

Hong Leong Industries Berhad

Registration No. 196401000167 (5486-P)

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

www.hli.com.my



Annual Report **2023**

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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 segment 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

BOARD OF DIRECTORS

YBhg Datuk Kwek Leng San
Chairman

YBhg Prof. 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 Zoe Lim Hoon Hwa

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
Email : hlsrs@hongleong.com

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/DOMICILE

A public limited company, incorporated and domiciled in Malaysia

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 2023 (“FY2023”).

”



The Group marked a record high revenue of RM3.4 billion and improved the profit before tax significantly to RM512 million for FY2023. In September 2022, our motorcycle business celebrated the milestone of cumulative 5 million units of motorcycles rolled out. This remarkable performance is contributed mainly by the relentless effort of our management team in driving operational excellence, the unwavering support of our dealers and all the proud owners of Yamaha bikes.

Market conditions and foreign currency outlook are expected to be volatile whilst the cost inflationary pressure remains elevated. The Group will continue to leverage on the resilience that we have built, and continue to pursue product innovation, digitalisation and process automation. We will intensify our search for new revenue streams and business expansion opportunities to sustain our growth and enhance the capital value of the Group.

The Group endeavours to maintain a stable dividend return to our shareholders. A total dividend of RM182 million was paid for FY2023. This constituted a dividend payout ratio of 63% from the profit attributable to owners of the Company for the financial year.

In line with the strategic move to streamline our businesses so that we can focus our efforts to grow the core businesses, in 2023, the Group has entered into a definitive agreement to sell its non-core fibre cement products business. The proposed disposal is expected to be completed by Quarter 3 of the financial year ending 30 June 2024.

The Group also recognised the importance of Environmental, Social and Governance (“ESG”). Significant efforts and initiatives have been rolled out to address the material matters of ESG and improved our FTSE Russell ESG Score from 2.2 in 2022 to 2.9 in 2023.

I would like to thank our shareholders for their continuous confidence and support to 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 to the Group.

YBHG 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 and other businesses, namely:

Consumer Products

- Manufacturing, assembling and distribution of motorcycles, scooters and related parts; and
- Manufacturing and sale of ceramic tiles.

Other businesses

- Distribution, trading and provision of services in marine-related products; and
- Manufacturing and sale of fibre cement products.

HLI's associated companies 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% (FY2022: 94%) of the Group's total revenue for the financial year ended 30 June 2023 ("FY2023").

As part of the Group's ongoing strategy to rationalise and streamline our businesses, in 2023, the Group has entered into a definitive agreement to sell its non-core fibre cement products business. The proposed disposal is expected to be completed by the third quarter of FY2024. This strategic move reflects our dedication in enhancing shareholder value and focus on efforts to grow our core business segments.

GROUP'S FINANCIAL PERFORMANCE

The Group recorded a 39% year-on-year ("y-o-y") increase in revenue to RM3,416 million in FY2023 from RM2,466 million in FY2022. Profit before tax ("PBT") increased by 36% y-o-y to RM512 million in FY2023 from RM377 million in FY2022. The higher revenue and PBT in FY2023 were contributed by higher sales of motorcycles. In comparison, FY2022's lower sales recorded in the motorcycle business was due to the curtailment of two months of production during the pandemic Movement Control Order.

The Group endeavours to maintain a sustainable performance of its core business segments. To achieve this, the Group will focus on product innovation, digitalisation, automation and operational excellence 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.



MOTORCYCLES

Overview

Hong Leong Yamaha Motor Sdn Bhd ("HLYM") commenced operations 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. The Company 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, HLI 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

In FY2023, the Malaysian motorcycle industry achieved a record total industry volume (TIV) of 691,000 units in FY2023 as compared to 633,000 units in FY2022. The prevailing demand for motorcycles remains positive and promising, propelled mainly by the post-pandemic recovery of the Malaysian economy and favourable employment landscape which supports consumer spending.

HLYM concluded FY2023 on a high note, recording a 45% increase in units sold as compared to FY2022 and this enabled Yamaha to uphold its market leadership position in FY2023. Amidst supply disruptions during the first half of the year, HLYM successfully increased its production volume via a more adaptable manufacturing system that improved the efficiency of its production. Furthermore, HLYM has also embarked on a digital transformation journey by integrating machine connectivity and conditions monitoring, facilitating the real-time visualisation of operational status. This transition has enhanced production capabilities and improving data-driven decision-making processes.

In another positive stride, the demand for motorcycle spare parts remained robust, driven by the presence of over 10 million active motorcycles in the country. With growing demand, we will continue to accelerate the establishment of Yamaha Quality Service (YQS) centres and expand the parts distributor network.

The motorcycle industry in Vietnam experienced a growth of 11% y-o-y to 2.82 million units in FY2023 from 2.53 million units in FY2022, following a resurgence of economic activities and the recovery of parts supply after shortages experienced in FY2022. YMVN sales volume increased by 5% in FY2023 as compared to the preceding year.

However, the second half of the financial year witnessed a decline in demand for motorcycles as a result of economic slowdown. The outlook for Vietnam's motorcycle industry remains challenging in the short term due to economic headwinds and the rising unemployment rate. To mitigate the impact of these factors, management will diversify its export output and launch new models to stimulate demand.

Management Discussion And Analysis

(Cont'd)

CERAMIC TILES

Overview

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

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



Performance Review

Guocera Group recorded a 27% y-o-y growth in revenue in FY2023 as compared to FY2022. During the year, Guocera Group has launched new products, notably the Relax & Lounge collection which features larger-sized tiles to cater to prevailing market trends.

The performance of ceramic tiles in FY2023 was adversely impacted by the higher production costs, primarily caused by a significant hike in both the natural gas price and electricity rate. The implementation of a heat recovery system and reformulation of body materials have partially mitigated the impact of these energy cost hikes during the financial year. Additionally, Guocera Group has also improved the sales volume of products with higher price margins and passed on a portion of the cost increase via an increase in product selling prices.

Guocera Group is in the process of planning a new plant expansion in Kluang that leverages on Industrial Revolution 4.0 technologies. Designed to be fully automated, the plant requires minimal manpower and low energy consumption. This strategic move will enhance Guocera Group's manufacturing capabilities to produce larger-sized tiles with premium quality and create a competitive edge against competitors. Estimated to be completed in FY2025, the new plant is expected to drive future earnings potential.

OTHER BUSINESSES

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



Management Discussion And Analysis

(Cont'd)

MARINE-RELATED PRODUCTS (cont'd)

Performance Review

HYM sustained its leadership position in the outboard motor market in West Malaysia, recording a 24% y-o-y growth in revenue and improved profitability in FY2023. This was contributed by strong demand for outboard motors in the sport fishing, tourism and transportation segments. HYM continues to uphold its strong branding through effective social media marketing and promotion, providing distinctive services in its 3S (sales, service and spare parts) campaign and also providing relevant training via technical education programmes under the Yamaha Technical Academy.

RISKS AND OPPORTUNITIES

While the detrimental effects of the Covid-19 pandemic have abated, intermittent disruptions in the global supply chain and fluctuations in foreign currency remain major risks to the Group's performance.

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 has diversified the supply sources for its key materials and continued to develop alternate materials through research and development. Operational excellence, flexibility and agility in production processes are key focus areas to mitigate any unforeseen disruptions and deliver structural cost savings. The Group will also intensify digital marketing efforts to maintain close engagement with customers and leverage digitalisation to enhance efficiency.

In the past few years, the Group has implemented various processes and improvements, continued plant automation initiatives and developed new products. The Group has also streamlined its various non-core businesses over the years and will continue to focus its effort on developing or acquiring new businesses that bring synergistic value to its future earnings potential.

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



DIVIDEND

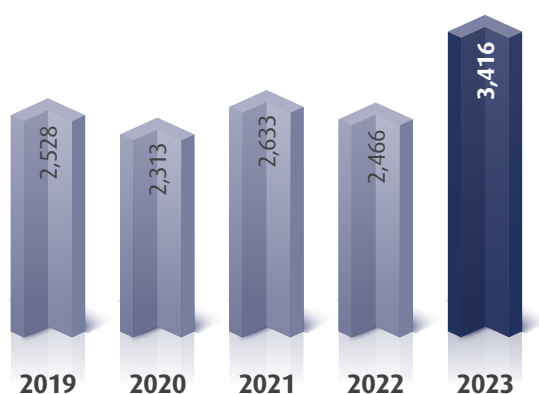
The Company declared and paid a first and second interim single tier dividend totalling 57 sen per share for FY2023.

The Group considers dividend payout 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.

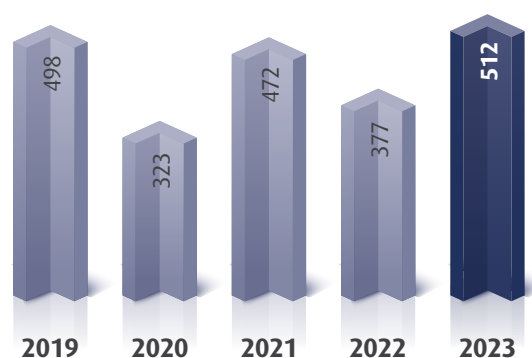
Group Financial Highlights

RM' million	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue	2,528	2,313	2,633	2,466	3,416
Profit before taxation	498	323	472	377	512
Profit attributable to Owners of the Company	327	169	292	211	291
Net earnings per share (sen)	104	54	93	67	92
Net dividend per share (sen)	50	42	52	52	57
Total equity	1,763	1,838	2,014	2,054	2,188
Total assets	2,179	2,199	2,366	2,566	2,703
Capital expenditure	38	57	51	58	72

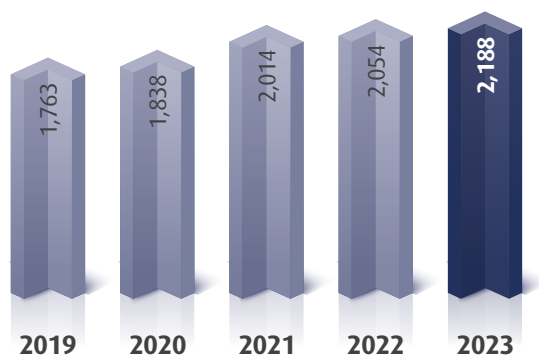
REVENUE
(RM'million)



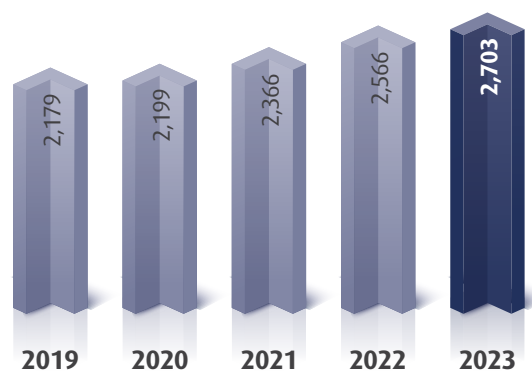
PROFIT BEFORE TAXATION
(RM'million)



TOTAL EQUITY
(RM'million)



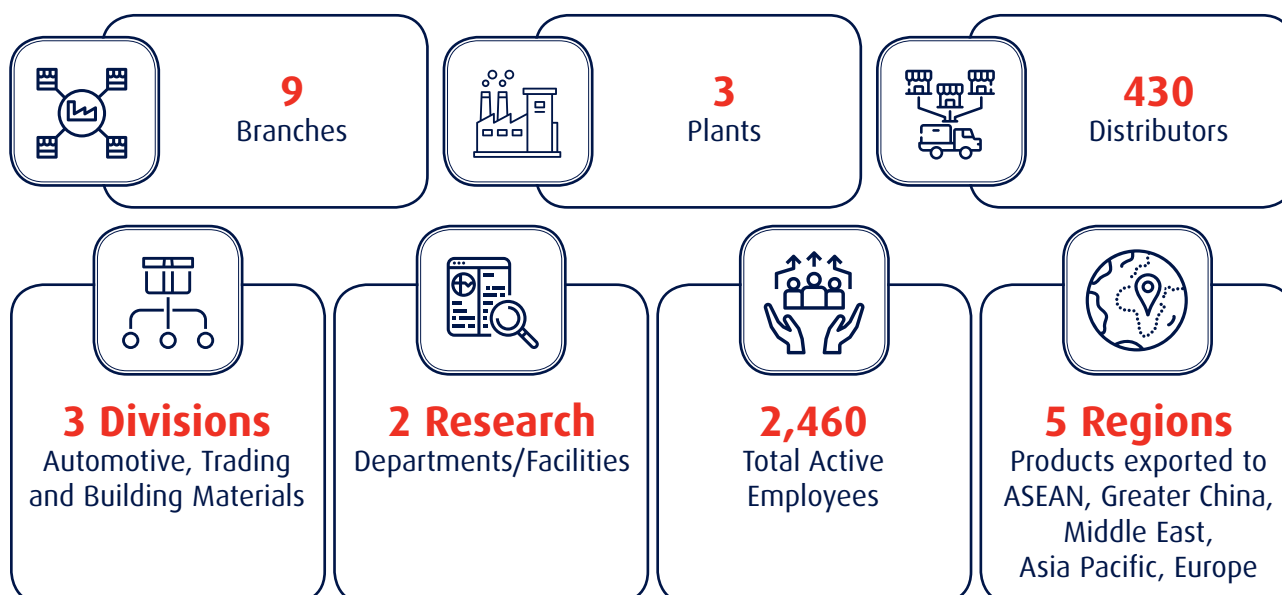
TOTAL ASSETS
(RM'million)



Sustainability Statement

About This Statement

Operating Company	HQ	Branches	Plants
HYLM	Sungai Buloh, Selangor	Penang, Ipoh, Kuantan, Johor Bahru	Sungai Buloh, Selangor
HLV Marine	Sungai Buloh, Selangor	Penang, Johor Bahru, Kuala Terengganu	None
Guocera	Petaling Jaya, Selangor	Penang, Johor Bahru	Kluang, Johor; Meru, Selangor



This sustainability statement provides an overview of the economic, environmental, and social performance of Hong Leong Industry Berhad's (HLI)'s key operations during the fiscal year of 2023. Information in this statement covers policy updates, programmes, initiatives, and data related to HLI's manufacturing operations in sustainability areas. We are focused on improving our sustainability disclosures in line with the sustainability reporting guidelines listed.



Guidelines and References

- Bursa Malaysia Sustainability Reporting Guide 3rd Edition
- FTSE4Good Bursa Malaysia Index Rating Guide
- Business Reporting on the SDGs: An Analysis of the Goals and Targets 2022

This report's scope covers the Malaysian operations of Hong Leong Yamaha Motor Sdn Bhd (HYLM), HLY Marine Sdn Bhd (HYM) and Guocera Sdn Bhd (Guocera), which account for over 85% of HLI's revenue. Exclusions from the scope of reporting are Hume Cemboard Industries Sdn Bhd (HCB), Guocera Marketing Singapore Pte Ltd, HLI Trading Limited and Yamaha Motor Vietnam Co. Ltd (YMVN). HCB's impact on HLI's operations is considered not significant. Furthermore, on June 14, 2023, HLI announced that it had entered into a conditional sale and purchase agreement with Saint-Gobain Malaysia Sdn Bhd for the proposed disposal of HCB. Guocera Marketing Singapore Pte Ltd is also deemed as not significant to HLI's operations as it has no office in Singapore. Similarly, HLI Trading Limited, registered in Hong Kong, has no office or employees. As HLI only has a 24% stake in YMVN, HLI has no management control over YMVN.

Sustainability Statement

(Cont'd)

Reporting Period

1 July 2022 to 30 June 2023 (FY2023)

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 not predictions of our future performance. We make no guarantees that results anticipated by these statements will be achieved and we are under no obligation to update forward-looking statements presented in this report.

Awards and Recognition

Best Taxpayer Award in 2022

Recognition of HLYM's taxpaying record by the Inland Revenue Board of Malaysia

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

Sustainability at HLI

At HLI, we are guided by the Hong Leong Group values, which are the basis of our business framework, direction, strategies, and practices. By incorporating these values into our operations, we ensure that our businesses and people share a clear purpose and vision, resulting in sustainable operations and growth. We strive to foster a high-performing culture that delivers innovative products to enhance our customers' lifestyles, create long-term value for our stakeholders and minimise economic, environmental, and social risks while creating positive impacts.



HONOUR

To conduct business with honour



QUALITY

To provide products and services that consistently exceed customers' expectations



HUMAN RESOURCES

To enhance the quality of human resources as the essence of management excellence



PROGRESS

To continuously improve existing operations and to position for expansion and new business opportunities



ENTREPRENEURSHIP

To pursue management vision and foster entrepreneurship



UNITY

To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all



INNOVATION

To nurture and be committed to innovation



SOCIAL RESPONSIBILITY


















To create wealth for the betterment of society



Sustainability Statement

(Cont'd)

Sustainability Framework

HLI's sustainability framework reinforces our vision to provide products that enhance our customers' lifestyles, deliver long-term growth to our stakeholders and create a sustainable impact in the communities that we operate in. In FY2023, the framework was updated to include strategies until FY2025 towards supporting our vision and achieving our sustainability goal. The framework will be updated periodically according to our action plans.

