital	17	321,217	321,217	321,217	321,217
Reserves	18	1,647,752	1,608,540	966,026	997,931
Treasury shares - at cost	19	(63,318)	(63,318)	(63,318)	(63,318)
Total equity attributable to owners of the Company		1,905,651	1,866,439	1,223,925	1,255,830
Non-controlling interests		148,432	147,738	-	-
Total equity		2,054,083	2,014,177	1,223,925	1,255,830
Liabilities					
Lease liabilities		3,843	8,423	-	-
Deferred tax liabilities	11	5,357	5,357	-	-
Employee benefits	21.1	24,067	23,043	142	142
Total non-current liabilities		33,267	36,823	142	142
Loans and borrowings	20	18,689	12,600	-	-
Lease liabilities		4,880	3,740	-	-
Trade and other payables, including derivatives	22	411,864	277,418	1,697	1,548
Tax payable		43,218	21,264	1,407	164
Total current liabilities		478,651	315,022	3,104	1,712
Total liabilities		511,918	351,845	3,246	1,854
Total equity and liabilities		2,566,001	2,366,022	1,227,171	1,257,684

The notes on pages 104 to 170 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Continuing operations					
Revenue					
Sales of goods and services	23	2,457,894	2,618,859	-	-
Dividend income	23	8,523	14,237	162,294	315,633
		2,466,417	2,633,096	162,294	315,633
Cost of sales		(1,999,798)	(2,070,976)	-	-
Gross profit		466,619	562,120	162,294	315,633
Distribution expenses		(91,588)	(74,732)	-	-
Administration expenses		(66,799)	(69,652)	(5,520)	(5,526)
Other operating expenses		(13,395)	(15,000)	(7,126)	(23,032)
Other operating income		39,433	34,272	1,886	2,261
Results from operations		334,270	437,008	151,534	289,336
Interest income		13,395	1,669	9,280	441
Finance costs		(1,626)	(2,231)	-	-
Share of profit in associated companies, net of tax		30,945	35,830	-	-
Profit before taxation	24	376,984	472,276	160,814	289,777
Taxation	25	(99,326)	(94,985)	(2,499)	(640)
Profit from continuing operations		277,658	377,291	158,315	289,137
Profit from discontinued operations, net of tax	26	-	8,896	-	-
Profit for the year		277,658	386,187	158,315	289,137
Profit attributable to:					
Owners of the Company		210,939	291,882	158,315	289,137
Non-controlling interests		66,719	94,305	-	-
		277,658	386,187	158,315	289,137
Basic/Diluted earnings per ordinary share (sen)	27				
- from continuing operations		67.09	90.04		
- from discontinued operations		-	2.83		
		67.09	92.87		

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022
(Cont'd)

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year		277,658	386,187	158,315	289,137
Other comprehensive income/(expense), net of tax					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
Net change in fair value of equity investments at fair value through other comprehensive income		(24,327)	61,567	(24,094)	61,588
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences from foreign operations		200	41	-	-
Share of other comprehensive income/(expense) of equity-accounted associates		7,044	(3,183)	-	-
Cash flow hedge		(666)	584	-	-
		6,578	(2,558)	-	-
Total other comprehensive (expense)/income for the year	28	(17,749)	59,009	(24,094)	61,588
Total comprehensive income for the year		259,909	445,196	134,221	350,725
Total comprehensive income attributable to:					
Owners of the Company		193,394	350,713	134,221	350,725
Non-controlling interests		66,515	94,483	-	-
		259,909	445,196	134,221	350,725

The notes on pages 104 to 170 are an integral part of these financial statements.

Statements of Changes in Equity

For the Year Ended 30 June 2022

	Attributable to owners of the Company					Distributable				
	Non-distributable					Executive share scheme reserve				
	Share capital	Treasury shares	Exchange fluctuation reserve	Other reserves	Hedging reserve	Reserve for own shares	Retained earnings	Total	Non-controlling interests	Total equity
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2020	321,217	(63,318)	28,019	3,714	(2)	(16,138)	3,650	1,401,078	159,898	1,838,118
Profit for the year	-	-	-	-	-	-	-	291,882	94,305	386,187
Other comprehensive income/(expense)	-	-	41	-	-	-	-	-	-	41
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive expense of equity-accounted associates	-	-	(3,183)	-	-	-	-	(3,183)	-	(3,183)
Gain on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	61,567	-	61,567
Cash flow hedge	-	-	-	-	406	-	-	406	178	584
Total comprehensive income/(expense) for the year	-	-	(3,142)	-	406	-	-	353,449	94,483	445,196
Contributions by and distribution to owners of the Company	-	-	-	-	-	-	-	-	-	-
Share-based payments/ transactions	-	-	-	-	-	-	958	-	422	1,380
ESS shares exercised	-	-	-	-	-	439	(2,992)	2,553	-	-
Dividends (Note 29)	-	-	-	-	-	-	-	(163,452)	(107,065)	(270,517)
Total transactions with owners of the Company	-	-	-	-	-	439	(2,034)	(160,899)	(106,643)	(269,137)
At 30 June 2021	321,217	(63,318)	24,877	3,714	404	(15,699)	1,616	1,593,628	147,738	2,014,177

Statements of Changes in Equity

For the Year Ended 30 June 2022
(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
Group											
At 1 July 2021	321,217	(63,318)	24,877	3,714	404	(15,699)	1,616	1,593,628	1,866,439	147,738	2,014,177
Profit for the year	-	-	-	-	-	-	-	210,939	210,939	66,719	277,658
Other comprehensive income/(expense)	-	-	200	-	-	-	-	-	200	-	200
Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted associates	-	-	7,044	-	-	-	-	-	7,044	-	7,044
Loss on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(24,327)	(24,327)	-	(24,327)
Cash flow hedge	-	-	-	-	(462)	-	-	-	(462)	(204)	(666)
Total comprehensive income/(expense) for the year	-	-	7,244	-	(462)	-	-	186,612	193,394	66,515	259,909
Contributions by and distribution to owners of the Company											
Share-based payments/ transactions	-	-	-	-	-	-	730	-	730	322	1,052
ESS shares exercised	-	-	-	-	-	437	(1,813)	1,376	-	-	-
Dividends (Note 29)	-	-	-	-	-	-	-	(163,528)	(163,528)	(45,885)	(209,413)
	-	-	-	-	-	437	(1,083)	(162,152)	(162,798)	(45,563)	(208,361)
Addition of equity interest in a subsidiary company	-	-	-	-	-	-	-	8,616	8,616	(20,258)	(11,642)
Total transactions with owners of the Company	-	-	-	-	-	437	(1,083)	(153,536)	(154,182)	(65,821)	(220,003)
At 30 June 2022	321,217	(63,318)	32,121	3,714	(58)	(15,262)	533	1,626,704	1,905,651	148,432	2,054,083

Statements of Changes in Equity

For the Year Ended 30 June 2022
(Cont'd)

	Attributable to owners of the Company				
	Non-distributable		Distributable		
	Share capital	Treasury shares	Other reserves	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
At 1 July 2020	321,217	(63,318)	3,943	809,389	1,071,231
Profit for the year	-	-	-	289,137	289,137
Other comprehensive income					
Gain on fair value of equity investments at fair value through other comprehensive income	-	-	-	61,588	61,588
Total comprehensive income for the year	-	-	-	350,725	350,725
Distributions to owners of the Company					
Dividends (Note 29)	-	-	-	(166,126)	(166,126)
Total transactions with owners of the Company	-	-	-	(166,126)	(166,126)
At 30 June 2021/1 July 2021	321,217	(63,318)	3,943	993,988	1,255,830
Profit for the year	-	-	-	158,315	158,315
Other comprehensive income					
Loss on fair value of equity investments at fair value through other comprehensive income	-	-	-	(24,094)	(24,094)
Total comprehensive income for the year	-	-	-	134,221	134,221
Distributions to owners of the Company					
Dividends (Note 29)	-	-	-	(166,126)	(166,126)
Total transactions with owners of the Company	-	-	-	(166,126)	(166,126)
At 30 June 2022	321,217	(63,318)	3,943	962,083	1,223,925

The notes on pages 104 to 170 are an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended 30 June 2022