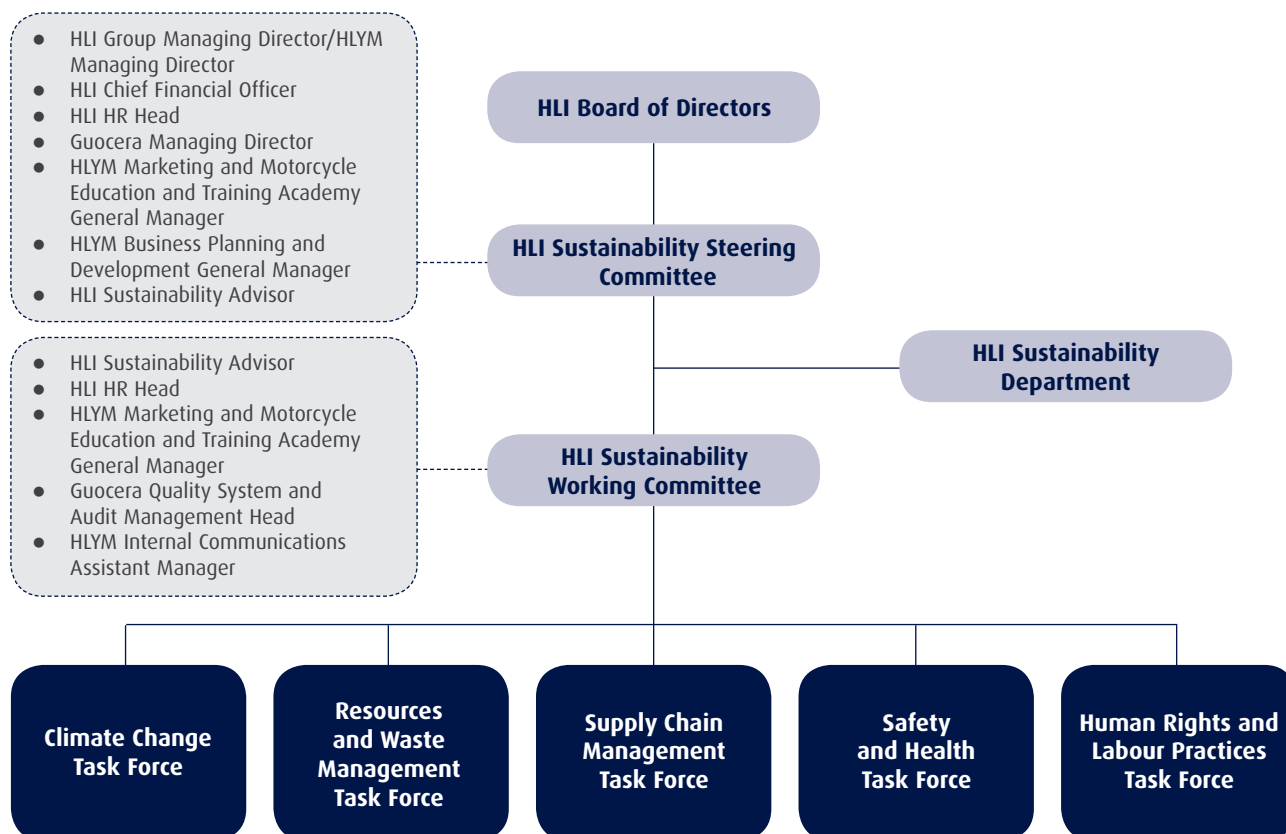
HLI Vision To be recognised as a leading Group in consumer and industrial products and creating value for our stakeholders			HLI Mission To enhance customers' lifestyle and convenience by providing innovative, quality products and services		Sustainability Goal We aim to create a positive impact on sustainability in collaboration with our people, customers and communities	
Strategy 1 Establish the foundation for sustainability management and climate change			Strategy 2 Build internal capabilities for sustainability management		Strategy 3 Strengthen value chain management on sustainability	
Action Plans		Status	Action Plans		Action Plans	Status
FY2022	Establish Steering and Working Committees		Set baseline, data tracking and targets			
	Establish five subject matter task forces		Enhance disclosure and understanding			
	Develop new Material Assessment matrix		Revamp HLI website			
FY2023	Review responsibilities of Greenhouse Gas (GHG) Task Force; update to Climate Change Task Force		Establish FY2023 to FY2025 Roadmap for each taskforce		Identify current gaps in vendor assessments to strengthen environmental and social requirements	
			Update risk management with environmental and social risks			
	Third party assessment for Scope 1, 2 and 3 emissions (business travel and employee commuting)		Launch Anti-Bribery and Forced Labour courses on learning platform for employees			
FY2024 to FY2025	Establish the long-term plan for decarbonization roadmap		Improve current ESG practices		Strengthen vendor base and management	
			Enhance disclosure and reporting aligned with new requirements and guidelines		Engage and collaborate with business partners on ESG	

 Completed  In progress  In planning

Sustainability Statement

(Cont'd)

Sustainability Governance Structure



HLI's Sustainability Governance Structure reflects the commitment of leadership towards creating a sustainable impact through our businesses. The Board of Directors (the Board) is the highest governing body overseeing HLI's sustainability direction, playing an integral role in guiding the HLI Sustainability Steering Committee (SSC) and Sustainability Working Committee (SWC) on the company's sustainability direction. The Board also plays a crucial role in endorsing HLI's sustainability framework and strategies, monitoring HLI's sustainability performance as well as reviewing reports from the Board Audit and Risk Management Committee (BARMC) covering risk governance issues.

The Sustainability Steering Committee (SSC) acts as a guide and bridge between the Sustainability Working Committee (SWC) with the Board. The SSC is responsible for the strategic management of sustainability material matters while the SWC's key responsibility is the monitoring and reporting of plans and initiatives. Sustainability Task Forces, comprising middle managers and key operational personnel, are responsible for the development and implementation of plans and initiatives as well as daily operations related to sustainability matters. The SSC and SWC have been focused on building the capacity and subject matter expertise of Sustainability Task Force members. Sustainability Task Force members of five key areas (Climate Change, Resources and Waste Management, Supply Chain Management, Health and Safety, and Human Rights and Labour Practices) have been undergoing training to increase their knowledge on the reporting of key material matters.

The training areas include:

- Sustainability reporting for practitioners
- The Task Force on Climate-Related Financial Disclosures (TCFD) standard
- GHG reporting and data tracking
- Industry prevention of forced labour

Sustainability Statement

(Cont'd)

As HLI builds our sustainability competencies, we continue to improve and improvise our governance and framework in executing initiatives. In FY2023, a dedicated sustainability department, led by the SWC Head-cum-HLI Sustainability Advisor, was established to drive sustainability initiatives across HLI. We have also strengthened and widened the GHG Task Force's scope to address and improve reporting on climate change impact. Subsequently, the task force was renamed as Climate Change Task Force.

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 businesses, each operating company is also guided by its codes, policies and procedures to mitigate the environmental and social impacts of operations. For more information on policies, visit the HLI website at www.hli.com.my

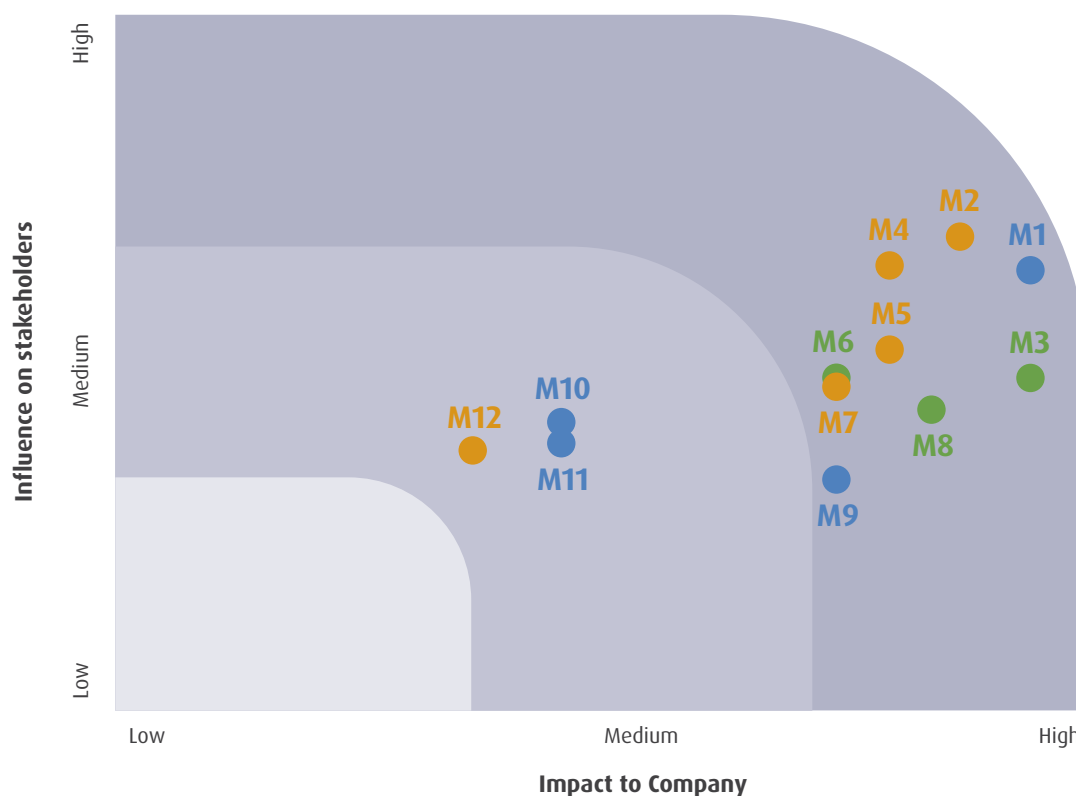
Partnerships and Memberships

Association	Operating Company's Representation	Operating Company's 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 - Deputy Technical Chairman <p>(Source: https://www.masaam.com/organization/)</p>	A platform for HLYM and motorcycle manufacturers to engage with government bodies on the formulation and alignment of standards for regulatory compliance on electric vehicles (see Product Technology, page 26 for more details), emissions and environmental policies, as well as collaborate on safety riding events and educational programmes.
Federation of Asian Motorcycle Industries (FAMI)	HLYM	<p>Vice President</p> <p>(Source: https://fami-motorcycle.org/about-us/organization/)</p>	Established in 1999, FAMI represents and promotes the consultation, coordination and cooperation of motorcycle industries in Indonesia, Japan, Malaysia, Philippines, Singapore, Taiwan, and Thailand.
Federation of Malaysian Manufacturers (FMM)	HLYM	Member	Established in 1968 and serves as a platform to promote the cooperation and represent the interests of manufacturers. Matters discussed include climate change, environmental pollution, forced labour risks and market as well as government policy trends.
World Ceramic Tiles Forum	Guocera	Member	Established in 1994, 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.
FMM Malaysian Ceramic Industry Group (MCIG)	Guocera	Member	The FMM MCIG comprises ceramic product manufacturers (direct members) and ceramic manufacturing suppliers (associate members).

Sustainability Statement

(Cont'd)

Materiality Matrix and Assessment



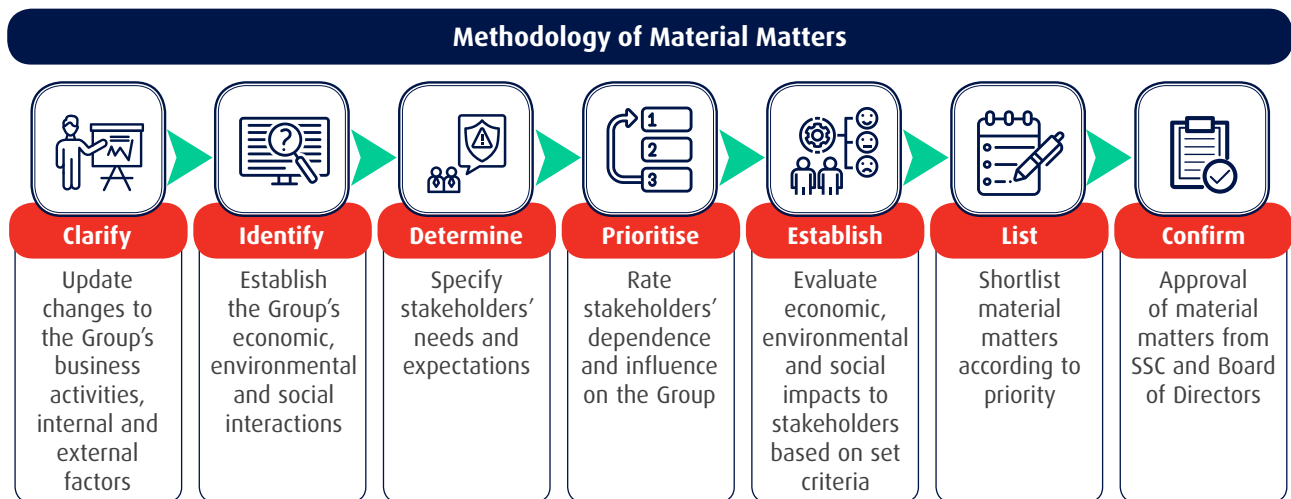
Area	Material Matter	Matter Ranking
Economy	Anti-Bribery and Corruption	M1
	Technology and Digitalisation	M9
	Business Performance and Improving Living Standards	M10
	Supply Chain Management	M11
Environment	Climate Change	M3
	Resource Management	M6
	Environmental and Waste Management	M8
Social	Community Investment	M2
	Occupational Safety and Health	M4
	Learning and Development	M5
	Human Rights and Labour Practices	M7
	Organisational Culture	M12

Sustainability Statement

(Cont'd)

Materiality Analysis

In FY2022, the members across the Sustainability Governance Structure reviewed and updated HLI's materiality matrix with a more robust methodology. HLI implemented the structured methodology for its materiality assessment to better reflect current stakeholder concerns and exposure to key sustainability areas.



Through communication with and feedback from internal as well as external sources, the Sustainability Working Committee and Sustainability Task Forces began the process by understanding its business and operational context to identify sustainability issues that are significant to stakeholders across economic, environmental, and social spheres. The SWC held discussions with the members of working committees and task forces in operating companies to identify a list of relevant stakeholders. Each stakeholder's needs and expectations were mapped out. Stakeholders were then ranked according to their level of influence and dependence on HLI.

The SWC then worked with the Sustainability Task Force members in the operating companies to establish how HLI's activities, products and services interact with the economy, environment, and social spheres, as well as its corresponding impacts to determine its sustainability matters. Scores were established to prioritise the sustainability matters according to Low, Medium and High. The exercise resulted in the identification of 14 high and medium-priority material matters. The material matters were presented to the SSC and Board of Directors for approval.

In FY2023, the Board agreed on SSC proposal to maintain the material matters ranking determined by the SWC and Sustainability Task Forces in the previous financial year as HLI's sustainability priorities remain unchanged and to focus on 12 material matters for their high relevance and to align with Bursa Malaysia's common material matters in the updated sustainability reporting requirements.

- Internal Sources: Technical subject matter experts, Heads of Departments directly engaging with key stakeholders and senior management.
- External Sources: Standards and guidelines, media reports, analyst reports, dealers' views, customer surveys, and social media.

Sustainability Statement

(Cont'd)

Stakeholder Engagement

Stakeholders	Types of Engagement	Needs and expectations
Customers	Events, showroom visits, surveys, training programmes, web portal, customer relationship management.	Customer satisfaction, premium quality products and services, innovative products that meet lifestyle needs as well as environmental and social considerations. Training on safe use of products and right application/installation methods.
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 such as townhall meetings, sports activities, training, 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	Programmes and events.	Programmes that support road safety awareness, technical skills development programmes and dealer development. 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	Negotiations, discussions, meetings, company events.	Safeguard employees' rights, safe and conducive working environment and freedom to join unions.
Industry associations	Consultations, technical working committees, meetings and correspondences.	Support industries' objectives and goals, as well as implement or garner feedback on policies governing industry-related issues.
General public	Feedback from events and training programmes, social media, customer surveys.	Ethical business conduct, environmental-friendly operations, contribution to society, product safety and employment opportunities.

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 on the environment and communities affected by our operations. We have linked the UNSDGs to our material matters and focus areas in mitigating identified risks as well as adverse economic, environmental, and social impacts. We will continue to focus on initiatives that contribute towards the UNSDGs.



Sustainability Statement

(Cont'd)



ECONOMIC

Short to Medium Term

One to five years

Medium to Long Term

More than five years

Economic Matters	Risks	Opportunities	Timeframe	Initiatives
Anti-Bribery and Corruption	Risk of malpractice that may negatively impact company image, affecting sales and business profitability.	Incorporating ethics and good business conduct into processes. Building trust amongst business partners.	Short to Medium Term	Implementation of Anti-bribery and Corruption Management System (ABCMS).
Technology and Digitalisation	Slow to adopt technology and digitalisation may lead to operational inefficiencies.	Digital transformation and process automation.	Short to Medium Term	Automation and digitalisation of factory operations and work processes, investment in new technologies.
	Limitations in new product development, risk of product obsolescence and loss in competitiveness.	Exploration of new technologies that produce new and innovative products with lower energy usage and wastage.	Medium to Long Term	Collaborating with YMC's R&D division for up-to-date technologies. Conducting market research on new technologies to produce innovative products.
Supply Chain Management	Supply chain disruptions may cause inability to fulfill market demands.	Exploration of alternate sourcing of materials and suppliers.	Short to Medium Term	Establishing Business Continuity Plan (BCP) organisation to monitor and respond to supply chain issues.
	The loss of market share, affecting consumer confidence in our brands.	Research and development of alternative materials.	Short to Medium Term	Supporting local small medium enterprises (SME) as alternate suppliers.
	Risk of not being able to align suppliers to ESG requirements.		Medium to Long Term	Collaborate with local SMEs for the development of alternative materials.
Business Performance and Improving Living Standards	Growth stagnation may affect the growth of SMEs and the living standards of their employees in the supply chain.	Business expansion will benefit SMEs and companies within the business ecosystem and supply chain. This will support economic growth and create job opportunities for the people.	Short to Medium Term	Employees' compensation is commensurate to company's performance.
	Poor performance may limit rewards to employees and affect their living standards.	Revenue and profitability improvement will contribute to greater rewards for employees, contributing to improvements in their living standards.	Medium to Long Term	Providing technical skills training to workers and motorcycle dealers' staff. Providing business management training to second-generation dealers.

Sustainability Statement

(Cont'd)



M1: Anti-Bribery and Corruption

HLI is committed to upholding its values by conducting business with integrity and good governance practices. Towards this, we implemented the Anti-Bribery and Corruption Management System (ABCMS) in 2020 following the adoption of the international standard ISO 37001: 2016 Anti-Bribery and Corruption Management System.