Note	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation				
- Continuing operations	376,984	472,276	160,814	289,777
- Discontinued operations	-	9,165	-	-
	376,984	481,441	160,814	289,777
<i>Adjustments for:</i>				
Amortisation of intangible assets	17,448	12,907	-	-
Depreciation of property, plant and equipment	45,737	43,444	5	1
Depreciation of right-of-use assets	2,896	5,566	-	-
Dividend income	(10,386)	(22,974)	(162,294)	(315,633)
Interest income	(13,395)	(1,770)	(9,280)	(441)
Finance costs	1,626	2,231	-	-
Gain on disposal of property, plant and equipment	(4,205)	(6,430)	-	-
Gain on disposal of right-of-use assets	(7,872)	-	-	-
Loss on fair value of financial assets at fair value through profit or loss	342	454	226	303
Reversal of impairment on property, plant and equipment	-	(4,336)	-	-
Impairment loss on investment in a subsidiary	-	-	6,900	22,000
Property, plant and equipment written off	621	312	-	-
Provision/(Write back) of retirement benefits	2,254	(1,847)	-	-
Share-based payments	1,052	1,380	-	-
Share of profit in associated companies	(30,945)	(35,830)	-	-
Unrealised (gain)/loss on foreign exchange	(2,290)	2,213	-	-
Others	-	(3)	(8)	-
Operating profit/(loss) before working capital changes	379,867	476,758	(3,637)	(3,993)
Inventories	(9,090)	(90,092)	-	-
Trade and other receivables	(69,243)	40,495	(2,952)	109
Trade and other payables	134,362	2,757	149	(390)
Cash generated from/(used in) operations	435,896	429,918	(6,440)	(4,274)
Dividends received from				
- Subsidiary companies	-	-	127,224	279,006
- Associated companies	26,839	22,853	26,839	22,853
- Other investments	10,386	22,974	8,231	13,774
Interest income received	13,395	1,770	9,280	441
Finance costs paid	(1,626)	(2,231)	-	-
Retirement benefits paid	(1,230)	-	-	-
Tax paid	(80,340)	(102,353)	(1,256)	(647)
Net cash generated from operating activities	403,320	372,931	163,878	311,153

Statements of Cash Flows

For the Year Ended 30 June 2022
(Cont'd)

Note	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash flows from investing activities				
Addition of development costs	(36,630)	(15,988)	-	-
Addition of computer software	(792)	(738)	-	-
Uplift/(Placement) in short-term money market fund and Term investment account-i	100,625	(233,308)	105,208	(209,156)
Purchase of property, plant and equipment	(20,177)	(34,695)	(11)	(19)
Proceeds from disposal of property, plant and equipment	4,331	7,904	-	-
Proceeds from disposal of right-of-use assets	9,890	-	-	-
Proceeds from capital reduction of a subsidiary	-	-	12,000	-
Net cash generated from/(used in) investing activities	57,247	(276,825)	117,197	(209,175)
Cash flows from financing activities				
Acquisition of addition equity interest in a subsidiary company	(11,642)	-	-	-
Dividends paid to				
- Owners of the Company	(163,528)	(163,452)	(166,126)	(166,126)
- Non-controlling shareholders of subsidiary companies	(45,885)	(107,065)	-	-
Drawdown of borrowings (ii)	121,529	128,169	-	-
Repayment of borrowings (ii)	(115,440)	(132,549)	-	-
Payment of lease liabilities (i), (ii)	(3,795)	(3,226)	-	-
Net cash used in financing activities	(218,761)	(278,123)	(166,126)	(166,126)
Net change in cash and cash equivalents	241,806	(182,017)	114,949	(64,148)
Effect of exchange rate fluctuations on cash held	229	47	-	-
Cash and cash equivalents at 1 July 2021/2020	1,029,139	1,211,109	701,023	765,171
Cash and cash equivalents at 30 June	1,271,174	1,029,139	815,972	701,023

(i) Cash outflows for leases as a lessee

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Included in net cash from operating activities				
Interest paid in relation to lease liabilities	386	168	-	-
Included in net cash from financing activities				
Payment of lease liabilities	3,795	3,226	-	-
Total cash outflows for leases	4,181	3,394	-	-

Statements of Cash Flows

For the Year Ended 30 June 2022
(Cont'd)

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

	At 1 July 2020 RM'000	Acquisition of new lease RM'000	Drawdown RM'000	Repayment RM'000	At 30 June/ 1 July 2021 RM'000	Acquisition of new lease RM'000	Drawdown RM'000	Repayment RM'000	At 30 June 2022 RM'000
Group									
Bankers' acceptances	6,280	-	113,169	(108,849)	10,600	-	118,529	(110,440)	18,689
Revolving credit	10,700	-	15,000	(23,700)	2,000	-	3,000	(5,000)	-
Lease liabilities	13,952	1,437	-	(3,226)	12,163	355	-	(3,795)	8,723
	30,932	1,437	128,169	(135,775)	24,763	355	121,529	(119,235)	27,412

The notes on pages 104 to 170 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 2022 comprise the Company, its subsidiaries, special purpose entities (together referred to as "the Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 30 June 2022 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. There have been no significant changes in the nature of these activities.

The financial statements were approved and authorised for issue by the Board of Directors on 19 August 2022.

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 7 – Investments in subsidiary companies*

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

(ii) Note 13 – Inventories

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

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

2.2 Summary of significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

The Group 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.

(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.

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)

(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(1)(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 depending on the level of influence retained.

(vi) Associates

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

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

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

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)

(vi) Associates (cont'd)

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 any 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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

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.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability 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 issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets

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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(j)(i)) where the effective interest rate is applied to the amortised cost.

(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.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2.2(j)(i)) where the effective interest rate is applied to the amortised cost.

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.

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)

(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)).

Financial liabilities

The categories of financial liabilities at initial recognition are as follows:

(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 and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) *Amortised cost*

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 on derecognition are also recognised in the 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)

(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 or settlement date accounting 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.

Settlement date accounting refers to:

- (a) the recognition of an asset on the day it is received by the Group and the Company, and
- (b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group and the Company.

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.

(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 transferred, 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. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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)

(v) Derecognition (cont'd)

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 any accumulated 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 component of an item of property, plant and equipment from the date they are available for use. 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	10 - 50 years
Plant, equipment and 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) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Leases (cont'd)

(i) Definition of a lease (cont'd)

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are lessees, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Leases (cont'd)

(ii) Recognition and initial measurement (cont'd)

(b) As a lessor

When the Group acts as lessors, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

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

(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.

(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.

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

(i) Investment property carried at fair value

Investment properties are properties which are owned or right-of-use asset held under a lease contract 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 which are owned are measured initially at cost. 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. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, 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.

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(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.

(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.

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 allowance 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.

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)

(i) Financial assets (cont'd)

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, 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.

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(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.

(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 and Company have 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 and Company have 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.

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

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 ("ESS Trust Shares").

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to 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.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(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.

(i) Warranties

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

(ii) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Revenue and other income

(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.

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) 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.

(iii) 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.

(q) Discontinued operations

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(r) 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.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

(t) 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.

(u) 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 and the Company use 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 and Company 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 and Company recognise 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, interpretations and amendments of the MFRSs 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 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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, interpretations and amendments:

- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and amendments to MFRS 17 which are not applicable to the Group and the Company.

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

Notes to the Financial Statements

(Cont'd)

3. COMPANIES IN THE GROUP

The details of the companies in the Group are as follows:

Name of Company	Country of incorporation	Effective interest		Principal activities
		2022 %	2021 %	
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
<ul style="list-style-type: none">Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	100	70	Manufacture of ceramic tiles.
<ul style="list-style-type: none">Guocera Sdn Bhd	Malaysia	100	100	Manufacture and general trading in ceramic tiles and investment holding.
<ul style="list-style-type: none">Guocera Marketing Singapore Pte Ltd	Singapore	100	100	General trading in ceramic tiles.
<ul style="list-style-type: none">Ceramic Research Company Sdn Bhd	Malaysia	100	100	Research and development of ceramic tiles and related products.
<ul style="list-style-type: none">Guocera Tile Industries Sdn Bhd	Malaysia	100	100	Rental of properties.
<ul style="list-style-type: none">Glenex Sdn Bhd	Malaysia	100	100	In member’s voluntary liquidation.
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.
HLV Marine Sdn Bhd	Malaysia	100	100	Distribution, trading and provision of services in marine related products and investment holding.
Malex Industrial Products Sdn Bhd	Malaysia	100	100	Investment holding.
Micalux Sdn Bhd (formerly known as Hume Roofing Products Sdn Bhd)	Malaysia	100	100	Investment holding.