The ABCMS is designed to help organizations prevent, detect, and respond to bribery as well as comply with anti-bribery laws and regulations. It includes a series of measures and controls for an organization to establish, implement, maintain and improve an anti-bribery compliance programme.

The organisational structure of HLI's ABCMS, illustrated in Figure M1A, is led by the HLI Board of Directors. The HLI Board Audit and Risk Management Committee (BARMC) oversees ABCMS-related activities, governance and policies of the operating company and all its subsidiaries. The committee consists of independent non-executive directors. BARMC provides quarterly updates on the ABCMS to the Board of Directors.

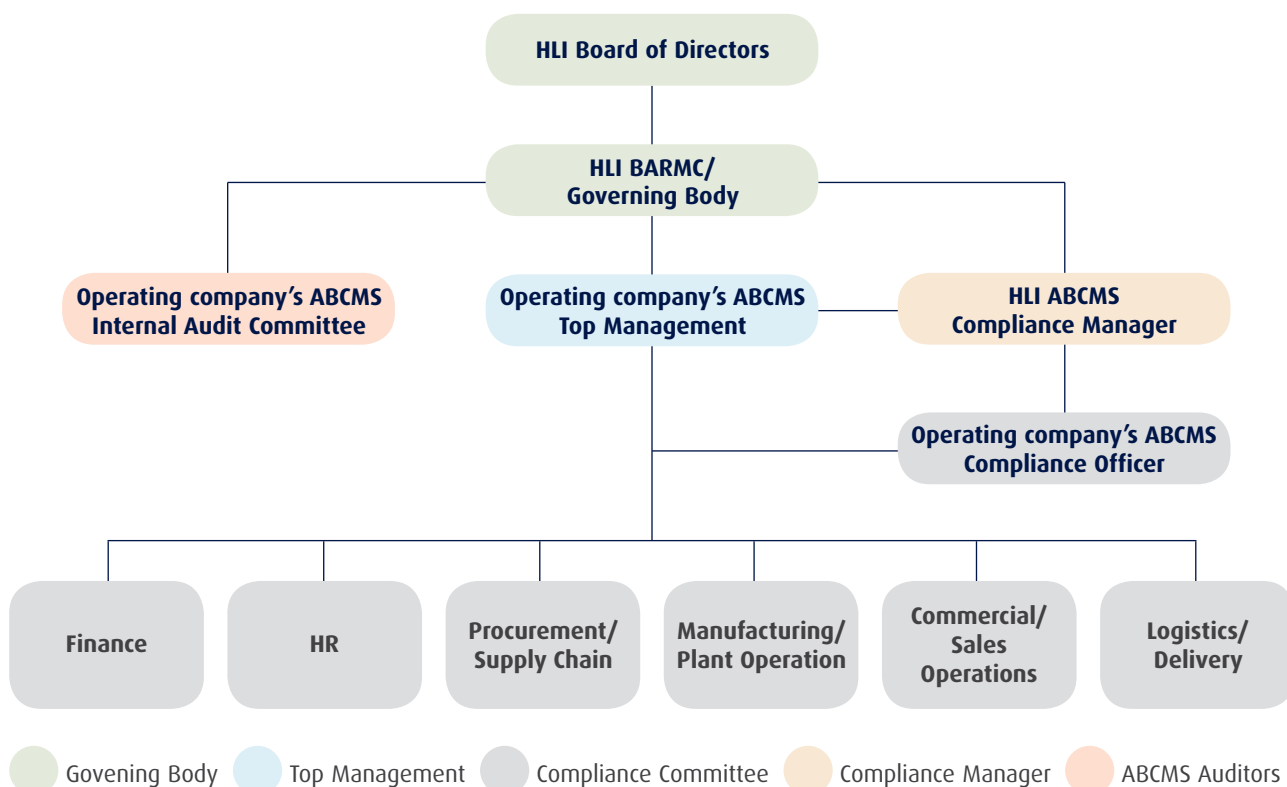


Figure M1A: HLI ABCMS Governance Structure.

Sustainability Statement

(Cont'd)

Based on the ISO 31000 standard, HLI's bribery risk management process is embedded as part of business and operational management. This includes the development of due diligence SOPs for new business partners and suppliers.



HLI's bribery risk assessment adheres to the HLMG Risk Management Policy guidelines. HLI's operating companies conduct risk management exercises across each organisation's structure including units and departments, which are reviewed quarterly. Bribery and corruption risks of operations and business partners such as dealers are evaluated to determine risk levels based on HLI's Risk Matrix guideline. Action plans are established for risks that have been identified as significant, major and severe, and are monitored according to prioritisation.

Identified risks are documented in a Bribery Risk Management Report, which is shared with the HLMG Internal Audit Department. Significant, major and severe risks are highlighted to BARMC or the HLI's top management for review. For contractors and agents, an ABCMS risk register is established for individual processes and is reviewed and reported quarterly to HLI's top management. Procedures and awareness activities on policies for employees and suppliers are listed in Table M1A.

Sustainability Statement

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Policy	Awareness Initiatives	Action
HLI 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.	Policy published on HLI and OCs websites.
HLMG Code of Conduct and Ethics	Infographic on Code of Conduct and Ethics distributed to employees in HLYM and HYM on June 30, 2022. Code of Conduct and Ethics incorporated in HLI Culture Playbook, which was disseminated to employees in HLYM, HYM and Guocera on August 17, 2022.	*Employees are required to declare and acknowledge policy upon joining the company as it is part of the terms and conditions of employment.
HLMG Self-Declaration Policy	Communication	Specified categories of employees are required to declare interest in other companies annually, including adherence to the HLMG Code of Conduct and Ethics. New employees are required to submit declaration within 30 days of joining HLI.
HLMG Gift and Entertainment Policy	Communication. Infographic on policy disseminated to HLYM and HYM employees on January 30, 2023.	Employees are required to declare receiving or offering gifts and entertainment twice a year.
HLI Supplier Code of Conduct and Ethics	Briefing for suppliers	Suppliers are required to sign declaration to abide by the policy as well as relevant laws and regulations prior to their appointment.

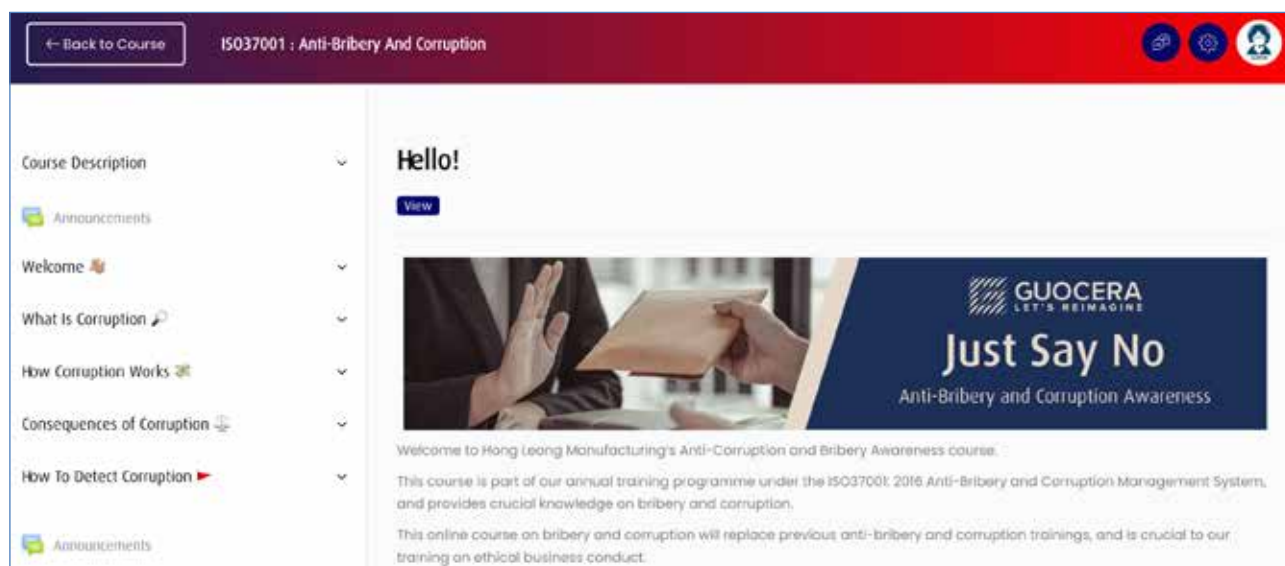
*Note: Updated from HLI Annual Report 2022.

Table M1A: Policy awareness initiatives for employees and suppliers

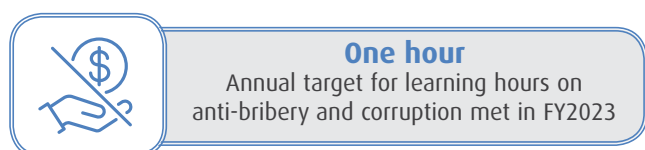
In FY2023, HLI launched an internally developed ISO 37001: Anti-Bribery and Corruption Course across operating companies to strengthen anti-bribery and corruption awareness among employees. The course covers six topics on the various types of corruption, research data on corruption in Malaysia, the effects of corruption on a company and socioeconomic development, the Anti-Bribery and Corruption Management System, internal controls and reporting channels. Employees were required to participate in quizzes after each topic to achieve a minimum total passing score of 75%.

Sustainability Statement

(Cont'd)



The ISO 37001: Anti-Bribery and Corruption Course was launched for HLYM, HYM and Guocera employees.



I) Whistleblowing Policy and Procedures

HLI operating companies are required to comply with the implemented Whistleblowing Policy, Whistleblowing Communications Plan and investigation procedures. HLI employees have the right to raise concerns on any improper conduct or wrongful act such as fraud, bribery or corruption to the Chairman of the Board Audit and Risk Management Committee (BARMC) of HLI. The BARMC Chairman and members decide on whether investigations should be carried out on reports. Policy summaries are also communicated with employees periodically.

	FY2022	Status	FY2023	Status
Number of reports received through whistleblowing channel	Four	Four reports were raised on operational issues, which were resolved without financial impact to HLI.	Two	Pending investigation.

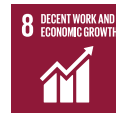
Table M1B: Whistleblowing reports made in FY2022 and FY2023.



An infographic on HLI's Whistleblowing Policy was shared with employees to increase awareness of whistleblowing reporting.

Sustainability Statement

(Cont'd)



M9: Technology and Digitalisation

HLI recognises that technological advancements and digitalisation are key business growth drivers that facilitate production efficiency and product innovation. While digitalisation and automation of operations accelerate, we remain vigilant in ensuring the protection of data privacy and enhancing cybersecurity. In line with our vision and mission of delivering quality products to enhance customers' lifestyles, we believe that we have a responsibility to deliver safe and quality products that customers can trust. We also acknowledge the need to drive product adaptation to meet low-carbon emission standards.

We have embarked on a strategic approach to increase technology adoption and accelerate digitalization in operations. The aim is to improve productivity, simplify and accelerate the application development process as well as gather all satellite applications on a centralised platform where employees can access and retrieve information. HLI's workflow automation plan is shown in Figure M9A and initiatives are shown in Table M9A.



Figure M9A: HLI's Workflow Automation Plan.

Sustainability Statement

(Cont'd)

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	●

● Ongoing ● Completed

Table M9A: Process automation initiatives across HLI.

I) Transforming Towards Industry 4.0

HLI is also exploring technologies to further digitalise 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 Autonomous Mobile Robots (AMR) at the motorcycle assembly line for the efficient transfer of parts from the store to the production line.
- Proliferation of machine condition monitoring and predictive maintenance by using wireless IIOT sensors to monitor machine performance and optimisation.
- Digitalization of shop floor management system; real-time overall equipment efficiency (OEE) of production operations towards operational excellence.
- Exploration of deep learning computer vision to reduce errors in quality inspections.
- Digitalized, real-time tracking of key processes on the usage of electricity, natural gas and water, allowing for optimised use and reduced costs.

II) Cybersecurity and Safeguarding Data Privacy

HLI recognises the risk posed by cyber threats, and HLI's principal cybersecurity strategy is to adopt the ISO 27001 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.

To further strengthen customer data security, Personal Data Protection officers were appointed in operating companies in FY2023 to handle matters regarding customer data management. HLI did not receive any reports on breaches of customer privacy and data loss in HLI in FY2023.

Sustainability Statement

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III) Product Technology

HLI has established dedicated research and development departments and facilities to conduct research and testing of our products to meet necessary quality and safety standards. We adhere to various product quality standards, which serve as the foundation of our internal procedures. We have set in place policies to promote product safety and comply with regulations as well as relevant standards before distribution to local and international markets. The standards are listed in Table M9B.

Operating Company	Standard
HLYM	ISO 9001: 2015 (Quality Management System)
	ISO 14001: 2015 (Environment Management System)
	ISO 37001 (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)
Guocera	ISO 9001: 2015 (Quality Management System)
	ISO 14001: 2015 (Environment Management System)
	ISO 45001: 2018 (Health and Safety System)
	MS ISO 13006: 2020 (Product Certification)
	EN14411:2012 (CE Mark)
	SIRIM Eco Label
	ISO/IEC 17025 (Testing and Calibration Laboratories)

Table M9B: Standards complied by HLI operating companies.

• Domestic requirements

Both HLYM and Guocera prioritize quality assurance through comprehensive testing, compliance with regulations, and continuous improvement processes to deliver high-quality products. Guocera's product is certified according to the MS ISO 13006: 2020 – Product Certification standard. HLYM's products meet safety standards required by the Malaysian Government, led by the Road Transport Department based on the Road Transport Act 1987 and its rules. The quality assurance process begins from the initial phase of model development. During the production stages, motorcycles undergo thorough testing and inspections for electrical components, performance, safety features, emissions, and fuel consumption. Vehicle Type Approvals (VTAs) ensure that produced motorcycles comply with the Road Transport Act and regulations, including being outfitted with certified radio wave devices. HLYM has also been recognised for its safety technology in products, with the Yamaha YZF-R15M, XMAX and NVX-ABS models receiving a five-star rating from MIROS under the Malaysian Motorcycle Assessment Programme (MyMAP) to promote safer motorcycles and enhance consumer awareness.

Guocera focuses on equipping high-quality tiles with safety features and conducting stringent testing and research. Guocera's non-toxic tiles are fired at over 1,000 degrees Celsius and do not emit volatile organic compounds. Their testing facility, Ceramic Research Company (CRC) Sdn Bhd, provides ISO anti-slip testing and ensures compliance with international standards for dimensional, physical, and chemical properties. Management reviews product quality issues at Monthly Quality Forums, and annual internal audits as well as product quality risk reviews ensure Guocera's compliance with quality standards.

Sustainability Statement

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International requirements

Guocera tiles 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.

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 strategies for curbing GHG emissions and supports the Malaysian government's commitment towards promoting low-carbon mobility (Water and Environment Ministry, 2022)¹.

• Exploring New Product Technology

Electric vehicles (EVs) have long-term growth potential and sustainable impact as it promotes a reduction in GHG emissions from vehicles and cleaner air. 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.

As a leading member of the MASAAM, HLYM is actively involved in the EV Task Force, technical working committees and consultations with government agencies such as the Investment, Trade and Industry Ministry, Statistics Department, Environment Department and Road Transport Department on EV development and promoting low-carbon mobility in Malaysia. In FY2023, HLYM engaged in discussions on:

- Consultations: EV development strategies, tax incentives, guidelines and licensing classes, Malaysian Clean Air Masterplan.
- Technical Working Group Committees: development of national standards for sustainable and environmental protection, electric motorcycles and energy-efficient vehicles. Study on emission factors for pollutants from motor vehicles. Development of the Low Carbon Mobility Blueprint.

As a license holder of Yamaha Motor Co., Ltd. (YMC)'s motorcycles in Malaysia, HLYM also supports the Yamaha Motor Group Environmental Plan 2050². Under the reviewed and updated plan, YMC has set a new goal of aiming for carbon neutrality throughout its business activities. In support of YMC's announcement that Malaysia was one of six regions and countries selected for the testing of the Yamaha E01 electric scooter³, HLYM launched the proof-of-concept electric scooter in Malaysia in August 2022. Real-world testing of the scooter is ongoing.



A participant of GenBlu Carnival 2022 testing out the Yamaha E01 electric scooter.

¹ 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

² Yamaha Motor Co., Ltd. (2022). Overview of "Yamaha Motor Group Environmental Plan 2050." Retrieved from https://global.yamaha-motor.com/about/csr/the_environment/plan-2050/

³ 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>

Sustainability Statement

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M10: Business Performance and Improving Living Standards.

HLI recognizes that a strong business performance contributes to the local economy. We are focused on fostering strong relationships with our business partners. As our operating companies are significant players in their markets and sectors, we recognise our role as a responsible employer and steward of good governance. HLI strives to support local businesses and the growth of local SMEs. We endeavour to ensure our suppliers adhere to good governance, environmental and social standards.

HLI marked a new record for revenue in FY2023 with the strong sales growth charted in both the motorcycles and marine outboard motors. The motorcycle business recorded its cumulative five million units of motorcycles rolled out to the market despite lingering global supply chain challenges.

Steering through the challenges experienced over the recent pandemic years, HLI has progressed in its flexibility and agility in production and response to markets. To forge ahead, HLI will continue to focus on developing products with distinctive quality and features, providing customers with excellent services and solutions, driving plant efficiency and cost competitiveness through investment in technological transformation, digitalisation and automation.

Details on economic performance are shown in Table M10A.

Economic Performance	Unit	FY2019	FY2021	FY2022	FY2023
Revenue and business growth	RM Mil	2,528	2,633	2,466	3,416
Revenue for consumer products, marine-related products and other revenue	RM Mil	2,350	2,470	2,286	3,268
Revenue for fibre cement products	RM Mil	178	163	180	148
Customer base	Nos	507	465	473	570
Leveraging on research and development (R&D expenses)	RM Mil	20	19	31	44
Procurement/Sourcing					
Local vs import contents	%	63:37	62:38	61:39	63:37
Employee Benefits					
Job opportunities (strength of workforce)	Nos	2,514	2,289	2,404	2,460
Improve living standards (staff expenses)	RM Mil	154	142	147	177
Staff expenses/headcount	RM'000	61	62	61	72
Staff expenses/revenue	%	6	5	6	5
Payments to Other Stakeholders					
Government (direct and indirect taxes)	RM Mil	387	370	322	517
Shareholders (dividends)	Refer to Financial Statement				
Suppliers (operational costs)	RM Mil	311	176	204	277
Lenders (financing costs)	Refer to Financial Statement				

Sustainability Statement

(Cont'd)

Economic Performance	Unit	FY2019	FY2021	FY2022	FY2023
ENVIRONMENT					
Capital Expenditure					
Plant automation/process improvement	RM Mil	0.3	5.9	4.4	2.3
Technology investment	RM Mil	2.5	1.5	0.5	1.4
Energy conservation	RM Mil	4.7	0.2	0.6	0.1
Environmental and pollution control	RM Mil				0.5
Product Quality Improvement					
Customer complaints	Nos of cases	1,790	865	618	1,038
Compensation costs	RM Mil	1.5	1.2	1.0	1.3
Energy Conservation Initiatives					
Energy consumption	MWh	595,270	337,343	345,619	422,446
SOCIAL					
Community project expenses	RM'000			63	277
Learning and development (training costs)	RM'000	1,005	380	477	768
Medical expenses (Covid-related)	RM'000		142	1,152	

Table M10A: Business performance.

HLI's operating companies are supported by enterprises in the primary (raw materials) and tertiary (services) sectors, with suppliers providing raw materials for 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).

We develop dealers' and suppliers' capacities in providing quality after-service to customers by providing them with educational and training support. Towards this, HLYM has established the Motorcycle Education and Training Academy (META) and Guocera has established the Tiles and Beyond Academy (TAB) (see Community Investment, page 51).

HLI prioritises local employees for job opportunities and support union representation for workers. This is reflected in a higher ratio of local employees compared to foreign workers (see Social, Table S6, page 50) and union representation for workers (see Social, Human Rights and Labour Practices, page 70). HLI strives to create a conducive work environment and continuously invests in the development of our employees through upskilling, reskilling and training opportunities to cultivate an innovative and digitally enabled workforce while keeping pace with changing industry demands.

We also believe we have a responsibility in contributing to the nation's development. In 2022, HLYM was among 10 companies recognised by the Malaysian government for its taxpaying record and received the Best Taxpayer Award in an award ceremony organised by the Inland Revenue Board of Malaysia.

Sustainability Statement

(Cont'd)



HLYM Manufacturing Operation General Manager Loh Heng Choy (sixth from right) receives the Best Taxpayer award from Prime Minister Dato' Seri Anwar Ibrahim (centre).

M11: Supply Chain Management



HLI adheres to a tender process and procurement policy of sourcing based on value and quality to ensure fair and transparent business transactions.

In FY2023, the Supply Chain Management Task Force developed a roadmap towards strengthening supplier assessments, as shown in Figure M11A. The roadmap is based on four pillars:

- Developing sustainability guidelines for suppliers.
- Engagement with suppliers to increase awareness of sustainability guidelines.
- Developing environment and social evaluation criteria for supplier assessments.
- Monitoring and reviewing compliance with guidelines.

Sustainability Statement

(Cont'd)

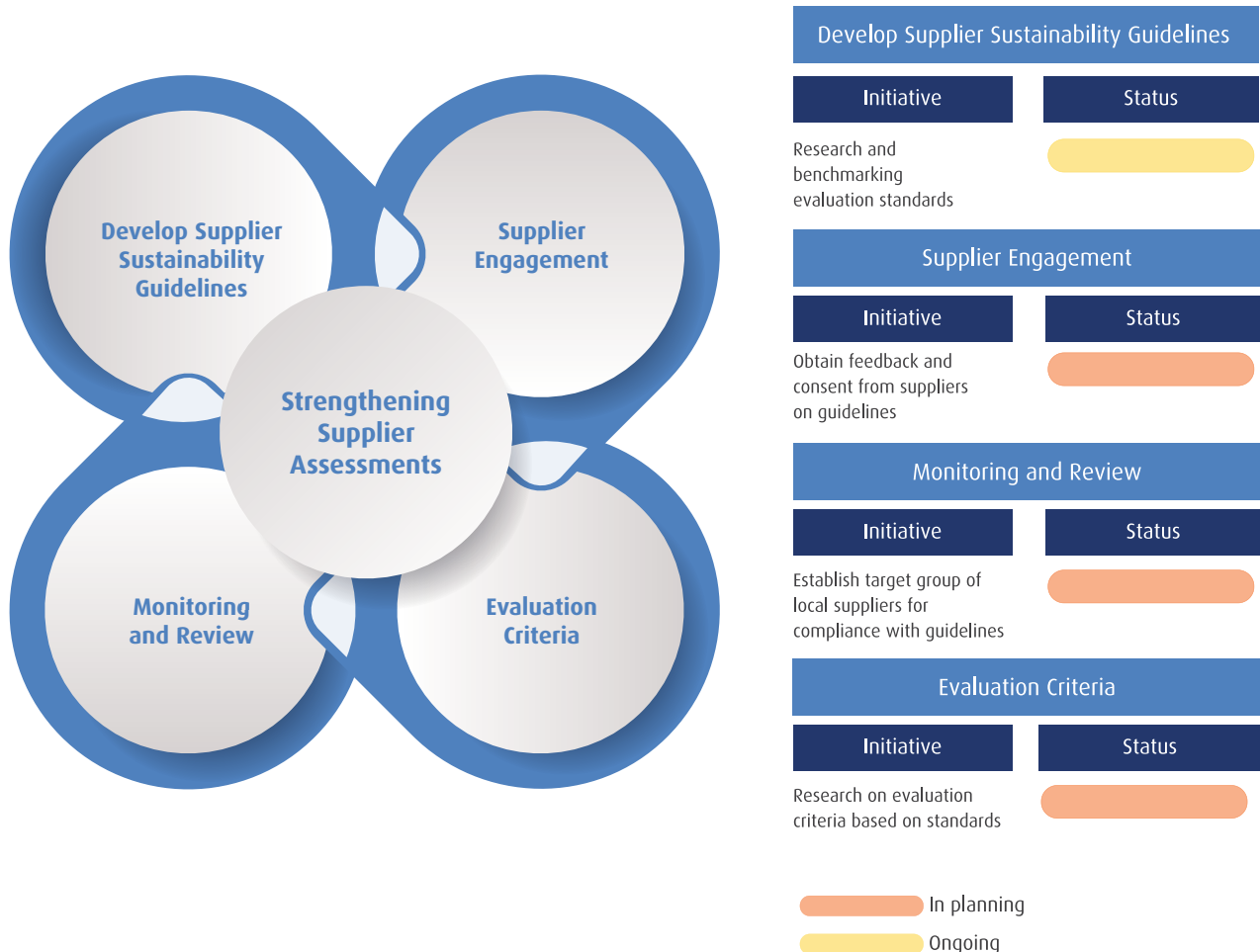


Figure M11A: Supply Chain Management Roadmap.

I) Supplier Evaluation, Monitoring and Audits

HYLM and Guocera have been certified with the ISO 9001 standard since 1995. Under the ISO 9001 Quality Management System, vendor assessment procedures involve pre-assessments and due diligence exercises before the registration of new suppliers to ensure they meet operating companies' policy requirements. Pre-assessments include background and financial checks to ensure good governance and prevent conflict of interest before their appointment.

For HLYM, suppliers are required to fulfil HLYM's Environmental Management System (EMS) criteria and quality requirements based on Yamaha Motor Co., Ltd., (YMC)'s guidelines and standards. This includes the Yamaha Green Procurement Guidelines and Yamaha Technical Standard, which promote the controlled use of environmentally hazardous substances. Suppliers must declare non-use of such substances and comply with the standard. HLYM's vendor assessment procedures were aligned with the Yamaha Motor Group Global Quality Assurance Manual for Purchased Products published in 2016 and since 2020, HLYM has enhanced its supplier audit requirements. The eValues audits, based on a check sheet issued by YMC, involve assessments of critical suppliers on six risk categories:

- Safety/Quality,
- Human Rights and Labor/Environment,
- Environmental Considerations (establishing the EMS)
- Risk Management Practices,
- Thorough Compliance (compliance with Malaysian environmental and labour laws), and,
- Appropriate Information Disclosure.

Sustainability Statement

(Cont'd)

The assessment results are used to improve suppliers understanding and compliance with the requirements.

In FY2022, HLYM began supplier audits based on YMC's Quality Management System (QMS), listed in Table M11A. To further strengthen evaluation based on environmental criteria, HLYM is engaging with YMC to implement the International Material Data System (IMDS), requiring vendors to declare substances of materials supplied to HLYM. The IMDS, a global standard used by original equipment manufacturers, is the automotive industry's material data system where materials used in vehicles are collected, maintained, analysed and archived.

Supplier monitoring and assessments are listed in Table M11A.

Policy	Procedure	FY2023 results		
		HLYM	HLYM	Guocera
HLI Supplier Code of Conduct and Ethics	Declaration of commitment to adhere to the policy	100% of 472 suppliers.	100% of 36 active suppliers.	99.5% of 797 suppliers.
Anti-Bribery and Corruption Management System (ABCMS)	Declaration of commitment to ABCMS	100% of 472 suppliers.	100% of 36 active suppliers.	99.5% of 797 suppliers.
Yamaha Green Procurement Guidelines	1. Annual supplier assessments. 2. Declaration 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. 3. Briefing to suppliers.	71 suppliers declared conformity to management rules for EHS. 49 suppliers declared conformity to prohibition potential of four types of phthalates and perfluorooctanoic acid (PFOA), perfluorohexanesulphonic acid (PFHxS) and perfluorocarboxylic acids (PFCAs)	99% of supplies are from Yamaha Motor Corporation and Yamaha Distributor Singapore.	
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.	9 suppliers based on YMC QMS.	Performance review conducted for 5 out of 8 transporters.	
YMC Supplier Evaluation System (eValues)	Annual assessments conducted for local content parts suppliers, in accordance with requirements under YMC CSR Purchasing Guidelines.	33 suppliers audited by self-evaluation.	Not applicable	
Supplier Quality Manual	Suppliers to assure product quality in accordance with Yamaha requirements from initial product/process development, on-going process controls to after-sales service.	60 suppliers signed and acknowledged adherence to guidelines.	Not applicable.	

* Guocera has terminated the services of two vendors due to a refusal to adhere to the HLI Code of Conduct and Ethics. Another two vendors have referred Guocera to their own established Code of Ethics in place of Guocera's requirements.

Table M11A: Supplier assessments.

Sustainability Statement

(Cont'd)

HLYM tracks suppliers' performance, particularly on quality and delivery. Vendors are rated monthly to ensure their ability to meet production requirements. Supplier performances are monitored on quality, delivery and responsiveness to the quality performance index and investigation of issues. Table M11B shows the rating system for HLYM suppliers and Table M11C shows the average quarterly ratings of HLYM's local suppliers evaluated in FY2023.

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 M11B: The rating system for HLYM suppliers.

FY2023 Quarter (QFY2023)	Average Rating
1QFY2023	99.8%
2QFY2023	99.8%
3QFY2023	99.9%
4QFY2023	99.9%

Table M11C: Overall performance of HLYM's suppliers.

In FY2023, Guocera assessed 252 suppliers based on delivery, price, quality and its EMS criteria. The FY2023 performance of Guocera's suppliers is listed in Table M11D.

Score Band	Number of Suppliers	Percentage of Suppliers
A (More than 75%)	235	93%
B (60% to 75%)	14	6%
C (Less than 60%)	3	1%

Table M11D: Overall performance of Guocera's suppliers.

Sustainability Statement

(Cont'd)



ENVIRONMENT

Short to Medium Term

One to five years

Medium to Long Term

More than five years

Environmental Matters	Risks	Opportunities	Timeframe	Initiatives	Risk Category
Climate Change	Higher electricity tariffs to increase production costs.	Exploring investments in fuel-efficient technologies and renewable energy applications for operational efficiency and reduction in production costs.	Short to Medium Term	Exploring renewable energy.	Transitional
	Non-compliance with Bursa Malaysia’s mandatory sustainability disclosures.		Short to Medium Term		
	Loss of profits due to the imposition of the Carbon Border Adjustment Mechanism in the European Union on products that are unable to meet carbon emission requirements.		Medium to Long Term	Participating in or leading working committee discussions with government agencies on EV development, low-carbon mobility, emissions from motor vehicles and environmental policies.	
	Poor business performance as increased electrification of products to shift market and consumer demand.				
	Extreme weather events such as floods, storms and droughts adversely affect operations.	Market and consumer shifts result in diversification of products, entry into new market segments and enhanced brand value to customers.	Short to Medium Term	Improving processes for reduction in energy consumption.	Physical
	Extreme weather events lead to supply chain disruptions, and damages to parts, materials and raw material sites.		Short to Medium Term	Upgrading machinery and equipment for improved energy efficiency and reduction in fuel consumption.	
	Temperature increase affects worker productivity, process and quality consistency		Medium to Long Term		

Sustainability Statement

(Cont'd)

Environmental Matters	Risks	Opportunities	Timeframe	Initiatives
Resource Management	Depletion of non-renewable resources.	Quality and productivity improvement and alternative sourcing.	Medium to Long Term	Commitment to sourcing local materials where possible.
				Implementation of water saving programmes.
				Conducting tests on suitability of materials before extraction.
	Escalating production costs due to supply disruptions and availability of materials.	Value Analysis and Value Engineering (VAVE) in product designs.	Medium to Long Term	Adherence to standards and guidelines for the use of non-hazardous and hazardous materials.
				Product design VAVE.
Environmental and Waste Management	Water disruption due to pollution at water sources causing operational disruption.	Activities to implement better environmental controls and educate employees on the importance of protecting the environment.	Short to Medium Term	ISO 14001 certification for plants.
	Non-compliance with environmental laws and regulations due to effluents exceeding permissible limits.		Short to Medium Term	Environmental compliance monitoring and verification by third party labs.
	Increase in operational costs due to increase in waste disposal quantities and rates.	Increased waste recycling for improved cost optimisation.	Short, Medium and Long Term	Upgrading machinery, equipment and tools for improved monitoring and pollution controls.
	Violation of legal environmental requirements results in closure of plants.		Short, Medium and Long Term	Implementing waste water recycling systems, waste reduction, segregation and recycling initiatives.

M3: Climate Change



HLI acknowledges climate change as a key focus area of our sustainability management, as the increase in GHG emissions is contributing to adverse weather conditions globally, with more frequent and intense floods in Malaysia. We are focused on taking meaningful action towards reducing energy consumption and GHG emissions intensity. HLYM also supports low-carbon mobility standards and measures to combat climate change, including renewable energy programmes and product adaptation.

We recognise that floods pose a significant risk to our operations, which could potentially cause major supply chain disruptions. Climate change is also driving many policy updates and technological developments that may impact HLI's business costs and operations. The introduction of a carbon tax and product technology innovations of electric vehicles risk increasing our production costs and shifting customer demand towards low-carbon vehicles. Due to the criticality of addressing climate change, it is overseen by the Board of Directors through the sustainability governance structure (see page 13).

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The HLI Climate Change Task Force, led by HLI's Sustainability Advisor, has identified HLI's transitional and physical risks arising from climate change, as listed under the Environment section (page 33). We can gain insights to mitigate risks and capitalize on potential opportunities by assessing the risks and opportunities associated with climate change. In FY2023, the Climate Change Task Force developed a GHG Emissions Reduction Roadmap, as shown in Figure M3A.

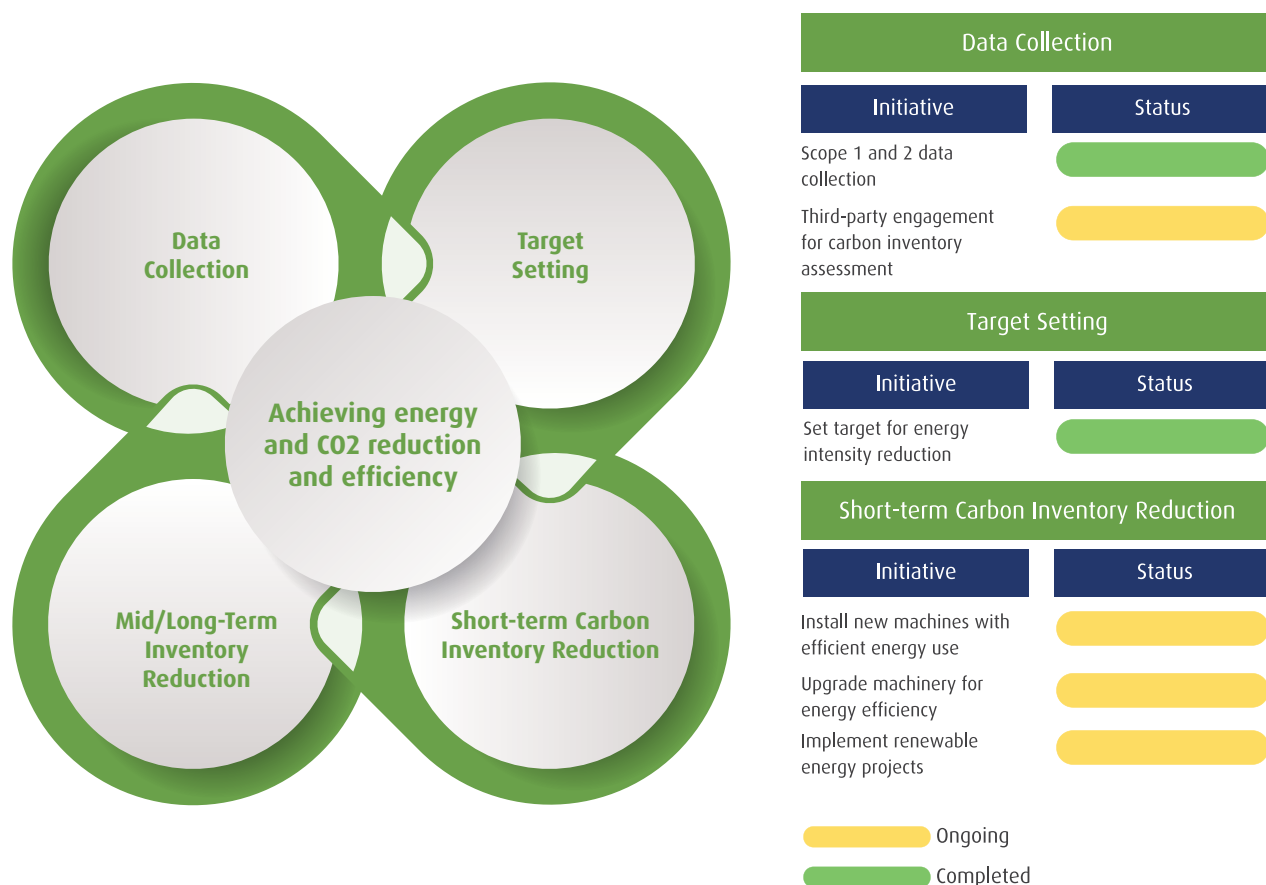


Figure M3A: GHG Emissions Reduction Roadmap.