Notes to the Financial Statements

(Cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of incorporation	Effective interest		Principal activities
		2022 %	2021 %	
Subsidiary Companies (cont'd)				
Stableview Sdn Bhd*	Malaysia	100	100	Investment holding.
Megah Court Condominium Development Sdn Bhd*	Malaysia	100	100	Dormant.
Kensinton Edge Sdn Bhd (formerly known as Hume Marketing Co Sdn Bhd)	Malaysia	100	100	Dormant.
HLI Trading Limited*	Hong Kong	100	100	Investment holding.
• Avenues Zone Inc*	Malaysia	100	100	In member's voluntary liquidation.
Maxider Sdn Bhd*	Malaysia	100	100	In member's voluntary liquidation.
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 ("YMVN")	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.

Notes to the Financial Statements

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Buildings RM'000	Plant, equipment and motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost						
At 1 July 2020		45,356	210,062	771,792	27,956	1,055,166
Additions		-	237	6,190	28,268	34,695
Reclassification		-	167	31,561	(31,728)	-
Disposals		-	-	(56,875)	-	(56,875)
Write off		-	-	(4,605)	-	(4,605)
At 30 June 2021/1 July 2021		45,356	210,466	748,063	24,496	1,028,381
Additions		-	175	9,072	10,930	20,177
Reclassification		-	205	18,063	(18,268)	-
Disposals		-	-	(74,189)	-	(74,189)
Write off		-	-	(1,575)	-	(1,575)
Effect of movements in exchange rates		-	(12)	(12)	-	(24)
At 30 June 2022		45,356	210,834	699,422	17,158	972,770
Accumulated depreciation and impairment losses						
At 1 July 2020		-	93,868	691,570	3,939	789,377
Charge for the year		-	7,260	36,184	-	43,444
Write back of impairment loss		-	-	(1,542)	(2,794)	(4,336)
Disposals		-	-	(55,401)	-	(55,401)
Write off		-	-	(4,293)	-	(4,293)
Effect of movements in exchange rates		-	-	5	-	5
At 30 June 2021/1 July 2021		-	101,128	660,740	-	761,868
Accumulated depreciation		-	-	5,783	1,145	6,928
Accumulated impairment losses		-	101,128	666,523	1,145	768,796
Charge for the year		-	6,559	39,178	-	45,737
Write back of impairment loss		-	-	(1,626)	-	(1,626)
Disposals		-	-	(72,437)	-	(72,437)
Write off		-	-	(954)	-	(954)
Effect of movements in exchange rates		-	-	4	-	4
At 30 June 2022		-	107,687	626,531	-	734,218
Accumulated depreciation		-	-	4,157	1,145	5,302
Accumulated impairment losses		-	107,687	630,688	1,145	739,520
Carrying amounts						
At 1 July 2020		45,356	116,194	80,222	24,017	265,789
At 30 June 2021/1 July 2021		45,356	109,338	81,540	23,351	259,585
At 30 June 2022		45,356	103,147	68,734	16,013	233,250

Notes to the Financial Statements

(Cont'd)

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

Company	Office equipment and motor vehicles
	RM'000
Cost	
At 1 July 2020	33
Additions	19
At 30 June 2021/1 July 2021	52
Additions	11
At 30 June 2022	63
Accumulated depreciation	
At 1 July 2020	33
Charge for the year	1
At 30 June 2021/1 July 2021	34
Charge for the year	5
At 30 June 2022	39
Carrying amounts	
At 1 July 2020	-
At 30 June 2021/1 July 2021	18
At 30 June 2022	24

5. RIGHT-OF-USE ASSETS

Group	Land RM'000	Building and equipment RM'000	Total RM'000
At 1 July 2020	19,478	13,717	33,195
Addition for the year	-	1,435	1,435
Depreciation for the year	(565)	(5,001)	(5,566)
At 30 June 2021/1 July 2021	18,913	10,151	29,064
Addition for the year	-	355	355
Disposal for the year	(2,018)	-	(2,018)
Depreciation for the year	(501)	(2,395)	(2,896)
At 30 June 2022	16,394	8,111	24,505

Notes to the Financial Statements

(Cont'd)

6. INVESTMENT PROPERTY

	Group	
	2022	2021
	RM'000	RM'000
At fair value:		
Leasehold land with unexpired lease period of more than 50 years	4,000	4,000

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' with 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).

7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2022	2021
	RM'000	RM'000
At cost:		
Unquoted shares	341,594	353,586
Less: Impairment loss	(129,958)	(123,058)
	211,636	230,528

The cessation of certain business operations caused the Company to assess the recoverable amount of the related investments in subsidiary companies and test for impairment.

The management estimated the recoverable amount of the related investments in subsidiary companies based on fair value less costs of disposal ("FVLCD") by estimating the fair value of the underlying assets and liabilities of the subsidiary companies.

The carrying amount of the investment in a subsidiary company was determined to be higher than its recoverable amount of RM6.9 million (2021: RM12 million) and therefore an impairment loss of RM6.9 million (2021: RM22 million) was recognised in the current financial year's profit or loss.

During the financial year, Guocera Holdings Sdn Bhd ("GHSB"), a wholly-owned subsidiary of the Company had, on 9 December 2021 entered into a Share Sale Agreement with Lembaga Tabung Angkatan Tentera ("LTAT") for the acquisition of 30% equity interest in Guocera Tile Industries (Meru) Sdn Bhd ("GTI Meru") from LTAT ("Acquisition"). The Acquisition was completed on even date and GTI Meru became a wholly-owned subsidiary of GHSB.

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

Notes to the Financial Statements

(Cont'd)

7. INVESTMENTS IN SUBSIDIARY COMPANIES (cont'd)

7.1 Non-controlling interest in subsidiary companies

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

	2022 RM'000	2021 RM'000
As at 30 June		
Statements of financial position		
Total assets	877,505	764,048
Total liabilities	(357,375)	(242,458)
Net assets	520,130	521,590
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Profit for the year	216,497	317,712
Total comprehensive income	213,751	319,470
Statements of cash flows		
Net cash flow generated from operating, investing and financing activities	159,779	(113,433)
Dividends paid to NCI	(45,885)	(107,065)

8. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At cost:				
Unquoted shares	27,306	27,306	26,898	26,898
Share of post-acquisition reserves	148,993	137,843	-	-
	176,299	165,149	26,898	26,898

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

Notes to the Financial Statements

(Cont'd)

8. INVESTMENTS IN ASSOCIATED COMPANIES (cont'd)

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

Group	2022 RM'000	2021 RM'000
As at 30 June		
Statements of financial position		
Non-current assets	303,064	302,126
Current assets	998,175	869,124
Non-current liabilities	(44,238)	(42,347)
Current liabilities	(554,932)	(458,076)
Net assets	702,069	670,827
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Total comprehensive income	122,943	143,273
Included in the total comprehensive income is:		
Revenue	2,489,023	3,054,067
Reconciliation of net assets to carrying amount		
As at 30 June		
Group's share of net assets other than goodwill of the associated company	176,018	164,868
Premium on acquisition	281	281
Carrying amount in the statement of financial position	176,299	165,149
Year ended 30 June		
Group's share of results		
Group's share of profit or loss	30,945	35,830
Group's share of other comprehensive income/(expense)	7,044	(3,183)
Group's share of total comprehensive income	37,989	32,647
Other information		
Dividends received by the Group	26,839	22,853

Notes to the Financial Statements

(Cont'd)

9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development costs RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 July 2020	66,975	78,892	7,864	153,731
Additions	-	15,988	738	16,726
At 30 June 2021/1 July 2021	66,975	94,880	8,602	170,457
Additions	-	36,630	792	37,422
At 30 June 2022	66,975	131,510	9,394	207,879
Amortisation and impairment loss				
At 1 July 2020				
Accumulated amortisation	-	66,436	5,011	71,447
Accumulated impairment loss	66,975	-	-	66,975
	66,975	66,436	5,011	138,422
Amortisation for the year	-	12,234	673	12,907
At 30 June 2021/1 July 2021				
Accumulated amortisation	-	78,670	5,684	84,354
Accumulated impairment loss	66,975	-	-	66,975
	66,975	78,670	5,684	151,329
Amortisation for the year	-	16,771	677	17,448
At 30 June 2022				
Accumulated amortisation	-	95,441	6,361	101,802
Accumulated impairment loss	66,975	-	-	66,975
	66,975	95,441	6,361	168,777
Carrying amounts				
At 1 July 2020	-	12,456	2,853	15,309
At 30 June 2021/1 July 2021	-	16,210	2,918	19,128
At 30 June 2022	-	36,069	3,033	39,102