The roadmap's four pillars are:

- data collection,
- target setting,
- short-term carbon inventory reduction, and;
- mid/long-term carbon inventory reduction.

We have established our mid-term target to reduce energy intensity and carbon emissions. The target will be reviewed on an annual basis to ensure we are on track in our journey towards establishing a low-carbon footprint.



30% Reduction

Mid-term target to reduce energy intensity and CO₂e intensity by 2025 (against baseline 2019 emissions)

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HLI has engaged a third-party vendor to verify the carbon inventory of its operations in HLYM, HYM and Guocera. Once the carbon inventory review is completed, the operating companies will further enhance measures to reduce electricity and energy consumption as well as scale up renewable energy opportunities to reduce our dependence on fossil-fuel-derived energy sources.

Energy consumption carbon emissions data is listed in Table M3A to M3E. Reductions in energy and carbon emission intensity were successfully achieved through continuous efforts to phase out or replace ageing machines and a commitment to improve energy efficiency in the workplace. Furthermore, with the streamlining of HLI operations following the sale of HCB that is pending completion, HLI's energy intensity has significantly reduced. We will continue to improve data quality and accuracy in our reporting, and we have engaged with a service provider to facilitate this. We will revise our energy and carbon emission intensity target following the completion of data collection and verification from the service provider.

Energy consumption (MWh)	FY2019 (Baseline)	FY2021	FY2022	FY2023
Scope 1				
HLYM	9,722	9,557	8,966	11,106
HYM		76	73	134
Guocera	507,204	280,863	292,733	352,200
Total Scope 1	516,926	290,496	301,773	363,440
Scope 2				
HLYM	9,686	9,358	8,484	11,042
HYM	141	174	126	101
Guocera	68,516	37,315	35,237	47,861
Total Scope 2	78,344	46,846	43,847	59,005
Total Scope 1 and 2	595,270	337,343	345,619	422,446

Table M3A: Energy consumption.

Energy intensity (MWh per revenue [RM million])	FY2019 (Baseline)	FY2021	FY2022	FY2023	Reduction Target by 2025
	258	137	152	129	30%
Percentage reduction		-47%	-41%	-50%	

Note: Energy intensity comprises HLYM, HYM and Guocera. Percentage reduction in energy intensity has been amended based on updated methodology, conversion factors and consolidated revenue figures.

Table M3B: Energy intensity.

Scope 1 emissions (tCO ₂ e)	FY2019 (Baseline)	FY2021	FY2022	FY2023
HLYM				
Total	2,148	2,105	1,987	2,450
HYM				
Total		20	20	36
Guocera				
Total	102,803	56,949	59,318	71,390
Grand Total	104,951	59,074	61,324	73,875

Note: Scope 1 emissions is derived from diesel, petrol, natural gas, medium fuel oil and CO₂ welding gas. HLYM tracks and monitors the consumption of CO₂ gas purchased and used as shielding gas for its welding process. Data comprises HLYM, HYM and Guocera.

Table M3C: Scope 1 emissions.

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Scope 2 emissions (tCO ₂ e)	FY2019 (Baseline)	FY2021	FY2022	FY2023
HLYM	7,555	7,299	6,617	8,613
HYM	110	135	99	79
Guocera	53,443	29,105	27,485	37,332
Total	61,108	36,540	34,200	46,024

Note: Data comprises HLYM, HYM and Guocera.

Table M3D: Scope 2 emissions.

	FY2019 (Baseline)	FY2021	FY2022	FY2023
Total tonnes of CO₂ equivalent (tCO₂e) emissions	166,060	95,614	95,524	119,899
tCO₂e/Revenue (RM million)	71.9	38.9	41.9	36.7
Percentage reduction		-46%	-42%	-49%

Note: Conversion of energy consumption to tCO₂e emissions for fossil fuels are calculated based on the Intergovernmental Panel on Climate Change (IPCC) 2006 and 2007 guidelines, as well as the Asian Development Bank 2017 guidelines. TCO₂e emissions from purchased electricity is calculated based on the 2019 Grid Emission Factor guidelines in Peninsular Malaysia from the Energy Commission. TCO₂e data includes CO₂, CH₄ and N₂O. Data comprises HLYM, HYM and Guocera.

Table M3E: Total carbon emissions.

I) Energy Efficiency and Reduction

HLYM's main energy sources are non-renewable fuels. We closely monitor energy sources to avoid wastage, and each operating company has an energy-saving programme to reduce energy consumption year-on-year. Our focus is on replacing or upgrading existing machinery, system improvements and operational optimization to reduce electricity as well as natural gas consumption, as shown in Table M3F and M3G. Towards this, HLYM is guided by a set of energy efficiency requirements for machinery acquisition.

Programme	Initiatives conducted in FY2023
Operational optimization	To reduce B and D line exhaust fan speed by 50% during break time
System improvement	Optimization of compressor to reduce or eliminate compressed air leakages
Operational optimisation	Installation of high-bay LED lights
Machine upgrade/replacement	Inverter installation for ball mills, slip tanks, kiln 1 suction fans
Machine upgrade/replacement	Replace compressor air blower to motor blower at Press 8 exit
	Install electric injection moulding machine to reduce electricity consumption

Table M3F: Initiatives to reduce electricity consumption.



891 MWh

Reduction in electricity consumption
from initiatives

Programme	Initiatives conducted in FY2023
System improvement	Heat recovery for HD4 to recycle heat from kiln and reduce natural gas usage
Operational optimization	Increase slip density for spray dryer energy savings
System Improvement	Heat recovery for spray dryer and higher slip density

Table M3G: Guocera's initiatives to reduce natural gas consumption.

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11,562 MWh

Reduction in energy usage from natural gas savings

II) Renewable Energy Initiatives

HLI has implemented several solar projects in our factory operations as part of our climate change adaptation strategy. As of FY2023, HLYM has a total capacity of 148 kilowatt-peak (kWp) solar energy generation. To further increase renewable energy usage, a 70 kilowatt-peak (kWp) solar panel installation is in the pipeline. Guocera has also implemented a solar energy project to generate electricity for its streetlights, as listed in Table M3H. HLYM's energy savings from solar projects are 1.5% of its Scope 2 energy consumption (MWh) while Guocera's energy savings from solar projects are less than 1% of its Scope 2 energy consumption (MWh).

Solar energy generation (MWh)	FY2021	FY2022	FY2023
HLYM	94	102	168
Guocera			18.6

Table M3H: Solar energy generation.



HLYM's solar installation at its factory car park.

III) Product Emissions

Yamaha models distributed in Malaysia comply with the stringent emissions standards of the Environmental Quality (Control of Emissions from Motorcycles) Regulation 2003 and the European (EU) Emissions Standards, as shown in Table M3I. HLYM has phased out models that do not comply with a minimum EU4 emission standard. Yamaha's energy-efficient vehicles (EEV) that are distributed in Malaysia are defined by the International Trade and Industry Ministry (MITI) (MITI, 2022)⁴.

EU4 Yamaha models	Y16ZR, NVX, NMAX, MT-15, MT-25, R25, XMAX, 135LC, Y15ZR, Ego Avantiz, R15M, EZ115.
EU5 Yamaha models	MT-09, Tracer 9GT, TMax.

M3I: EU standards of Yamaha models distributed in Malaysia.

⁴ 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

HLI is committed to consuming resources ethically and responsibly. We achieve this by promoting the 3R concept (reduce, reuse, and recycle), implementing recycling and reusing practices for resources and materials used in production processes where feasible. We also adhere to standards and guidelines on the use of resources and hazardous materials. Additionally, we emphasize the efficient use of energy and water while minimising the waste of raw materials in our manufacturing operations.

In FY2023, the Resource and Waste Management Task Force developed a roadmap towards improving resource and waste management, as well as pollution controls. The roadmap is based on three pillars:

- Reducing greenhouse gas emissions.
- Reducing solid and hazardous waste while increasing the rate of waste recycling.
- Reducing water usage and increasing awareness of the 3R concept.

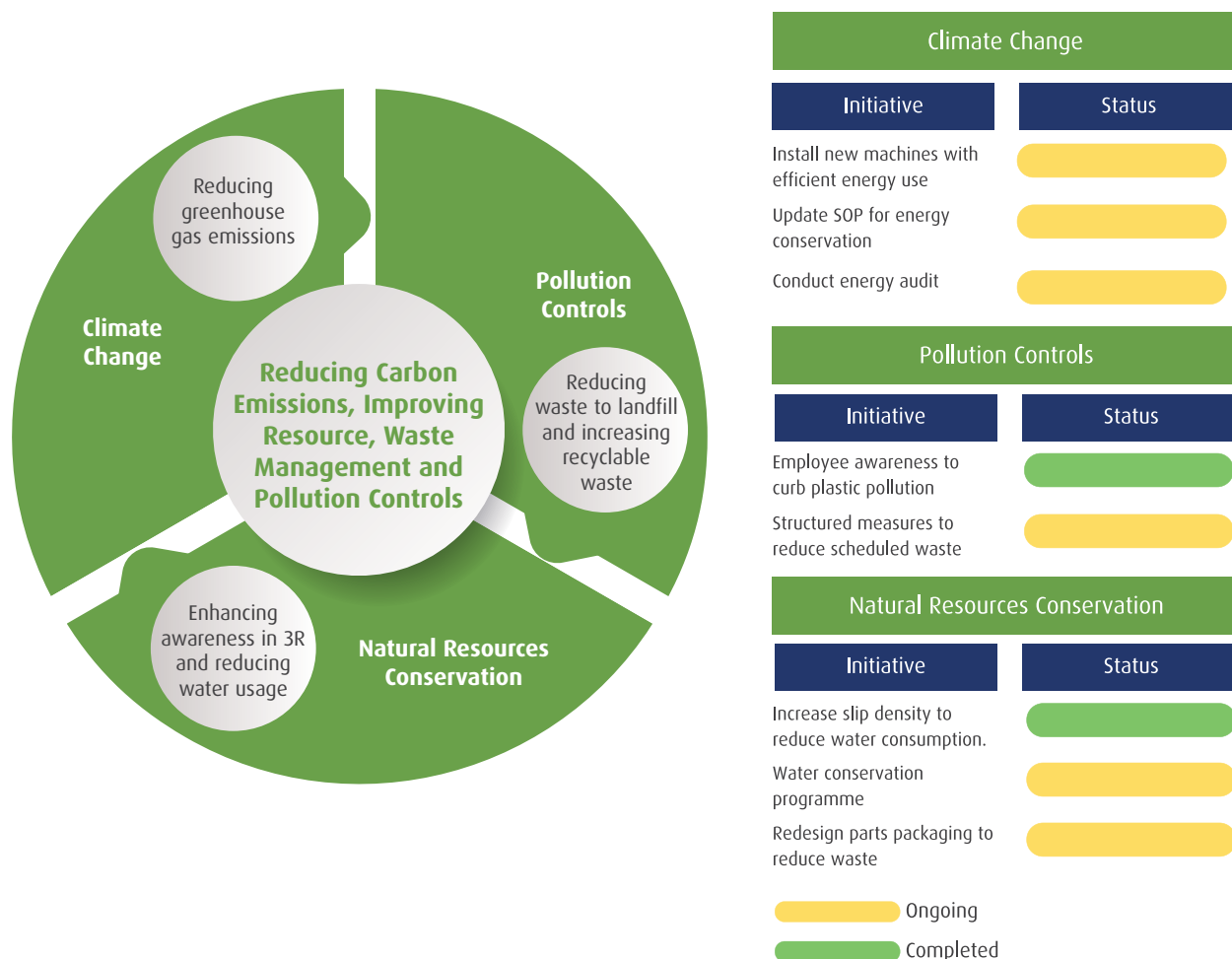


Figure M6A: Resources and Waste Management Roadmap.

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I) Water Saving Initiatives

HLI operating companies rely on municipal water supplies for manufacturing processes and some plants have implemented a wastewater recycling system to minimise use of water resources. Water consumption is listed in Table M6A. In FY2023, water consumption increased on the back of increased production output in HLYM and Guocera. Despite this, HLYM recorded a year-on-year decrease in water intensity by more than 5% in FY2023, as listed in Table M6B, while Guocera's water intensity increased due to a change in product mix where an additional tile polishing process is required, which consumes a higher volume of water. These trends are reflected in water intensity data listed in Table M6B.

Volume of water used (m ³)	FY2021	FY2022	FY2023
HLYM	80,148	91,251	101,525
Guocera	255,624	254,116	353,704
Total	335,772	345,367	447,922

Note: Water consumption covers HLYM, HYM and Guocera and excludes HLYM branches, Guocera's office in Petaling Jaya and the Ceramic Research Company. Data in FY2022 has been amended for accuracy.

Table M6A: Water consumption.

Water intensity (usage per product/output)	FY2021	FY2022	FY2023	Reduction target by 2025 (baseline FY2022)
HLYM (m ³ per bike)	0.26	0.38	0.29	5%
Guocera (m ³ per m ²)	0.031	0.030	0.033	3%

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 intensity.

At Guocera's Meru and Kluang plants, treated wastewater recycling systems have been implemented. The plants' closed-loop 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 Meru and Kluang also implemented process improvements for untreated water from the ball mill and spray dryer processes to be channelled directly to the body ball mill process.

In FY2023, HLYM installed a 1,000-litre water tank to collect rainwater at its Main Office Building. The collected water is used to water plants and other external uses at the office, reducing dependency on potable water usage.

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II) Raw Material Management

We recognise our responsibility to minimise the wastage of raw materials to conserve natural resources. Raw material consumption is listed in Table M6C, which increased in FY2023 due to increased production output.

Raw materials (tonnes)	FY2021	FY2022	FY2023
HYLM			
Resin (plastic)	1,019	694	761
Steel sheet	578	412	548
Total	1,597	1,106	1,309
Guocera			
Clay	143,814	134,366	192,620
Feldspar	97,865	92,873	106,796
Total	241,679	227,239	299,416

Note: Resin and steel sheets are used by HLYM to manufacture key components for motorcycles internally. Clay and feldspar are two major materials consumed by Guocera.

Table M6C: Raw material consumption.

At Guocera, its testing facility CRC works closely with vendors to ensure consistency of raw material quality, conducting tests to verify quality and extending quality control measures to bulk raw material supply, which covers 80% of the total overall supply. Body formulation of samples from the vendor's proposed site is conducted before land mining activities are carried out.

CRC also conducts a risk mitigation programme for raw materials to ensure the continuity of raw material supplies. This is crucial as supply interruptions will result in quality inconsistencies, 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 sludge into its tiles' body formulation to further reduce wastage.

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M8: Environmental and Waste Management

HLI seeks to reduce the environmental impact of our waste, effluent, and emissions from our operations. Compliance with standards, legal and statutory requirements is our key focus area to control waste, effluent and emissions and support environmental protection as well as the safety of communities. We strive to eliminate or control the use of hazardous substances based on relevant laws, guidelines and standards. We endeavour to manage waste responsibly, adhering to prevailing laws on proper waste disposal and implementing 3R (reduce, reuse and recycle) strategies to manage waste.

Operating companies have adopted the ISO 14001: 2015 Environment Management System (EMS) and are vigilant in monitoring emissions and effluents.



Percentage of HLI's plants with ISO14001 Certifications



EMS Working Committees are established in each OC, comprising key personnel and management from production floors, and oversee various functions such as compliance with environmental laws and policies (listed in Table M8A), promotion and awareness and internal audits.

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Operating Company	Laws and Regulations
HLYM and Guocera	Environmental Quality (Clean Air) Regulation 2014
HLYM and Guocera	Environmental Quality (Industrial Effluents) Regulations 2009
HLYM and Guocera	Environmental Quality (Scheduled Waste) Regulations 2005
HLYM and Guocera	Environmental Quality (Refrigerant Management) Regulations 2020
HLYM and Guocera	Environmental Quality (Control of Emission from Diesel Engines) Regulations 1996
HLYM and Guocera	Environmental Quality (Control of Emission from Petrol Engines) Regulations 1995
HLYM and Guocera	DOE Guidelines on Environment Noise Limit & Control
HLYM and Guocera	DOE directives on Guided Self-Regulation (GSR)
HLYM and Guocera	Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations, 1970
HLYM and Guocera	Occupational, Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Reg.2000
HLYM and Guocera	Occupational, Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulation 2004
HLYM and Guocera	Occupational Safety and Health (Noise Exposure) Regulations 2019
HLYM and Guocera	Efficient Management of Electrical Energy Regulations 2008
HLYM	Environmental Quality (Sewage) Regulations 2009
HLYM	Factories and Machinery (Person-In-Charge) Regulations 1970
HLYM	Environmental Quality (Halon Management) Regulations 1999
HLYM	Environmental Quality (Control of Emission from Motorcycles) Regulations 2003
HLYM	Environmental Quality (Motor Vehicle Noise) Regulations 1987
HLYM	Poison Act 1952
HLYM	Water Services Industry Act 2006
HLYM	Power Supply Act 1990

Table M8A: Compliance with applicable laws and regulations.