Notes to the Financial Statements

(Cont'd)

10. OTHER INVESTMENTS

Note	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Non-current				
Financial assets at fair value through profit or loss				
- Redeemable convertible unsecured loan stocks in a related company	3,232	3,574	2,147	2,373
Fair value through other comprehensive income				
- Shares in related companies, quoted in Malaysia	10.1 65,494	89,821	63,458	87,552
	68,726	93,395	65,605	89,925

Note 10.1

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

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Property, plant and equipment	-	-	(14,555)	(7,724)	(14,555)	(7,724)
Right-of-use assets	-	-	(3,412)	(7,299)	(3,412)	(7,299)
Inventory, trade and other receivables and payables	31,159	27,354	(294)	-	30,865	27,354
Lease liabilities	3,574	7,424	-	-	3,574	7,424
Deferred tax assets/(liabilities)	34,733	34,778	(18,261)	(15,023)	16,472	19,755
Set off of tax	(12,904)	(9,666)	12,904	9,666	-	-
Net deferred tax assets/(liabilities)	21,829	25,112	(5,357)	(5,357)	16,472	19,755

Notes to the Financial Statements

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11. 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	
	2022	2021
	RM'000	RM'000
Inventory, trade and other receivables and payables	35	30
Unabsorbed capital allowances	1,774	2,215
Unutilised tax losses	52,813	44,280
	54,622	46,525

The unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the subsidiary companies can utilise the benefits.

Under the current tax legislation, the amount of unutilised tax losses that can be carried forward up to its respective Year of assessment are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Year of assessment 2028	38,066	33,753
Year of assessment 2029	2,830	-
Year of assessment 2030	9,952	10,527
Year of assessment 2032	1,965	-
	52,813	44,280

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

	At 1 July 2020 RM'000	Recognised in profit or loss (Note 25) RM'000	At 30 June 2021/ 1 July 2021 RM'000	Recognised in profit or loss (Note 25) RM'000	At 30 June 2022 RM'000
Group					
Property, plant and equipment	(11,780)	4,056	(7,724)	(6,831)	(14,555)
Right-of-use assets	(3,293)	(4,006)	(7,299)	3,887	(3,412)
Inventory, trade and other receivables and payables	20,884	6,470	27,354	3,511	30,865
Lease liabilities	3,348	4,076	7,424	(3,850)	3,574
	9,159	10,596	19,755	(3,283)	16,472

Notes to the Financial Statements

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12. 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.

13. INVENTORIES

	Group	
	2022	2021
	RM'000	RM'000
Raw materials and consumables	231,785	251,756
Work-in-progress	9,636	6,565
Finished goods	70,361	44,371
	311,782	302,692
Recognised in profit or loss:		
Inventories recognised as cost of sales	1,856,065	2,078,740

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade receivables		238,503	173,193	-	-
Amount due from related companies		2,991	2,261	-	-
Amount due from associated companies		475	555	-	-
		241,969	176,009	-	-
Less: Allowance for impairment losses	33.3(a)	(3,618)	(3,628)	-	-
		238,351	172,381	-	-
Non-trade					
Other receivables and deposits		33,404	20,979	3,072	110
Prepayments		7,930	8,080	16	26
Derivative financial asset					
- Forward exchange contract designated as hedge instruments		-	583	-	-
		279,685	202,023	3,088	136

Notes to the Financial Statements

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15. SHORT-TERM MONEY MARKET FUND AND TERM INVESTMENT ACCOUNT-I

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	32,683	233,308	3,948	209,156
Term investment account-i	100,000	-	100,000	-
	132,683	233,308	103,948	209,156

The funds placed in the short-term money market fund by the Group and the Company are managed by a related company. The term investment account-i placed by the Company is maintained with a related company.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	6,769	218,020	-	-
Term investment account-i	996,120	-	756,120	-
Deposits with licensed banks	224,296	743,719	59,000	700,000
Cash and bank balances	43,989	67,400	852	1,023
	1,271,174	1,029,139	815,972	701,023

The funds placed in the short-term money market fund by the Group are managed by a related company. The term investment account-i placed by the Company is maintained with a related company.

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

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	165,975	738,038	-	700,000
Cash and bank balances	14,470	52,286	809	610
	180,445	790,324	809	700,610

Notes to the Financial Statements

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17. SHARE CAPITAL

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2022	2022	2021	2021
	'000	RM'000	'000	RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 July 2021/30 June 2022 and 1 July 2020/30 June 2021	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 19), is RM321,216,752 comprising 327,905,310 ordinary shares. The treasury shares are held in accordance with the requirement of Section 127 of the Companies Act 2016.

18. RESERVES

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Reserves consist of:					
Exchange fluctuation reserve	18.1	32,121	24,877	-	-
Other reserves	18.2	3,714	3,714	3,943	3,943
Reserve for own shares	18.3	(15,262)	(15,699)	-	-
Executive share scheme reserve	18.4	533	1,616	-	-
Hedging reserve	18.5	(58)	404	-	-
Retained earnings		1,626,704	1,593,628	962,083	993,988
		1,647,752	1,608,540	966,026	997,931

Note 18.1

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

Note 18.2

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 18.3

Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(I)(iii). As at 30 June 2022, the total number of HLI Shares held by the ESS Trusts at the Group level was 4,948,219 (2021: 5,092,916) HLI Shares.

At the Group level, during the financial year-to-date, a total of 144,697 (2021: 145,057) 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.

Notes to the Financial Statements

(Cont'd)

18. RESERVES (cont'd)

Note 18.4

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 18.5

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.

19. TREASURY SHARES - AT COST

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2022 '000	2022 RM'000	2021 '000	2021 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.

20. LOANS AND BORROWINGS

	Group	
	2022 RM'000	2021 RM'000
Current (unsecured)		
Bankers' acceptances	18,689	10,600
Revolving credit	-	2,000
	18,689	12,600

21. EMPLOYEE BENEFITS

21.1 Retirement benefits

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
At 1 July 2021/2020	23,043	24,890	142	142
Provision /(Write-back)	2,254	(1,847)	-	-
Payments	(1,230)	-	-	-
At 30 June	24,067	23,043	142	142

Notes to the Financial Statements

(Cont'd)

21. EMPLOYEE BENEFITS (cont'd)

21.2 Executive Share Scheme

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.
- (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 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 By-Laws of the ESS.
- (a) The Company had in place an existing 10-year executive share scheme which was implemented on 8 March 2013, comprising an executive share option scheme ("ESOS") and an executive share grant scheme ("ESGS") (collectively, "ESS"), which would be expiring on 7 March 2023.

(i) ESOS

There were no grant or vesting of conditional incentive share options ("Options") over ordinary shares of the Company ("HLI Shares") to eligible executives (including directors and chief executive) of the Group during the financial year ended 30 June 2022.

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, 2,340,000 Options had been exercised and 4,000,000 Options had ceased. 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 during the previous financial years, and 2,000,000 Options had ceased during the previous financial years. 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 2022.

Notes to the Financial Statements

(Cont'd)

21. EMPLOYEE BENEFITS (cont'd)

21.2 Executive Share Scheme (cont'd)

- (a) The Company had in place an existing 10-year executive share scheme which was implemented on 8 March 2013, comprising an executive share option scheme ("ESOS") and an executive share grant scheme ("ESGS") (collectively, "ESS"), which would be expiring on 7 March 2023. (cont'd)

(ii) ESGS

HLI Shares Grant

During the financial year ended 30 June 2022, 114,438 HLI Shares, free of consideration were granted to an eligible executive of the Group and none of the HLI Shares had been vested. A total of 144,697 free HLI Shares had been vested during the financial year ended 30 June 2022 and 203,300 HLI Shares remain outstanding as at 30 June 2022. The aggregate HLI Shares granted to a director/chief executive of the Group during the financial year ended 30 June 2022 amounted to 114,438 HLI Shares, 103,363 free HLI Shares had been vested and 203,300 HLI Shares remain outstanding as at 30 June 2022. The actual percentage of total HLI Shares granted to a director/senior management of the Group was 0.04% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2022.

Since the commencement of the ESS, a total of 797,581 free HLI Shares had been granted (out of which, 247,500 free HLI Shares were granted in lieu of the outstanding Options over 4,000,000 HLI Shares granted during the previous financial year), 594,281 free HLI Shares had been vested and 203,300 HLI Shares remain outstanding as at 30 June 2022. The aggregate HLI Shares granted to a director/chief executive of the Group amounted to 478,581 HLI Shares, 275,281 free HLI Shares had been vested and 203,300 HLI Shares remain outstanding as at 30 June 2022. The actual percentage of total HLI Shares granted to a director/senior management of the Group was 0.15% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2022.

The aggregate allocation of Options and HLI Shares Grant 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.

	Group	
	2022	2021
	RM'000	RM'000
(i) Value of employee services received for HLI Shares Grant		
HLI Shares Grant	1,052	1,380
(ii) Weighted average fair value and assumptions for HLI Shares Grant		
Weighted average fair value at grant date	RM8.36	RM8.37

- (b) The Company had, on 6 December 2021, implemented a new ESS which comprises an ESOS and an ESGS of up to 10% of the Company's total number of issued ordinary shares (excluding treasury shares) for eligible executives and/or directors of the Company and its subsidiaries ("ESS 2021"). The ESS 2021 would be in force for a period of 10 years from 6 December 2021.

Since the commencement of the ESS 2021, there were no Options and/or grant of HLI Shares.

Notes to the Financial Statements

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22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Note	Group		Company	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade					
Trade payables		155,669	76,475	-	-
Amount due to related companies		76,751	79,720	-	-
Amount due to associated companies		43,529	202	-	-
		275,949	156,397	-	-
Non-trade					
Amount due to related companies	22.1	281	687	-	-
Amount due to associated companies	22.1	1,356	1,657	-	-
Other payables		32,901	35,909	-	-
Accrued liabilities		101,293	82,768	1,697	1,548
Derivative financial liability					
- Forward exchange contract designated as hedge instruments		84	-	-	-
		411,864	277,418	1,697	1,548

Note 22.1

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

23. REVENUE

	2022 RM'000	2021 RM'000
Group		
Revenue from contracts with customers	2,457,894	2,618,859
Other revenue		
- Dividend income	8,523	14,237
Total revenue	2,466,417	2,633,096
Company		
Other revenue		
- Dividend income	162,294	315,633

Notes to the Financial Statements

(Cont'd)

23. REVENUE (cont'd)

23.1 Disaggregation of revenue

Group	2022 RM'000	2021 RM'000
Major products		
Consumer products		
Motorcycles and spare parts sales	1,942,688	2,119,045
Ceramic tiles	251,269	265,852
	2,193,957	2,384,897
Other products		
Fibre cement and marine related products	263,937	233,962
	2,457,894	2,618,859
Timing and recognition		
At a point in time	2,457,894	2,618,859
Revenue from contracts with customers	2,457,894	2,618,859
Other revenue	8,523	14,237
Total revenue	2,466,417	2,633,096

Notes to the Financial Statements

(Cont'd)

23. REVENUE (cont'd)

23.2 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 30 - 60 days from invoice date for motorcycles, 30 - 90 days from invoice date or cash term for spare parts sales and 30 days from invoice date or cash term for marine related 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.

The Group applies the practical expedient exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

Notes to the Financial Statements

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24. PROFIT BEFORE TAXATION

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees:				
- KPMG PLT	553	537	116	110
- Overseas affiliates of KPMG PLT	68	59	-	-
- Other auditors	25	25	-	-
Non-audit fees:				
- KPMG PLT	13	4	5	4
- Overseas affiliates of KPMG PLT	72	61	72	57
Material expenses/(income)				
Dividend income				
- Unquoted associated companies in Malaysia	-	-	(3,600)	(3,600)
- Unquoted associated company outside Malaysia	-	-	(23,239)	(19,253)
- Quoted investment in Malaysia	(776)	(665)	(776)	(665)
- Unquoted subsidiary companies in Malaysia	-	-	(127,224)	(279,006)
- Short term investments	(9,610)	(22,309)	(7,455)	(13,109)
Personnel expenses				
- Staff salaries and other expenses	166,188	159,950	631	1,013
- Contribution to Employees Provident Fund	10,571	12,742	75	121
- Retirement benefits provision/ (write-back)	2,254	(1,847)	-	-
- Share-based payments	1,052	1,380	-	-
Retrenchment costs	-	13,316	-	-
Gain on disposal of property, plant and equipment	(4,205)	(6,430)	-	-
Gain on disposal of right-of-use asset	(7,872)	-	-	-
Loss on fair value of financial assets at fair value through profit or loss	342	454	226	303
Reversal of provision for slow moving inventories	(9,279)	(7,097)	-	-
Property, plant and equipment				
- written off	621	312	-	-
- reversal of impairment loss	(1,626)	(4,336)	-	-
Impairment loss on investment in a subsidiary	-	-	6,900	22,000
Expenses arising from leases				
Expenses relating to short-term leases	1,181	1,066	-	-
Net loss on impairment of financial instruments				
Financial assets at amortised cost	10	7,694	-	-

Notes to the Financial Statements

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25. TAXATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Continuing operations:				
Current taxation				
Current year	98,119	99,500	2,495	643
(Over)/Under provision in prior year	(2,076)	6,081	4	(3)
	96,043	105,581	2,499	640
Deferred taxation				
Current year	1,744	(1,136)	-	-
Under/(Over) provision in prior year	1,539	(9,460)	-	-
	3,283	(10,596)	-	-
Taxation attributable to continuing operations	99,326	94,985	2,499	640
Discontinued operations:				
Current year taxation	-	269	-	-
Total tax expense	99,326	95,254	2,499	640

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	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit/(Loss) before taxation				
- Continuing operations	376,984	472,276	160,814	289,777
- Discontinued operations	-	9,165	-	-
Total profit before taxation	376,984	481,441	160,814	289,777
Taxation at Malaysian statutory tax rates of 24%	90,476	115,546	38,595	69,546
Effect of change in tax rate*	17,991	-	-	-
Non-allowable expenses	8,233	6,384	2,985	6,849
Non-taxable income	(5,940)	(8,305)	(39,085)	(75,752)
Effect of deferred tax asset not recognised	(1,943)	(6,030)	-	-
Tax attributable to associated companies	(7,427)	(8,599)	-	-
Tax incentive	(1,527)	(363)	-	-
	99,863	98,633	2,495	643
(Over)/Under provision in prior years	(537)	(3,379)	4	(3)
	99,326	95,254	2,499	640

* The Finance Act 2021 gazetted on 31 December 2021 enacts the Prosperity Tax on companies that generate high income during the COVID-19 pandemic period for Year of Assessment 2022. A subsidiary with chargeable income up to first RM100 million is taxed at 24% and the remaining chargeable income is taxed at a one-off rate of 33%.

Notes to the Financial Statements

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26. DISCONTINUED OPERATIONS

The Group ceased some of its businesses under industrial operating segment. The Group ceased its distribution of building materials and manufacturing and sale of concrete roofing products.

Profit attributable to the discontinued operations were as follows:

Results of discontinued operations

	Group	
	2022	2021
	RM'000	RM'000
Revenue	-	10,848
Cost of sales	-	(9,977)
Gross profit	-	871
Distribution expenses	-	(641)
Administration expenses	-	(2,319)
Other operating expenses	-	(1)
Other operating income	-	11,154
Results from operations	-	9,064
Interest income	-	101
Finance costs	-	-
Profit before taxation	-	9,165
Taxation (Note 25)	-	(269)
Profit from discontinued operations, net of tax	-	8,896

Cash flows from/(used in) discontinued operations

	Group	
	2022	2021
	RM'000	RM'000
Net cash from operating activities	-	15,017
Net cash from investing activities	-	3,429
Net cash used in financing activities	-	(31,761)
Effect on cash flows	-	(13,315)

Notes to the Financial Statements

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27. 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 RM210,939,000 (2021: RM291,882,000) by the weighted average number of ordinary shares outstanding during the financial year of 314,426,000 (2021: 314,281,000) as follows:

	Group	
	2022	2021
	RM'000	RM'000
Profit from continuing operations	210,939	282,986
Profit from discontinued operations	-	8,896
Profit attributable to owners of the Company	210,939	291,882

	Group	
	2022	2021
	'000	'000
Weighted average number of ordinary shares (basic):		
Issued ordinary shares at 1 July 2021/2020	327,905	327,905
Less:		
Treasury shares held at 1 July 2021/2020	(8,432)	(8,432)
Trust shares held at 1 July 2021/2020	(5,093)	(5,238)
	314,380	314,235
Effect of Trust shares vested	46	46
Weighted average number of ordinary shares	314,426	314,281

	Group	
	2022	2021
From continuing operations (sen)	67.09	90.04
From discontinued operations (sen)	-	2.83
Basic earnings per ordinary share (sen)	67.09	92.87

Diluted earnings per ordinary share

The Group's diluted earnings per ordinary share for the financial year approximates its basic earnings per ordinary share.