I) Regulatory Compliance: Air

HLI recognises that manufacturing processes generate hazardous and non-hazardous emissions. Therefore, we conduct rigorous emissions monitoring, which 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 annually, including gases such as nitrogen oxide (NO_x), sulphur oxide (SO_x) and particulate matter (PM) for chimneys and dust collectors to comply with the Clean Air Regulation 2014. Third-party labs are enlisted to conduct tests on emissions, with reports submitted to the Department of Environment. NO_x, SO_x and volatile organic compounds (VOC) emissions as well as PM concentrations are listed in Table M8B, M8C, M8D and M8E.

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At HLYM, emissions monitoring and verification are conducted by third-party service provider Prisma Lab Sdn Bhd, which is accredited by the Department of Standards Malaysia, among other agencies. Guocera's stack emission and ambient air monitoring is conducted by certified third-party labs such as Alam Hijau Integrasi Sdn Bhd and Chemvi Laboratory Sdn Bhd. In FY2023, HLI operating companies did not receive any summonses/fines for non-compliance with air regulation requirements.

N0x emissions (tonnes)	FY2023
HLYM	Negligible
Guocera	2.7
Total	2.7

Table M8B: NOx emissions.

SOx emissions (tonnes)	FY2023
HLYM	NA
Guocera	0.8
Total	0.8

Table M8C: SOx emissions.

VOC emissions (kg)	FY2023
HLYM	3.8
Guocera	NA
Total	3.8

Table M8D: VOC emissions.

PM (tonnes)	FY2023
HLYM	Negligible
Guocera	23.3
Total	23.3

Table M8E: PM.

II) Regulatory Compliance: Effluents

HLI has invested in on-site water treatment facilities to ensure compliance with environmental regulations on wastewater discharge. HLYM uses a supervisory control and data acquisition (SCADA) system to monitor the PH, aeration, biological oxygen demand (BOD) and discharge flow rate from industrial effluents, detecting deviations from normal levels in real-time. Third-party lab Permula Sdn Bhd conducts weekly wastewater analysis to verify whether treated water meets the requirements under Standard B of the 5th Schedule of the Industrial Effluent Regulation 2009, Environmental Quality Act 1974.

Similarly, third-party labs conduct wastewater analysis at Guocera's Meru and Kluang plants weekly to ascertain whether treated water meets the requirements under the law. Performance monitoring reports by third-party labs are submitted to the Environment Department every month to ensure compliance with Environmental Quality (Industrial Effluent) Regulation 2009, as listed in Table M8F.

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Type of Discharge	Environmental Quality Standard	Monitoring Frequency	Reporting
Hazardous Waste (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 (for HLYM only)	(Sewage) Regulation 2009, Standard B	Monthly for nine parameters	Results are recorded on the DOE's Environmental Reporting Online Portal

Table M8F: Compliance with laws and regulations on waste and wastewater controls.

In FY2023, HLYM did not receive any summonses or fines for non-compliance with legal effluent requirements. Unfortunately, in December 2022, floods caused wastewater from Guocera's Meru plant to overflow into drains. Following the incident, Guocera received a summons of RM3,000 from the Environment Department. While the company settled the fine, Guocera took immediate measures to rectify the issue and prevent further incidences by increasing the wastewater treatment plant's processing capacity by an additional 20m³/hour. The volume of effluent generated is listed in Table M8G. HLYM's volume of effluent increased in FY2023 due to higher production output.

Volume of effluent (m ³)	FY2021	FY2022	FY2023
HLYM	26,657	24,433	28,221
Total	26,657	24,433	28,221

Note: Guocera recycles treated wastewater in its operations.

Table M8G: Volume of effluent.

III) Regulatory Compliance: Waste

HLI engages with licensed operators to collect, transport, and dispose of waste to authorised waste management operators. Scheduled waste is transported to contractors licensed by the Environment Department, while solid waste is segregated for recyclables or transported to landfills (see Table M8H). HLYM conducts annual audits on third-party hazardous waste collectors to ensure compliance with waste handling regulations and requirements.

Area of monitoring	Collection Frequency	Results
Scheduled Waste	Quarterly/Biannually	Scheduled waste (hazardous 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, labelling and safety data sheet of hazardous chemicals as well as standards of hazardous chemical exposure to health.

Table M8H: Management of scheduled waste and chemicals. Note: Scheduled waste is hazardous waste that requires special management as stipulated under the Environmental Quality Act 1974.

In FY2023, HLYM implemented an improved sludge collecting system for increased efficiency and safety in scheduled waste management. The sludge system does not require workers to manually remove sludge from the sludge pool. This results in sludge with a lower water content, easing collection and disposal. HLI operating companies did not receive summonses/fines for non-compliance with solid and hazardous waste management in FY2023.

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Waste collection data is listed from Table M8I to M8K. HLYM has recorded an increase in hazardous waste generation in FY2023 due to the deferment of pit clearance during the movement control orders in FY2022. Overall, the ratio of waste to production output has decreased for HLYM compared to FY2021.

Waste to landfill (metric tonnes)	FY2021	FY2022	FY2023
HLYM	462	474	551
Guocera	108	123	276
Total	569	597	827

Table M8I: Solid waste.

Hazardous waste generation (metric tonnes)	FY2021	FY2022	FY2023
HLYM	451	290	487
Guocera	5	9	19
Total	457	299	506
Recycled hazardous waste (metric tonnes)			
HLYM	58	39	66

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. HLYM's spent thinner is collected and recycled by waste collectors.

Table M8J: Hazardous waste.

Ratio of waste to production output	FY2021	FY2022	FY2023
HLYM waste to number of bikes (kg/bike)	3.0	3.2	2.9
Guocera waste (kg) to output (m ²)	0.02	0.02	0.03

Note: Waste excludes recycled waste.

Table M8K: Ratio of waste to production output.

• Waste Reduction and Recycling

HLI conducts monthly recycling of waste, with collection, segregation and recycling handled by certified third-party waste collectors. Waste recycling data is listed in Table M8L.

The acceleration of digitalisation in operations – such as finance, Human Resources and factory processes – is key to reducing paper usage and waste, while improving efficiency. At HLYM, a pilot process improvement has been implemented to reduce packaging material of parts for the NVX model. The size of paper cases has been increased to double the number of parts delivered in a single container. This incremental change has resulted in a reduction of 34.09 tonnes in packaging waste for FY2023.

As part of HLYM's value analysis and value engineering (VAVE) initiative, HLYM implemented surface finishing technology as an alternative option for the painting of parts for three Yamaha models to meet production demands and reduce operational costs. This has resulted in the reduction of scheduled waste produced from sludge generated during the painting process, handling as well as processing lead times.

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The results of other waste reduction initiatives are captured in Figure M8B and Table M8L.

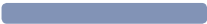



Initiative	Target	Status
Maximising container space	88% filling ratio for each model	
Converting single-use boxes to reusable containers	60% return rate	
 Achieved  Achieved above target		

Figure M8B: Initiatives to reduce waste and results.

Recycled waste (metric tonnes)	FY2021	FY2022	FY2023
HLYM	222	261	301
Guocera	206	288	1,084
Total	428	549	1,385

Note: HLYM's recycled waste excludes recycled hazardous waste (refer to Table M8E). Recycled waste constitutes plastic, paper and metal, which includes old machinery).

Table M8L: Recycled waste.

Guocera continues to focus on the recycling of strapping belts and reject cartons, reducing solid waste sent to landfills. Guocera has also begun to recycle wooden and plastic pallets for use in factory operations, resulting in lower costs for pallet purchases and solid waste generation.

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SOCIAL

At HLI, we believe that people are essential to our success. We recognise the role we play in creating a positive impact for communities, contributing to social development programmes and initiatives. 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 employees can reach their full potential and contribute towards our shared business goals with creativity and innovation.

Short to Medium Term

One to five years

Medium to Long Term

More than five years

Social Matters	Risks	Opportunities	Timeframe	Initiatives
Community Investment	Lack of engagement and alignment of community investment initiatives with relevant communities and their actual needs may lead to miscommunication and dissatisfaction.	Activities to implement better environmental controls and educate employees on the importance of protecting the environment.	Short to Medium Term	Leading road safety awareness programmes.
		Investing in community initiatives that align with HLI's values and goals enhances brand reputation and sets operating companies apart in the market.		Developing vocational and technical skills.
				Developing financial, business, and digital knowledge among business partners.
				Participating in activities that support underprivileged communities.
Occupational Safety and Health	Major accidents due to non-compliance with health and safety policies and procedures may lead to potential fatalities and serious injuries.	Improvements to systems and SOPs to build a safer and conducive working environment that improves employee performance and safeguards on-site safety of contractors, business partners and visitors.	Short to Medium Term	Occupational safety and health certifications for plants.
				Improving tools for safety monitoring.
				Providing safety knowledge and training for employees, suppliers, and contractors.
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	Short to Medium Term	Providing training to build technical skills for a future-ready workforce.
	Lack of digital literacy will lead to failure in achieving milestones of digital transformation journey.		Medium to Long Term	

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Social Matters	Risks	Opportunities	Timeframe	Initiatives
Human Rights and Labour Practices	Risk of non-compliance with Malaysian labour laws and legal actions against the company may result in loss of business.	Constant review and monitoring of employee benefits and compliance to labour laws.	Short to Medium Term	Updating policies following amendments to Employment Act 1995.
				Updating policies to prevent forced labour practices.
	Non-compliance with international labour practices or policies to prevent forced labour may hinder access to export markets and impact the company's reputation.	Social and recreational activities for employees for their wellbeing.	Medium Term to Long Term	Enhancing engagement with union representatives and concluding collective agreements.
				Communication to create awareness on sexual harassment.
Organisational 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 unites people towards a common goal.	Short to Medium Term	Programme to transform workforce and cultivate a high-performing, innovative and digital culture.
				5S Programme.
	Lack of alignment with company direction and values may jeopardise long-term business sustainability.		Short, Medium and Long Term	Quality and Productivity Programme.

Employee demographics are listed in Table S1 to S9.

Employees per age group (%)	FY2021	FY2022	FY2023
18 to 26	28	28	26
27 to 41	40	41	44
42 to 57	29	28	27
58 and above	3	3	3

Table S1: Percentage of employees per age group.

Employees per gender (%)	FY2021	FY2022	FY2023
Female	18	17	17
Male	82	83	83

Table S2: Percentage of employees per gender.

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Employees per ethnicity (%)	FY2021	FY2022	FY2023
Malay	67	70	65
Chinese	11	10	10
Indian	9	8	8
Others	13	12	17

Table S3: Percentage of employees per ethnicity.

	FY2021	FY2022	FY2023
Employees with disabilities (%)	0.3	0.3	0.4

Table S4: Percentage of employees with disabilities.

	FY2021	FY2022	FY2023
Temporary staff (%)	5	1	1

Table S5: Percentage of temporary staff.

	FY2021	FY2022	FY2023
Ratio of foreign to local workers	1:5	1:5	1:5

Table S6: Ratio of foreign to local workers.

Directors per age group (%)	FY2021	FY2022	FY2023
40 to 50 years old	28.6	28.6	28.6
50 to 60 years old	14.3	14.3	14.3
60 to 70 years old	57.1	57.1	57.1

Table S7: Percentage of directors per age group.

Directors per gender (%)	FY2021	FY2022	FY2023
Female	28.6	28.6	28.6
Male	71.4	71.4	71.4

Table S8: Percentage of directors per gender.

Directors per ethnicity (%)	FY2021	FY2022	FY2023
Malay	14.3	14.3	14.3
Chinese	85.7	85.7	85.7

Table S9: Percentage of directors per ethnicity.

Sustainability Statement

(Cont'd)

M2: Community Investment.



HLI recognises outreach programmes as a key driver to create a positive impact in society and we believe that education empowers communities. Our programmes are focused on providing critical knowledge on the safe use of products and supporting our business partners through skills training. Our focus is on fostering safety awareness among youths, schoolchildren, and the general public as well as empowering youths with the necessary technical skills to increase their employment opportunities.

Guocera's Tiles and Beyond Academy (TAB) offers industry-related education to enrich the knowledge and skills of business partners through structured programmes on product knowledge and technical skills. Training involves understanding the various properties of tiles, selecting suitable tiles for the right application and preventing common tiling failures. Since TAB's launch in 2021, Guocera has provided more than 100 training sessions to local and international industry players - government agencies, industry associations, influencers, contractors, and university students majoring in architecture design and construction-related study areas.

HYLM's community development initiatives address three key areas: promoting safe riding awareness for the motorcycle industry's sustainability, developing after-sales technical skills and fostering the next generation of dealers for business continuity. HLYM established the Motorcycle Education and Training Academy (META) for these purposes, providing educational programmes under the three key areas.

I) Promoting Road Safety Awareness

Under the Yamaha Cares banner, META conducts the Balik Kampung Road Safety Campaign, Yamaha Safety Riding Science (YSRS) programme, and Safety and Marshall Riding Training to advocate for safe riding practices, raise road safety awareness, and enhance riders' skills and knowledge. These initiatives contribute to safer riding experiences and the overall welfare of the motorcycle community.

Balik Kampung Road Safety Campaign

In FY2023, HLYM's Balik Kampung Road Safety Campaign marked a significant milestone, celebrating 25 years of promoting road safety awareness ahead of festive seasons to the public. A collaborative effort between HLYM and the Malaysia Motorcycle and Scooter Dealer Association (MMSDA), the Silver Jubilee Balik Kampung Road Safety Campaign involved various safety riding activities involving four local universities from April 8 to 13, 2023.

The campaign achieved the highest sponsorship from HLYM's business partners in 2023, including the participation of 190 dealers nationwide, reflecting a commitment of industry players towards inculcating safe riding habits among the public and creating a safer environment for road users. Dealers offered a three-day free service campaign, promoting responsible vehicle maintenance and fostering stronger relationships between dealers and community members.

Sustainability Statement

(Cont'd)



The Silver Jubilee Balik Kampung Road Safety Campaign was conducted at four universities nationwide and involved a free service campaign at 190 Yamaha dealerships.

In addition to the annual Balik Kampung Road Safety Campaign, HLYM also actively conducts other road safety initiatives in collaboration with government agencies such as the Road Safety Department, Kumpulan Perangsang Selangor (KPS), and educational institutions such as Politeknik Sultan Azlan Shah.



HLYM collaborated with government agencies and the MMSDA to conduct a road safety programme in Sibul, Sarawak.

Safety Riding Programmes

Under the Yamaha Safety Riding Science (YSRS) programmes, each programme encompasses five modules designed to educate children of different age groups about road safety rules, good road user behaviour, and safe riding skills. META's SMART KIDS programme focuses on preschool children aged between 4 and 6 years old while the YSRS KIDS is aimed at children between 7 to 12 years old. The YSRS Programme, aimed at secondary and university students, combines theory with practical training, equipping young riders with the essential tools to navigate roads safely and fostering a culture of responsible riding.

Sustainability Statement

(Cont'd)



YSRS programmes aim to instil safe riding knowledge among children and adolescents.

META also conducts technical, defensive riding programmes. The Safe Riding Training (SRT) and the Marshal Riding Training (MRT) courses are designed to reduce accidents by promoting safe riding skills among HLYM customers.



SRT and MRT programmes are aimed at equipping motorcyclists with defensive riding techniques.

II) Developing Skills for After-Sales Service Excellence

META addresses the shortage of technicians and mechanics by providing specialized programmes that emphasize industry standards and knowledge transfer to hone technical knowledge. These efforts enhance technical skills and proficiency, ensuring exceptional after-sales service and expertise in the latest automotive technologies, creating job opportunities, and nurturing new talent.

META has implemented several programmes such as the Technical Advisor Committee, Celik Yamaha, Technician Apprenticeship Programme (TAP), Yamaha Technical Academy, Yamaha Parts and Accessories Academy, and Yamaha Dealer Technician Apprenticeship Programme.

The TAP is aimed at training a pool of certified mechanics from Technical and Vocational Education and Training (TVET) colleges. In 2022, HLYM collaborated with Kolej KEDA for the 8th batch of the TAP. A total of 13 apprentices were deployed to dealers.

META's Celik Yamaha workshop, which is established in TVET colleges such as Kolej KEDA, is set up to mimic a Yamaha dealer's workshop. This initiative allows students to experience working conditions in a workshop and prepares them for industry demands.

META also provides a range of technical training programmes aimed at equipping technicians with the necessary competencies for effective and efficient performance. This includes offering Basic, Bronze, and Silver certifications and training courses such as Yamaha Parts Academy (YPA), Yamaha Diagnostic Tools (YDT), and New Model Training.

Sustainability Statement

(Cont'd)

III) Empowering Second-generation Dealers

The Dealer Development Program (DDP) is aimed at second-generation dealers to develop, modernize and upscale legacy motorcycle dealerships. The one-year programme consists of 10 modules, carefully designed to provide comprehensive knowledge and skills required for success in the motorcycle business.

Through these modules, participants gain valuable insights into various aspects of business management, including sales, marketing, customer service, and operations. Participants are not only equipped with essential skills but also mentorship and networking opportunities to build a strong support system that will help them thrive in their businesses.

In FY2023, the fifth DDP achieved a significant milestone for being the first batch comprising exclusively female participants. The participation of female dealers aligns with our commitment to empowering more women in the motorcycle industry to foster diversity and inclusivity while creating opportunities for women to excel in male-dominated fields.



Participants of the fifth Dealer Development Programme.

Participants of the DDP have also formed the Hong Leong Yamaha Malaysia Alumni (HLYMA) and have been actively organizing community outreach events since its inception. In FY2023, the alumni sponsored the Malaysia Blind Football Team during the ASEAN Para Games in Cambodia, where the team successfully clinched the silver medal.

On June 17, 2023, HLYMA collaborated with the Malaysian Blind Football Association (BFAM) to host a community event titled "Blindness Doesn't Stop The Game." This event brought together HLYMA members, HLYM representatives and other co-sponsors to raise awareness of the challenges faced by athletes with disabilities. It also served to highlight the importance of supporting these athletes and providing them with the resources they need to succeed.