Notes to the Financial Statements

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

Group	Before tax RM'000	Tax benefit/ (expense) RM'000	Net of tax RM'000
2022			
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	(24,327)	-	(24,327)
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	(666)	-	(666)
Foreign currency translation differences for foreign operations			
- Gain arising during the year	200	-	200
- Share of other comprehensive expense of equity-accounted associates	7,044	-	7,044
	(17,749)	-	(17,749)
2021			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Fair value gain arising during the year	61,567	-	61,567
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	584	-	584
Foreign currency translation differences for foreign operations			
- Gain arising during the year	41	-	41
- Share of other comprehensive income of equity-accounted associates	(3,183)	-	(3,183)
	59,009	-	59,009

Notes to the Financial Statements

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

Company	Before tax RM'000	Tax benefit/ (expense) RM'000	Net of tax RM'000
2022			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Loss on fair value arising during the year	(24,094)	-	(24,094)
2021			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Fair value gain arising during the year	61,588	-	61,588

29. DIVIDENDS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
First interim				
17 sen per share single tier (2021: 17 sen per share single tier)	53,444	53,419	54,310	54,310
Second interim				
35 sen per share single tier (2021: 35 sen per share single tier)	110,084	110,033	111,816	111,816
	163,528	163,452	166,126	166,126

Dividends received by the ESS Trusts amounting to RM2,598,000 (2021: RM2,674,000) for the Group is eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(I)(iii).

Notes to the Financial Statements

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30. 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 continuing and discontinued operations in each of the Group's reportable segments:

a) Continuing operations

Consumer products – Manufacture and sale of consumer products comprises motorcycles, spare parts and ceramic tiles.

b) Discontinued operations

Manufacture and sale of concrete roofing products and distribution of building materials.

Other non-reportable segment comprises operations related to manufacturing and sale of fibre cement products and distribution of marine related products.

Segment profit

Performance is measured based on segment profit before interest income, finance costs 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.

	Continuing operations Consumer products		Discontinued operations Industrial products		Total	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Segment profit/(loss)	340,956	443,485	-	9,064	340,956	452,549
<i>Included in the measure of segment profit/(loss) are:</i>						
Revenue from external customers	2,193,957	2,384,220	-	10,848	2,193,957	2,395,068
Depreciation and amortisation	(57,617)	(52,443)	-	(169)	(57,617)	(52,612)
Reversal of/(Impairment loss) on property, plant and equipment	-	4,336	-	-	-	4,336
Share of profit in associated companies	30,945	35,830	-	-	30,945	35,830

Notes to the Financial Statements

(Cont'd)

30. OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment profit or loss

	Group	
	2022	2021
	RM'000	RM'000
Profit		
Total profit for reportable segments	340,956	452,549
Non-reportable segments	24,259	29,353
(Profit)/Loss from discontinued operations	-	(9,064)
Interest income	13,395	1,669
Finance costs	(1,626)	(2,231)
Consolidated profit (excluding taxation and discontinued operations)	376,984	472,276

	2022		2021	
	External revenue	Depreciation and amortisation	External revenue	Depreciation and amortisation
	RM'000	RM'000	RM'000	RM'000
Group				
Total reportable segments	2,193,957	57,617	2,395,068	52,612
Non-reportable segments	272,460	8,464	248,876	9,305
Discontinued operations	-	-	(10,848)	(169)
Consolidated total	2,466,417	66,081	2,633,096	61,748

Geographical information

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

	Revenue	
	2022	2021
	RM'000	RM'000
Group		
Malaysia	2,318,098	2,489,822
Australia	38,977	24,326
Vietnam	16,981	21,430
Thailand	25,523	26,111
Singapore	16,202	34,082
Taiwan	19,776	17,421
Others	30,860	30,752
Discontinued operations	-	(10,848)
	2,466,417	2,633,096

Notes to the Financial Statements

(Cont'd)

30. 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	
	2022 RM'000	2021 RM'000
Group		
Malaysia	300,838	311,495
Singapore	19	282
	300,857	311,777

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.

31. CAPITAL COMMITMENTS

	Group	
	2022 RM'000	2021 RM'000
Property, plant and equipment		
Authorised but not contracted for	38,462	31,228
Authorised and contracted for	31,026	61,459

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES

32.1 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"). Guoline Capital Assets Limited is a person connected with certain major shareholders of the Company and persons connected with them (collectively referred to as "Hong Leong Group");
- (ii) Tasek Corporation Berhad ("Tasek") is person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company;
- (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:

Transactions	Related Party	Group	
		2022 RM'000	2021 RM'000
(a) Sale of goods and services	Hong Leong Group	52	32
	Hong Bee Hardware and Hong Bee Motors	47,120	40,412
	YMC Group	2,719	2,902
(b) Purchase of goods and services	Hong Leong Group	2,776	4,269
	YMC Group	655,864	745,549
	Tasek and subsidiary and associated companies of Tasek	11,138	7,860
	Associated companies of HLI	309,061	394,966
(c) Rental of properties	Hong Leong Group	1,171	1,443
(d) Receipt of services	Hong Leong Group	1,229	1,134
(e) Receipt of Group management and/or support services	Hong Leong Group	20,443	22,224
(f) Payment of royalties and technical fees for usage of the Yamaha trademark and technical support	YMC	54,053	37,026

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES (cont'd)

32.1 Significant related party transactions (cont'd)

Transactions	Related Party	Group	
		2022 RM'000	2021 RM'000
(g) Receipt of research and development services	YMC	4,417	4,383
(h) Receipt of logistics related services	Hong Leong Group	-	4

Significant balances with related parties at the reporting date are disclosed in Note 14, Note 15, Note 16 and Note 22.

The above transactions were established on negotiated basis based on business practices and policies of the Group and of the Company.

32.2 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 and the Company either directly or indirectly. The key management personnel comprises all the Directors of the Company.

The fees, remuneration and other benefits of the Directors of the Group and the Company are as follows:

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<i>Executive Directors</i>				
Fees*	-	18	-	-
Remuneration and other benefits	3,747	3,605	-	-
<i>Non-Executive Directors</i>				
Fees*	582	459	542	389

* This includes the fees for a Director which has been assigned in favour of the company where the Director is employed.

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS

33.1 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").

	Carrying amount	FAAC/ FLAC	FVOCI- EIDUIR	FVTPL- DUIR	Derivatives used for hedging
2022	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Group					
Other investments	68,726	-	65,494	3,232	-
Trade and other receivables, including derivatives (excluding prepayments)	271,755	271,755	-	-	-
Short-term money market fund and Term investment account-i	132,683	100,000	-	32,683	-
Cash and cash equivalents	1,271,174	1,264,405	-	6,769	-
	1,744,338	1,636,160	65,494	42,684	-
Company					
Other investments	65,605	-	63,458	2,147	-
Trade and other receivables, including derivatives (excluding prepayments)	3,072	3,072	-	-	-
Short-term money market fund and Term investment account-i	103,948	100,000	-	3,948	-
Cash and cash equivalents	815,972	815,972	-	-	-
	988,597	919,044	63,458	6,095	-
Financial liabilities					
Group					
Loans and borrowings	18,689	18,689	-	-	-
Trade and other payables, including derivatives	411,864	411,780	-	-	84
	430,553	430,469	-	-	84
Company					
Trade and other payables, including derivatives	1,697	1,697	-	-	-

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.1 Categories of financial instruments (cont'd)

	Carrying amount	FAAC/ FLAC	FVOCI- EIDUIR	FVTPL- DUIR	Derivatives used for hedging
2021	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Group					
Other investments	93,395	-	89,821	3,574	-
Trade and other receivables, including derivatives (excluding prepayments)	193,943	193,360	-	-	583
Short-term money market fund	233,308	-	-	233,308	-
Cash and cash equivalents	1,029,139	811,119	-	218,020	-
	1,549,785	1,004,479	89,821	454,902	583
Company					
Other investments	89,925	-	87,552	2,373	-
Trade and other receivables, including derivatives (excluding prepayments)	110	110	-	-	-
Short-term money market fund	209,156	-	-	209,156	-
Cash and cash equivalents	701,023	701,023	-	-	-
	1,000,214	701,133	87,552	211,529	-
Financial liabilities					
Group					
Loans and borrowings	12,600	12,600	-	-	-
Trade and other payables, including derivatives	277,418	277,418	-	-	-
	290,018	290,018	-	-	-
Company					
Trade and other payables, including derivatives	1,548	1,548	-	-	-

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on financial instruments carried at:				
(i) <i>Amortised cost</i>				
- Interest income	13,395	1,669	9,204	441
- Unrealised forex gain/(loss)	2,291	(2,256)	-	-
- Finance costs	(1,626)	(2,063)	-	-
(ii) <i>Fair value through profit or loss:</i>				
- Dividend income from short term investments	9,610	22,309	7,455	13,109
- Fair value loss on loan stock investment	(342)	(454)	(226)	(303)
- Others	114	49	76	38
(iii) <i>Fair value through other comprehensive income:</i>				
- Fair value loss on equity investments	(24,327)	61,567	(24,094)	61,588
- Dividend income	776	665	776	665
	(109)	81,486	(6,809)	75,538

33.3 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, short-term money market fund and bank balances. The Company's exposure to credit risk arises principally from its short-term money market fund and 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.