(left) HLYMA and HLYM representatives at the "Blindness Doesn't Stop The Game" event. (right) The Malaysia Blind Football Team after playing a friendly football match with HLYMA and HLYM representatives.

Sustainability Statement

(Cont'd)

META's data on community investment is listed in Table M2A.

Category	Programme	Number of Sessions in FY2023	Target Community
Campaign	Road Safety Programmes	5	General public
Campaign	Silver Jubilee Balik Kampung Road Safety Campaign	194	General public
Technical Training	YTA Bronze and YDT	3	Dealers' staff
Technical Training	Community and Customer Service Training	5	Dealers' staff
Defensive Riding	Safety Riding Training Course	10	Motorcycle users
Defensive Riding	Marshall Riding Training	3	Motorcycle users
Safe Riding Awareness	Yamaha Safe Riding Science (YSRS)	4	Secondary school students
Safe Riding Awareness	YSRS Kids	4	7- to 12-year-olds
Safe Riding Awareness	SMART Kids	6	Under 7-year-olds
Dealer Management	Dealer Development Programme	2	Second generation dealers
Technical Training	TAP	2	Technical and vocational education and training (TVET) colleges
Technical Training	Celik Yamaha	2	Technical and vocational education and training (TVET) colleges

Table M2A: META's community investment.



11,182

Number of community programme beneficiaries in FY2023



277,260

Amount spent on community programmes in FY2023

Sustainability Statement

(Cont'd)



M4: Occupational Safety and Health

HLI strives to ensure a workplace that puts the safety and health of our workers, contractors and suppliers first. Governed by Safety and Health policies, our operating companies are committed to providing safe working conditions to minimize the risks of injuries and ill-health of our workforce, contractors and suppliers (see HLI website for more information on our policies at www.hli.com.my).

Occupational Safety and Health divisions are established in operating companies, focused on ensuring operations comply with relevant standards and regulations. Key members of the division comprise the HLI Safety and Health Task Force, which reports to the HLI Sustainability Advisor, SWC and SSC. In FY2023, the Safety and Health Task Force developed a roadmap towards improving safety at the workplace. The task force is focused on implementing initiatives under four pillars:

- Establishing safety rules to cultivate a safety-first mindset and culture.
- Improving processes and developing expertise to reduce health and safety risks.
- Establishing machine safety guidelines, standards and expertise.
- Enhancing safety control management through digitalisation.

Progress in implementing the roadmap is listed in Figure M4A.



Self Safety: Enhance Safety Mindset	
Initiative	Status
Safety campaign in Guocera Kluang plant	Completed
Conduct Yamaha Safety Rules Campaign	Ongoing
Process Safety: Risk Reduction	
Initiative	Status
Establish planning framework for HLYM	Completed
Machine Safety: Inherent Safety Design	
Initiative	Status
Establish guidelines on machine safety for HLYM	Completed
Digitalisation: Systematic Risk Control Management	
Initiative	Status
E-Safety observation online platform in Guocera Kluang plant	Completed
Enhancing safety control management through digital technology for HLYM	Ongoing
Ongoing	
Completed	

Figure M4A: Health and Safety Roadmap.

Sustainability Statement

(Cont'd)

I) Safety and Health Governance

A Safety and Health Committee is established in each operating company to effectively oversee and manage operational health and safety matters. The committee, headed by the relevant General Manager or Managing Director, comprises key representatives from manufacturing operations and the Occupational Safety and Health division.

Key functions of the Safety and Health Committee are listed under Table M4A.

Health and Safety Committee Roles and Responsibilities	Review the effectiveness of and propose revisions to safety and health policies and programmes at the workplace
	Assist in the development of safety and health rules as well as a safe system of work
	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

Table M4A: Safety and Health Committee responsibilities.

Monthly meetings, chaired by the Managing Director, are also conducted to review Safety and Health performance at each operating company. Discussions include the effectiveness of the Safety and Health Committees, management of accident cases, annual safety and health management as well as Safety and Health assessments. In FY2023, HLI strengthened oversight of Safety and Health performance. Safety and Health performance will be reported to the Board of Directors every quarter to facilitate decision-making on initiatives to safeguard and improve safety and health.

HLI's lost time injury (LTI) rates are listed in Table M4B.

Division	FY2021	FY2022	FY2023
HLYM	0.62	0.60	0.45
HYM	0.00	0.00	0.00
Guocera	1.86	1.41	2.29

Note: LTI is calculated based on the methodology in Bursa Malaysia's Sustainability Reporting Guidelines: 3rd Edition as follows: number of accidents divided by total hours worked, multiplied by 200,000 (the total hours that 100 employees work weekly for 40 hours over a duration of 50 weeks). LTI covers employees, contractors and visitors.

Table M4B: HLI's safety and health performance.



II) Safety and Health Risk Management

The Safety and Health Committees in operating companies perform annual accident analysis, hazard identification, risk assessment, and risk control procedures following regulations and requirements. The results from these assessments and monitoring activities forms the input to the development of improvement measures in the Safety and Health Masterplan, with initiatives implemented to comply with legal requirements.

HLYM established its Hazard Identification, Risk Assessment and Risk Control (HIRARC) exercise in 2015 and Guocera conducted its HIRARC review exercise in January 2023. Results from the HIRARC exercise will be reported to the Safety and Health Committee for review, discussion on the implementation of control measures as well as risk ratings and monitoring of the effectiveness of measures. The HIRARC register will be reviewed periodically following any changes in processes, findings arising from safety inspections, implementation of new technologies or accidents. To ensure the sustainability of the risk assessment, periodic workplace inspections are continuously carried out. Identified occupational safety and health risks are listed in Table M4C.

Sustainability Statement

(Cont'd)

Operating Company	Risks	Measures
HLYM	Accidents due to the introduction of new machinery or processes	<ol style="list-style-type: none"> 1. Establish Machine Safety Guidelines. 2. Compulsory involvement of Safety and Health personnel in project committees. 3. Weekly progress review and safety commissioning. 4. Established Yamaha Safety Rules. 5. Established Accident Countermeasure. 6. Implementation Activity which requires risk assessment to be conducted based on similar inspection points and implementation of improvements.
	Non-compliance with noise and chemical controls	<ol style="list-style-type: none"> 1. Review and improve current Hearing Conservation and Chemical Management Programmes. 2. Implement improvements through engineering, administrative controls and personal protective equipment (PPE).
Guocera	Working at heights	Permit-to-work system established for non-routine works to identify, control and reduce risk of hazards associated with work activities.
	Hand and finger injuries	Conducted a safety campaign in March 2023 and several trainings for employees to raise awareness on proper manual handling SOP and prevention of hand and finger injuries. Upgraded PPE to increase protection of workers.
	Lack of timely reporting of hazards/unsafe conditions	Launched an online platform or e-safety observation card in Kluang plant for instant reporting of any safety hazards.

Table M4C: Occupational safety and health risks.

III) Safety and Health Monitoring

HLI's safety and health monitoring initiatives aim to identify leading indicators such as near misses, unsafe acts, and the identification of hazardous conditions and reporting, which can improve safety programmes and reduce overall risk tolerance. Operating companies conduct health and safety assessments to ensure compliance with safety and health regulations and standards. These include the chemical health risk assessment (CHRA) once every five years, implementing medical health surveillance, conducting audiometric tests, and reviewing engineering noise controls to ensure workplace conditions meet permissible limits.

HLYM conducted a CHRA reassessment in 2022, with recommendations for minor improvements to processes for comprehensive monitoring, which have since been implemented. Guocera conducted a CHRA in 2020 (Kluang) and 2021 (Meru) and received a recommendation to conduct chemical exposure monitoring (CEM) annually to ensure chemicals used in the factory are below permissible levels.

In compliance with the Occupational Safety and Health Act 1994, regular workplace inspections are conducted in HLI's plants. Internal workplace inspections, known as Genba walks, are conducted based on the 5S Programme as well as the Quality and Productivity Programme. Additionally, inspections by regulatory bodies such as the Occupational Safety and Health Department (DOSH) and the Fire and Rescue Department (BOMBA) are also conducted in HLI operating companies. In FY2023, HLYM completed improvements based on the Noise Risk Assessment, which have been verified as satisfactory by DOSH.

In collaboration with several government agencies such as the Social Security Organisation (SOCSO) and the Fire and Rescue Department, Guocera successfully organized a workplace safety campaign in the Kluang plant in March 2023. One of the main objectives of the safety campaign was to launch Guocera's online safety platform, the e-safety observation card, for instant reporting of near misses and hazards at the workplace to reduce risk and prevent harmful incidents. Employees can upload photos of hazardous conditions via the online platform for immediate reporting and action.

Sustainability Statement

(Cont'd)

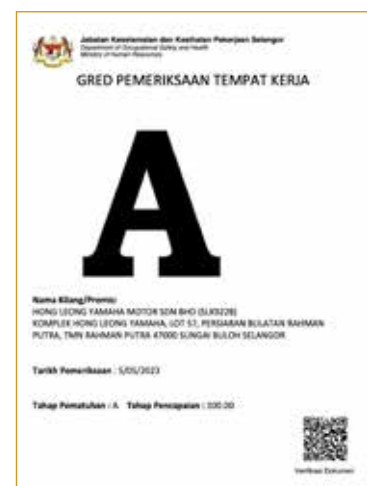
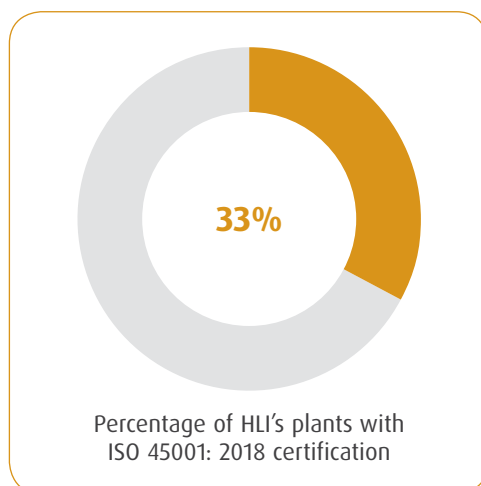


A campaign was held at the Guocera Kluang plant to raise awareness of workplace safety.

At HLYM, workers are encouraged to report safety risks to their leaders, internal departments as well as Health and Safety representatives by submitting an internal feedback form. External parties such as suppliers can raise safety concerns via email to the EMS secretariat or representatives in respective departments.

IV) Safety and Health Certifications

Guocera's Kluang plant is the first plant in HLI to obtain the ISO 45001: 2018 Occupational Health and Safety Management System certification. The plant obtained the ISO 45001: 2018 certification in October 2021, and recertification was obtained in March 2023. Guocera has initiated the process of establishing documentation in preparation for the ISO 45001: 2018 certification for its Meru plant.



Sustainability Statement

(Cont'd)

V) Safety and Health training

HLI aims to instill a safety mindset and culture among employees by conducting training to build employees' competencies in dealing with emergency cases such as firefighting and rescue techniques. Training enables our employees to be equipped with knowledge and experience to manage risks and precautions to take in compliance with the Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000 and the Occupational Safety and Health (Noise Exposure) Regulations 2019.

Operating companies also conduct safety and health briefings for contractors and visitors at the plants. Safety and health training for employees, contractors and visitors conducted in FY2023 are listed under Table M4D.



(left) Guocera and (right) HLYM employees attending safety trainings.

Training on Safety Standards

Chemical Safety Handling: Handling and Disposing Chemical Safely

Noise Hearing Conservation: Importance of Hearing Conservation and PPE Usage

Internal Fire Drills and Emergency Response Team

First Aid, CPR and AED Training, Emergency Measures and Fire Safety

Safe Handling of Forklifts

Safety and Induction for Contractor and Visitor

General Safety and Health Awareness for New Workers

Safety Legal Requirements

Finger Injury and HIRARC

Working Safety at Height

Gas Testing and Entry Supervisor for Confined Spaces

Wheel Loader Safety Operation and Maintenance

Professional Operations of Industrial Effluent Treatment System

Table M4D: Safety and health training.



2,073

Total number of staff trained on health and safety standards



2,033

Total number of learning hours on health and safety

Sustainability Statement

(Cont'd)



M5: Learning and Development

HLI is committed to learning and development as a strategic priority, aligned with our Human Rights and Labour Practices Roadmap (see page 66). We strive to build a future-ready workforce by institutionalizing new ways of working in the organization. Our learning and development initiatives focus on critical areas including digitalization, leadership, creativity and innovation, regulations and compliance, as well as technical competencies to ensure that our operations are aligned with the highest standards and best practices.

HLI’s learning and development strategic key thrusts (see Figure M5A) provide an overview of its approach to developing competencies and skills necessary to foster a future-ready workforce. By investing in the growth and development of our employees, HLI can strengthen business resilience, adapt to technological developments and position the organisation for long-term success in a rapidly changing business landscape to deliver an agile and digitally savvy workforce by the year 2024.

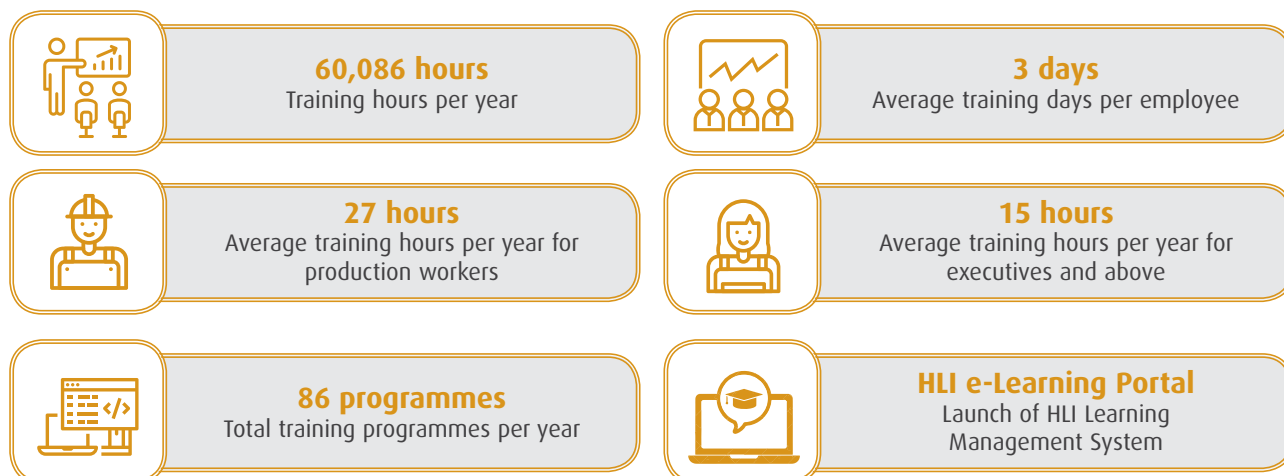


Figure M5A: Learning and Development Strategic Thrusts.

Sustainability Statement

(Cont'd)

In FY2023, the key learning and development highlights are as follows.



In FY2023, HLI delivered an additional 2,887 training hours for the year, increasing the average training hours per person to 24 hours from 20.1 in FY2022. These additional hours are focused on core, technical, leadership and lifelong learning competencies. This includes staying updated on regulations and standards for compliance across areas such as product quality, sustainability, environmental and health and safety. Training attended by HLI employees in FY2023 is listed in Table M5A.

Category	Courses	Target Audience
Technical	Plastic Injection Moulding: Design and Manufacturing of Plastic Parts	Engineer
	Supply Chain Management and Logistics	Executive
	Overall Equipment Effectiveness: Data Formulation	Engineer
	Effective Warehouse Operation and Inventory Management	Executive
	Finance Management	Executive
	ISO 37001:2016 Anti-Bribery Management System, Internal Audit	Executive
	Employment Act 1955 and Amendments	Executive
	First Aid, CPR and AED Training, Emergency Measures and Fire Safety	Operator/Leader/Supervisor
	Tax Exemptions under Section 14(2) Custom Act 1967 and Service Tax	Executive
	Authorized Entrant and Standby Person for Confined Space	Technical Assistant
	Data Management, Analysis and Visual Dashboard Reporting: Excel, PowerQuery and Power Pivot	Executive
	Social Security Organisation (SOCSO) Claims	Leader/Supervisor, Engineer, Technical Assistant, Executive
	MS ISO/IEC 17025: 2017 Internal Quality Auditing	Engineer, Technical Assistant, Executive
	Method of Measurement of Tile Sizing, Curvature and Lippage	Engineer, Technical Assistant, Executive
	Train The Trainer	Executive
	Microsoft PowerPoint and Excel	Technical Assistant/Supervisor

Sustainability Statement

(Cont'd)

Category	Courses	Target Audience
Engineering	Operation Of Industrial Effluent Treatment System	Engineer
	Internet of Things (IoT) Implementation	Engineer
	Introduction to GHG Reporting, Climate Related Risks and Opportunities, Net Zero, GHG, Emissions Controls and Carbon Footprint	Engineer
	Understanding and Implementing ISO 9001:2015 QMS, Internal Audit	Executive
	Understanding and Implementing ISO 14001:2015 EMS, Internal Audit	Executive
	Heating, Ventilation and Air Conditioning	Supervisor
	5S Training and Kaizen	Leader/Supervisor, Engineer, Technical Assistant, Executive
	Safety: HIRARC, Safety Induction for New Employees, Safe Operating Procedures, Working Safely at Heights, Forklift Safe Handling	Leader/Supervisor, Engineer, Technical Assistant, Executive, Operator
	Physical Chemical Process: CePIETSO	Engineer, Technical Assistant, Executive
	Certified Environmental Professional in Bag Filter Operation	Engineer, Technical Assistant, Executive
	Important Industrial and Higher Court Decisions of 2022	Executive
	7th Manufacturing Excellence	Executive
	Intelligent Manufacturing	Engineer
	Eliminate Quality Problems Using 8D Approach	Engineer
	Scheduled Waste Management	Engineer
	Ergonomics and Proper Use of Personal Protective Equipment (PPE)	Leader/Supervisor, Engineer, Technical Assistant, Executive
	Automotive Clay Modelling Technique (Basic)	Engineer
Personal Development	Japanese Language	Engineer
	Thinking on the Job	Executive
	Communication Skills	Executive
	Effective Supervisory Skills	Engineer
	Leadership: People Skills	Executive
	Customer Management	Executive
	Team Synergy Workshop	Engineer, Technical Assistant, Executive
	Purchasing Practices and Negotiation Skills	Engineer
	Culture Champion Workshop	Executive

Table M5A: Training attended by HLI employees.