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.

Concentration of credit risk

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	
	2022	2021
	RM'000	RM'000
Domestic	215,713	157,969
Asia	17,035	12,013
Europe	3,950	415
Others	1,653	1,984
	238,351	172,381

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Expected credit loss ("ECL") assessment for trade receivables

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers which comprise a very large number of insignificant balances outstanding, taking into account days past due and credit evaluation as applicable.

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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2022 and 30 June 2021.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2022			
Not past due	228,677	(3,406)	225,271
Past due 1 - 30 days	11,418	(6)	11,412
Past due 31 - 60 days	1,069	-	1,069
Past due 61 - 90 days	500	(4)	496
Past due 91 - 120 days	75	-	75
Past due more than 120 days	230	(202)	28
	241,969	(3,618)	238,351
2021			
Not past due	124,927	(2,359)	122,568
Past due 1 - 30 days	29,097	(994)	28,103
Past due 31 - 60 days	13,226	-	13,226
Past due 61 - 90 days	7,782	(124)	7,658
Past due 91 - 120 days	829	(3)	826
Past due more than 120 days	148	(148)	-
	176,009	(3,628)	172,381

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Expected credit loss ("ECL") assessment for trade receivables (cont'd)

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	2022 RM'000	2021 RM'000
Group		
Balance at 1 July 2022/2021	3,628	11,322
Net measurement of loss allowance	(10)	(7,694)
Balance at 30 June	3,618	3,628

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.

ECL of other receivables

ECL of other receivables 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 maintained with licensed financial institutions (of which majority is placed with a related company) as disclosed in Note 16 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 the cash and cash equivalents balances have low credit risk. Accordingly, no impairment allowance is required.

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Short-term money market fund

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term money market fund are placed as floating rate investments and are based on the market value of the fund.

Short-term money market fund of the Group and the Company are managed by a related company, as disclosed in Note 15 and Note 16 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 the short-term money market fund balances have low credit risk. Accordingly, no impairment allowance is required.

(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.

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

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

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2022							
Non-derivative financial liabilities							
Trade and other payables	411,864	-	411,864	411,864	-	-	-
Loans and borrowings	18,689	2.5%-3.3%	18,777	18,777	-	-	-
Lease liabilities	8,723	3.5%-3.8%	9,773	3,830	2,750	3,193	-
	<u>439,276</u>		<u>440,414</u>	<u>434,471</u>	<u>2,750</u>	<u>3,193</u>	<u>-</u>
Derivative financial liabilities							
Forward exchange contract (gross settled):							
Outflow	84	-	80,183	80,183	-	-	-
Inflow	-	-	(80,099)	(80,099)	-	-	-
	<u>439,360</u>		<u>440,498</u>	<u>434,555</u>	<u>2,750</u>	<u>3,193</u>	<u>-</u>
2021							
Non-derivative financial liabilities							
Trade and other payables	277,418	-	277,418	277,418	-	-	-
Loans and borrowings	12,600	2.4%-3.0%	12,647	12,647	-	-	-
Lease liabilities	12,163	3.5%-4.0%	12,841	4,173	3,555	5,101	12
	<u>302,181</u>		<u>302,906</u>	<u>294,238</u>	<u>3,555</u>	<u>5,101</u>	<u>12</u>
Derivative financial liabilities							
Forward exchange contract (gross settled):							
Outflow	-	-	95,640	95,640	-	-	-
Inflow	(583)	-	(96,223)	(96,223)	-	-	-
	<u>301,598</u>		<u>302,323</u>	<u>293,655</u>	<u>3,555</u>	<u>5,101</u>	<u>12</u>

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000
2022				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	1,697	-	1,697	1,697
2021				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	1,548	-	1,548	1,548

(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)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Deposits with licensed banks	224,296	743,719	59,000	700,000
Term investment account-i	1,096,120	-	856,120	-
Loans and borrowings	(18,689)	(10,600)	-	-
Lease liabilities	(8,723)	(12,163)	-	-
	1,293,004	720,956	915,120	700,000
Floating rate instruments				
Short-term money market fund	39,452	451,328	3,948	209,156
Loans and borrowings	-	(2,000)	-	-
	39,452	449,328	3,948	209,156

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do 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 have a material impact.

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.3 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

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

A 10% (2021: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit or loss of the Group and the Company by RM323,200 (2021: RM357,400) and RM214,700 (2021: RM237,300) and would have increased other comprehensive income of the Group and the Company by RM6,549,000 (2021: RM8,982,000) and RM6,346,000 (2021: RM8,755,000), respectively, for investments classified as fair value through profit or loss and investments classified as fair value through other comprehensive income. A 10% (2021: 10%) weakening in FBMKLCI would have had equal but opposite effect on profit or loss and other comprehensive income respectively.

33.4 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)

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 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.

Group	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
2022										
Financial assets										
Investment in quoted shares and loan stocks	68,726	-	-	68,726	-	-	-	-	68,726	68,726
Short-term money market fund	-	39,452	-	39,452	-	-	-	-	39,452	39,452
	68,726	39,452	-	108,178	-	-	-	-	108,178	108,178
Financial liabilities										
Forward foreign exchange contracts	-	(84)	-	(84)	-	-	-	-	(84)	(84)
2021										
Financial assets										
Investment in quoted shares and loan stocks	93,395	-	-	93,395	-	-	-	-	93,395	93,395
Short-term money market fund	-	451,328	-	451,328	-	-	-	-	451,328	451,328
Forward foreign exchange contracts	-	583	-	583	-	-	-	-	583	583
	93,395	451,911	-	545,306	-	-	-	-	545,306	545,306

Notes to the Financial Statements

(Cont'd)

33. FINANCIAL INSTRUMENTS (cont'd)

33.4 Fair value information (cont'd)

Company	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
2022										
Financial assets										
Investment in quoted shares and loan stocks	65,605	-	-	65,605	-	-	-	-	65,605	65,605
Short-term money market fund	-	3,948	-	3,948	-	-	-	-	3,948	3,948
	65,605	3,948	-	69,553	-	-	-	-	69,553	69,553
2021										
Financial assets										
Investment in quoted shares and loan stocks	89,925	-	-	89,925	-	-	-	-	89,925	89,925
Short-term money market fund	-	209,156	-	209,156	-	-	-	-	209,156	209,156
	89,925	209,156	-	299,081	-	-	-	-	299,081	299,081

Short-term money market fund

The fair value of short-term money market fund are obtained from quotation from the fund manager.

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that includes discounted cash flow models.

Notes to the Financial Statements

(Cont'd)

34. 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 2022 and 30 June 2021 were as follows:-

	Group	
	2022	2021
	RM'000	RM'000
Loans and borrowings	18,689	12,600
Lease liabilities	8,723	12,163
Less: Cash and cash equivalents	(1,271,174)	(1,029,139)
Net cash	(1,243,762)	(1,004,376)
Total equity	2,054,083	2,014,177
Debt-to-equity ratios	Nil	Nil

35. CONTINGENT LIABILITY

In the financial year 2020, a subsidiary of the Company has received bills of demand from the Royal Malaysian Customs Department ("RMCD") in respect of sales tax amounting to RM27.9 million. The said subsidiary has appointed an external solicitor to appeal against the sales tax imposed. Based on the legal advice, the subsidiary has a reasonable prospect of success in its appeal.

In the financial year 2021, the above subsidiary of the Company has received a notice of assessment arising from the RMCD's audit in respect of sales tax, amounting to RM31.8 million. The said subsidiary has filed an appeal and is pending RMCD's decision.

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 95 to 170 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 2022 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Dato' Khor Mun Wei

Peter Ho Kok Wai

Date: 19 August 2022

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 95 to 170 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed, Goh Eng Tatt (MIA CA17152), at Kuala Lumpur in the Federal Territory on 19 August 2022.

Goh Eng Tatt

Before me:

Tan Kim Chooi
Kuala Lumpur

Independent Auditors' Report

To the Members of Hong Leong Industries Berhad
(Registration No. 196401000167 (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 2022 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 95 to 170.

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 2022, and of their financial performances 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' *International Code of Ethics for Professional Accountants (including International Independence Standard)* ("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 13 – Inventories, to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>Inventories are carried at the lower of cost and net realisable value. Inventories that are consumer products, especially for tiles are subject to risk of obsolescence because of continued changes in design to meet trends and consumer demands.</p> <p>Management applied significant judgement to identify and determine the required quantum of allowances for slow moving and obsolete inventories to derive net realisable values.</p> <p>This is a key audit matter because tiles and motorcycles net inventories represent 21% and 65% of the Group's inventory balance respectively, and it required us to evaluate management's assessment whereby significant judgement has been exercised.</p>	<p>Our audit procedures, amongst others include:</p> <ul style="list-style-type: none"> - 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
(Registration No. 196401000167 (5486-P)) (Incorporated in Malaysia)
(Cont'd)

Key Audit Matters (cont'd)

Impairment assessment of cost of investment in subsidiary companies – 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 7 – Investments in subsidiary companies, to the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>As disclosed in Note 7 to the financial statements, the Company has material interests in subsidiaries. It is approximately 17% of the total assets of the Company.</p> <p>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.</p> <p>This is a key audit matter because it required us to evaluate management's assessment whereby significant judgement has been exercised.</p>	<p>Our audit procedures, amongst others include:</p> <ul style="list-style-type: none"> - In management's assessment of impairment indicators, we challenged whether internal and external factors were considered; - Assessed the appropriateness of the impairment tests carried out by the Company by comparing these with the requirements of the relevant accounting standards; - Read the financial information of the subsidiaries and challenged that the derived recoverable amounts supporting the costs of investments were reflective of the values of the underlying assets and liabilities of the subsidiaries; and - Determined the adequacy of disclosures in the financial statements.

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 parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will 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 other information identified above and, in doing so, consider whether the other information 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 this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts 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.

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.

Independent Auditors' Report

To the Members of Hong Leong Industries Berhad
(Registration No. 196401000167 (5486-P)) (Incorporated in Malaysia)
(Cont'd)

Responsibilities of the Directors for the Financial Statements (cont'd)

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 and 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.

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, actions taken to eliminate threats or safeguards applied.

Independent Auditors' Report

To the Members of Hong Leong Industries Berhad
(Registration No. 196401000167 (5486-P)) (Incorporated in Malaysia)
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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 Matters

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: 02867/08/2024 J
Chartered Accountant

Petaling Jaya, Selangor

19 August 2022

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022

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 2022 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	26	46,211
5¼ miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	40	671
5½ miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	31 - 41	19,314
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	37	4,595
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	32	3,772
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	29	12,744
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	13	31,954
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	27	11,586
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	26	8,338
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	31	7,190
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	62	16,210

Other Information

(Cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022 (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 2022 (RM'000)
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara Kulai, Johor Darul Takzim	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	20	1,503
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	25	16
PT.531 to 534 & PT.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 2022

Class of Shares : Ordinary shares

Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2022

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	442	9.67	8,484	0.00
100 – 1,000	1,804	39.46	1,159,399	0.36
1,001 – 10,000	1,816	39.72	6,716,388	2.10
10,001 – 100,000	417	9.12	11,738,616	3.68
100,001 – less than 5% of issued shares	92	2.01	61,632,888	19.29
5% and above of issued shares	1	0.02	238,217,035	74.57
	4,572	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 2022 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2022

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	4,913,333	1.54
3. Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	3,753,700	1.18
4. HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	3,600,719	1.13
5. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	3,026,000	0.95
6. AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Swap)	2,631,900	0.82
7. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	2,549,200	0.80
8. Soft Portfolio Sdn. Bhd.	2,512,000	0.79
9. Woo Khai Yoon	2,262,000	0.71
10. Hong Bee Hardware Company, Sdn. Berhad	1,971,333	0.62
11. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	1,818,100	0.57
12. Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	1,800,000	0.56
13. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFFHWG6939-403)	1,587,233	0.50
14. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Shariah Progress Fund	1,446,800	0.45
15. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Income Fund	1,416,500	0.44
16. Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,371,210	0.43
17. HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (GSB-ESOS)	1,347,500	0.42
18. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (F Templeton)	1,035,700	0.32
19. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,000,000	0.31

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2022 (cont'd)

Name of Shareholders	No. of Shares	%
20. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Participating Fund	858,600	0.27
21. YBhg Datuk Kwek Leng San	832,500	0.26
22. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Equity Income Fund	825,600	0.26
23. Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM AffinHwang) (410195)	771,900	0.24
24. AmanahRaya Trustees Berhad - Public Index Fund	744,600	0.23
25. Tung Seok Hooi	700,000	0.22
26. Maybank Nominees (Tempatan) Sdn Bhd - Medical Fund (IFM AffinHwang) (410222)	645,900	0.20
27. Maybank Nominees (Tempatan) Sdn Bhd - MTrustee Bhd for Aiiman TNB RBTF (EQ) (433139)	619,200	0.19
28. AmanahRaya Trustees Berhad - PMB Shariah Premier Fund	554,400	0.17
29. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund	530,000	0.17
30. Maybank Nominees (Tempatan) Sdn Bhd - Maybank Private Wealth Management for Wong Tuck Meng (PWM00714)(420211)	521,800	0.16
	285,864,763	89.48

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2022 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2022 are as follows:

Name of Shareholders	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	-	-	242,125,003 [^]	75.79 [^]
6. Hong Leong Investment Holdings Pte. Ltd.	-	-	242,125,003 [^]	75.79 [^]
7. Kwek Holdings Pte Ltd	-	-	242,125,003 [^]	75.79 [^]
8. Mr Kwek Leng Beng	-	-	242,125,003 [^]	75.79 [^]
9. Mr Kwek Leng Kee	-	-	242,125,003 [^]	75.79 [^]
10. Davos Investment Holdings Private Limited	-	-	242,125,003 [^]	75.79 [^]

Notes:

[#] Held through subsidiaries

^{*} Held through HLCM

^{**} Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests

[^] Held through HLCM and a company in which the substantial shareholder has interest

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2022

Subsequent to the financial year end, there was no change, as at 30 August 2022, to the Directors' interests in the ordinary shares of the Company and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on pages 91 to 92 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.

I/We _____
 NRIC/Passport/Company No. _____ Tel No. _____
 of _____

_____ Email address _____

being a member of **HONG LEONG INDUSTRIES BERHAD** ("the Company"), hereby appoint _____
 _____ NRIC/Passport No. _____

of _____

Tel No. _____ Email address _____

or failing him/her _____

NRIC/Passport No. _____

of _____

Tel No. _____ Email address _____

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-ninth 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, Malaysia on Wednesday, 2 November 2022 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 Mr Peter Ho Kok Wai as a Director		
3 To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
Special Business		
4 To approve the ordinary resolution on authority to Directors to allot shares and waiver of pre-emptive rights		
5 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, GuoLine Capital Assets Limited and persons connected with them		
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 Bee Hardware Company, Sdn Berhad and Hong Bee Motors Sdn Bhd		
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 Yamaha Motor Co., Ltd and its subsidiaries		
8 To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
9 To approve the ordinary resolution on the waiver of pre-emptive rights under Executive Shares Scheme of the Company		

Dated this _____ day of _____ 2022

Number of shares held: _____

CDS Account No.: _____

Signature(s) of Member

Notes:

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 25 October 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 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.
- 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.
- A proxy may but need not be a member of the Company.
- 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.
- 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).
- 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.
- 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, Malaysia or lodged electronically via email at cossec-hlmq@hlmq.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of proxies	% of shareholdings to be represented

- 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-ninth 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
Registration No. 196401000167 (5486-P)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

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Hong Leong Industries Berhad

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