HLI also aims to establish a structured approach to mapping employees' career paths to competencies. This involves identifying key skills and knowledge required for different roles, aligning learning and development activities to address development needs and creating a framework for succession planning. By implementing a structured approach, HLI enables employees to have clear growth opportunities within the organization and ensures a pipeline of skilled individuals for future leadership roles.

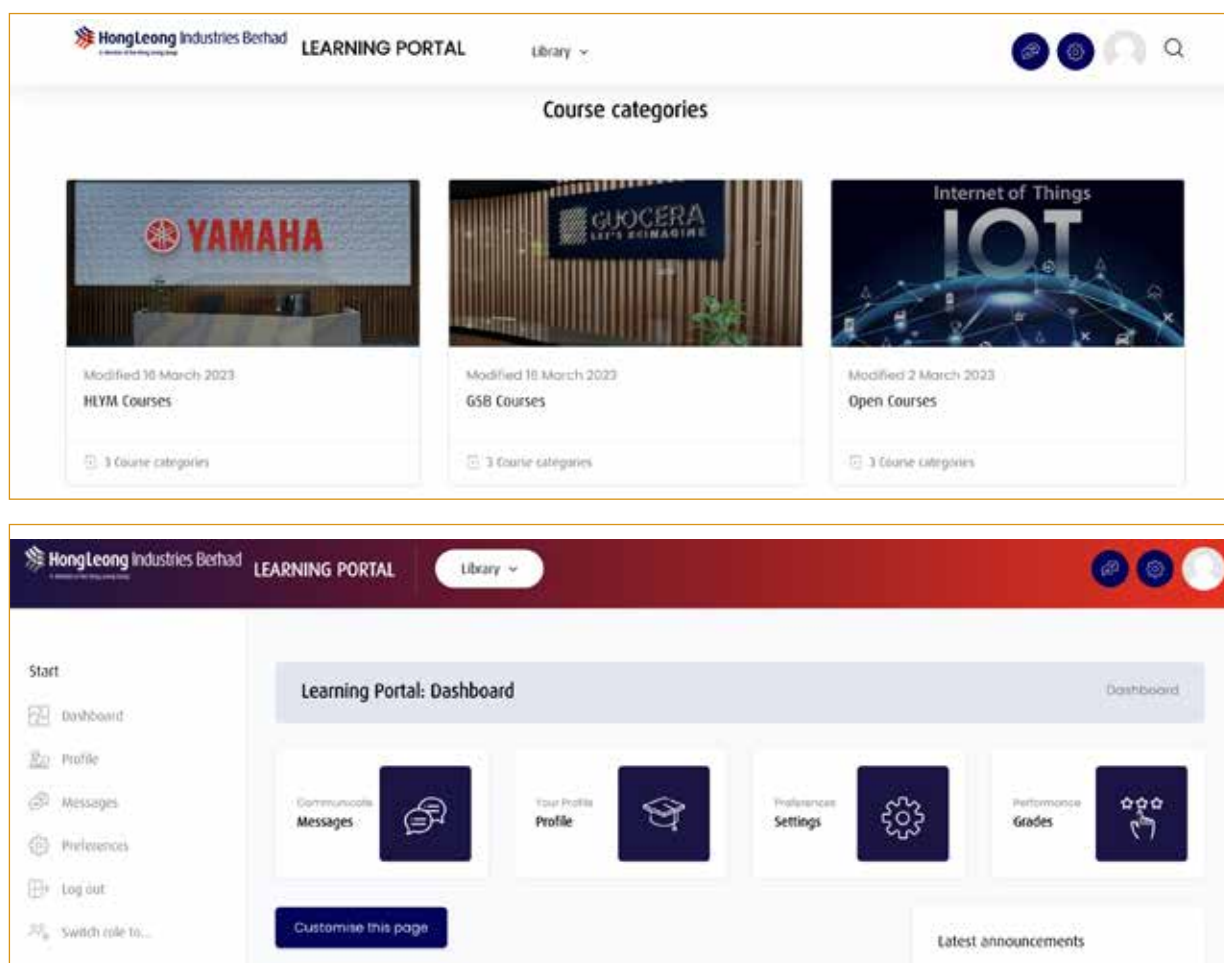
Sustainability Statement

(Cont'd)

I) Learning Anytime, Anywhere

In September 2022, HLI launched an e-learning portal in support of a culture of growth, creativity and accountability. The customized learning management system enables employees to access knowledge, case studies, exercises and various learning materials through the web-based learning platform and perform various learning tasks.

In-house trainers and learning content creators are upskilled to enable efficient content development; adding value to the overall learning experience and analysing data for continuous learning improvements.



The HLI Learning Management System was launched to provide employees access to learning.

II) Developing Technical Skills

At HLYM, a 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.

Sustainability Statement

(Cont'd)

HYLM has also partnered with the Department of Polytechnic Studies to conduct a Work-based Learning Programme (WBL). Over the past three years, HLYM has focused on technical innovations in our production plant involving mechanical engineering-related projects. Eight students have completed their attachment. These students are supervised by our experienced field managers.

	FY2022	FY2023
Number of students enrolled in WBL	4	4

Table M5B: Number of students enrolled in WBL.

The programme aims to provide underprivileged youths with skills development and job opportunities by providing industry placements to undergraduate students. Under the programme, students are provided with a placement at HLYM for a year and allowance, where they can hone their capabilities. HLYM also offers on-the-job training for key functions on the production floor – technical assistants, foremen, leaders and operators.

III) Developing Youth's Professional Skills Through Internships

HYLM and Guocera provide internship programmes to undergraduate students from 21 local colleges and universities. Undergraduate students are provided on-the-job training while obtaining working experience and are provided with an opportunity to gain industry knowledge, develop technical and personal skills as well as hone personal interests and abilities. In FY2023, 15 students completed their internship attachments with HLYM across various divisions and fields.

M7: Human Rights and Labour Practices



HLI recognises our responsibility in protecting employees' rights and welfare, as well as ensuring their fair treatment. We strive to foster a conducive work environment that is respectful, engaging and collaborative for employees. As a responsible employer, HLI is committed to protecting and promoting foreign workers' welfare as well as recognising employees' rights to freedom of association and collective bargaining. We conduct employee engagement activities to promote a healthy work-life balance, improve communication and collaboration within teams as well as enhance morale and productivity.

In FY2023, the Human Rights and Labour Practices Task Force, comprising Human Resources leaders in HLI, HLYM and Guocera, developed a Human Rights and Labour Practices roadmap towards reinforcing HLI's commitment to its employees. The roadmap is supported by three pillars:

- Establishing guidelines and a governance structure to safeguard employee rights.
- Strengthening organisational culture to cultivate safety and performance mindset.
- Developing digital competencies and structured management of talent development.

Sustainability Statement

(Cont'd)

Progress in implementing the roadmap is listed in Figure M7A.



Dignity At Work	
Initiative	Status
Launch Forced Labour course for employees	Completed
Conclude HLYM Collective Agreement	Completed
Conclude Guocera Meru Collective Agreement	Completed
Policy updates following amendments to Employment Act 1995	Completed
Engagement activities with employees	Completed
Strengthen forced labour prevention	Ongoing
Conclude Guocera Kluang Collective Agreement	Ongoing
Organisational Culture	
Initiative	Status
Launch of HLI Culture Playbook	Completed
Culture workshop for HLI leadership teams	Completed
Future Ready Workforce	
Initiative	Status
Launch of online learning platform	Completed
<div></div> Ongoing <div></div> Completed	

Figure M7A: Human Rights and Labour Practices Roadmap.

Sustainability Statement

(Cont'd)

I) Safeguarding Employee's Rights

Our policies to safeguard employees' rights are illustrated in Figure M7B.

 <p>Fair Treatment</p>	<p>We are committed to ensuring workers are treated fairly. We prohibit discrimination based on gender, race, religion or disability. We promote equal opportunity, and observe a rewards policy that is based on experience, individual capabilities and market benchmarking exercises.</p>
 <p>Humane Treatment</p>	<p>We do not tolerate abusive behaviour, whether verbal or physical, at the workplace. This includes sexual harassment, sexual abuse, mental or physical threats. We are guided by Hong Leong Manufacturing Group's Code of Conduct and Ethics and prevailing SOPs to take appropriate action against abusive behaviour at the workplace. We strive to safeguard foreign workers' welfare, conducting periodic audits to ensure hostel conditions meet the Malaysian law, Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019.</p>
 <p>Wages and Benefits</p>	<p>We adhere to Malaysia's laws on wages and compensation, including statutory minimum wages and overtime compensation. We offer annual salary increments based on performance and comprehensive medical benefits, including dental coverage. We provide retirement benefit payments to unionised employees under their collective agreements.</p>
 <p>Freedom of Association</p>	<p>We respect workers' rights to freedom of association according to relevant laws and regulations. Employees in operating companies have access to and are represented by trade unions.</p>
 <p>Voluntary Labour</p>	<p>We prohibit forced labour and believe that workers are free to choose employment. We do not retain workers' passports/identity documents or withhold workers' wages other than as prescribed by the law. We bear the costs of recruitment fees, and prohibit recruitment agencies from charging recruitment fees. We respect employees' wishes to cease employment by following due processes and ensuring foreign employees are able to return to their home countries safely.</p>
 <p>Working Hours</p>	<p>We ensure that our employees' working hours comply with the amended Employment Act 1955. We have standardised working hours between foreign and local workers to ensure fair treatment.</p>
 <p>Child Labour</p>	<p>We prohibit child labour and adhere to the legal employment requirement age of 18 years old and above. We conduct background checks before a candidate is deemed fit for employment.</p>

Figure M7B: Employee's Rights at HLI.

Sustainability Statement

(Cont'd)

Following the amendments to the Employment Act 1955, HLI updated our policies on working hours, benefits and compensation as listed under Table M7A. Human Resources personnel were also provided with training opportunities to strengthen their understanding of the revisions. Operating companies disseminated infographics to employees to raise awareness about sexual harassment and provide clear guidance on appropriate reporting channels.

Financial Year	Law/Policy	Updates
2023	Employment (Amendment) Act 2022 (Attorney General's Chambers of Malaysia, 2022) ⁵	<ul style="list-style-type: none"> • Employees earning up to RM4,000 are eligible for overtime pay • Maternity leave increased to 98 days • Paternity leave increased to 7 days • Aligned working hours of foreign and Malaysian workers • Employee awareness on sexual harassment • Launched a course on Forced Labour for all employees in HLYM, HYM and Guocera
2022	Minimum Wages Order 2022 (Attorney General's Chambers of Malaysia, 2022) ⁶	Eligible employees paid RM1,500 minimum wage beginning May 1st, 2022
2020	Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 (Attorney General's Chambers of Malaysia, 2019) ⁷	<ul style="list-style-type: none"> • Measures taken to ensure housing conditions in workers' hostels comply with requirements • 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) ⁸	Established a whistleblowing hotline for employees to raise work-related issues of grievances with Management

Table M7A: Policy updates on employees' rights.

⁵ Attorney General's Chambers Malaysia (2022). Laws of Malaysia, Act A1651, Employment (Amendment) Act 2022. Retrieved from <https://lom.agc.gov.my/act-detail.php?type=amendment&act=A1651&lang=BI>.

⁶ Attorney General's Chambers of 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)

⁷ Attorney General's Chambers of 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>

⁸ Securities Commission Malaysia (2021). Malaysian Code on Corporate Governance. Retrieved from <https://www.sc.com.my/api/documentms/download.ashx?id=239e5ea1-a258-4db8-a9e2-41c215bdb776>

Sustainability Statement

(Cont'd)



Infographics on sexual harassment distributed to employees.

II) Forced Labour Prevention

Under operating companies' foreign worker recruitment policy, recruitment fees are borne by the operating companies instead of recruitment agencies. In FY2023, following amendments to the Employment Act 1955, HLI revised its policy to ensure that foreign workers' working hours align with those of Malaysian workers, fostering equal treatment and fairness within the organization.

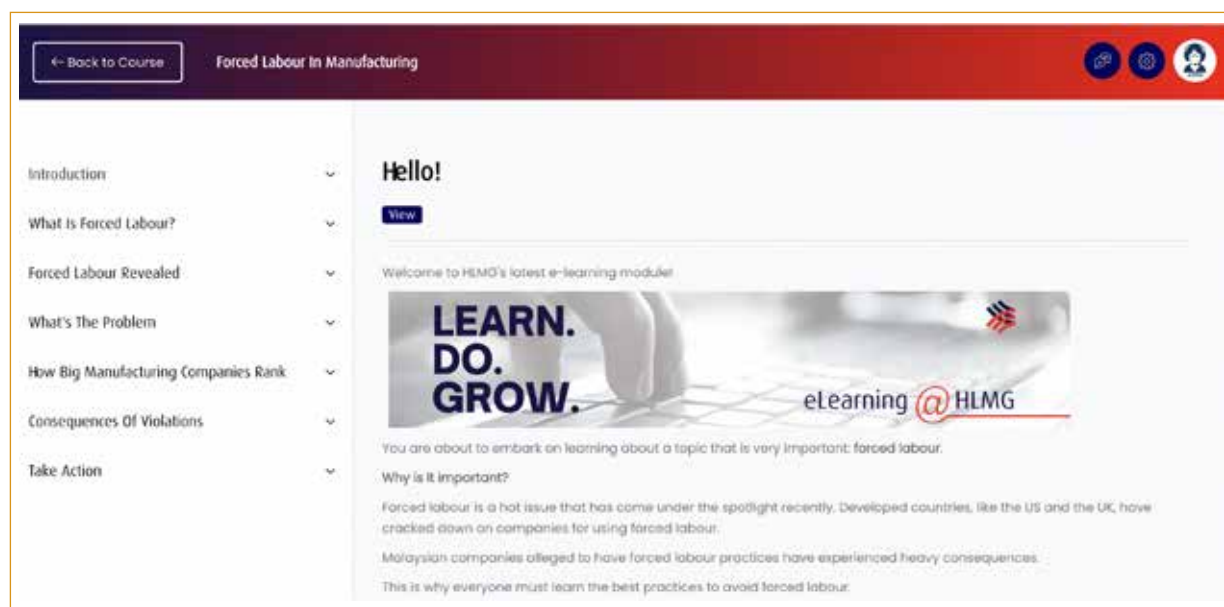
Monitoring foreign worker welfare is crucial as third-party agencies are hired to manage workers' housing, transportation and welfare. Since the enactment of the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019, HLI remains vigilant of foreign workers' housing to ensure it fulfils requirements under the law. Annual and ad-hoc internal audits on foreign worker housing are conducted with the involvement of the Internal Audit department to ensure compliance with relevant laws. Foreign workers are also able to report any grievances to hostel leaders due to the lack of amenities, who then raise these concerns with Human Resources personnel for further action.

Following an audit of HLYM's foreign worker hostels by Hong Leong Manufacturing Group in April 2023, gaps in the foreign worker quarters were raised that require intervention and improvement. HLYM is reviewing the performance of its current foreign worker accommodation service provider to make the necessary improvements. Quarterly internal audits are being planned for foreign worker hostels to ensure compliance with legal requirements. Meanwhile, conditions in Guocera's workers' hostels were found to be satisfactory following an internal audit exercise. However, Guocera remains committed to monitoring hostel conditions for continuous improvement.

To raise awareness of forced labour and its prevention measures, HLI launched a course on forced labour for executives, non-executives and Management of HLYM, HYM and Guocera. The in-depth course covers the definition and 11 indicators of forced labour, statistics and reports of forced labour in Malaysian manufacturing, and measures companies can take to prevent forced labour. Employees were required to participate in quizzes after each topic to achieve a minimum total passing score of 75%.

Sustainability Statement

(Cont'd)



Forced Labour in Manufacturing Course on HLI's online learning platform

III. Union Representation for Workers

Managements of operating companies negotiate collective agreements with trade union representatives, considering labour practices, employee well-being and employees' concerns. In FY2023, negotiations over the collective agreements with HLYM's and Guocera's Meru union representatives were concluded. As of June 30, 2023, negotiations with Guocera's Kluang union representatives over the collective agreement are ongoing.

Operating companies organise periodic engagements with workers' unions to enhance collaboration between management and union representatives for workers' welfare. In FY2023, a lunch was organised between HLYM's top management and newly appointed union principal members to strengthen relationships. Guocera conducts quarterly meetings between management and union representatives for continued engagement. The ratio of unionised employees is listed in Table M7B.

	FY2021	FY2022	FY2023
Ratio of unionised to non-unionised employees	1.2 : 1	1.4 : 1	1.25 : 1

Table M7B: Ratio of unionised employees.

IV. Employee Engagement and Welfare

In FY2023, HLYM and Guocera conducted a host of engagement activities for employees. At HLYM, weekly Zumba and badminton classes are held for employees to promote an active and healthy lifestyle.

HLYM and Guocera employees were also given opportunities to participate in Hong Leong Manufacturing Group's Sports Tournament. The tournament involves employees across Hong Leong Manufacturing Group competing in badminton, basketball, football, futsal, netball, table tennis, volleyball and sepak takraw. Final competitions were held on March 18, 2023.

Sustainability Statement

(Cont'd)



HLYM teams at the Hong Leong Manufacturing Group Sports Tournament 2023.

HLYM organised Yamaha Day celebrations on June 24, 2023, for 250 employees and their families. The event involved limited free motorcycle checks, safety talks and rides, lessons on safe riding for children, colouring contests and games.

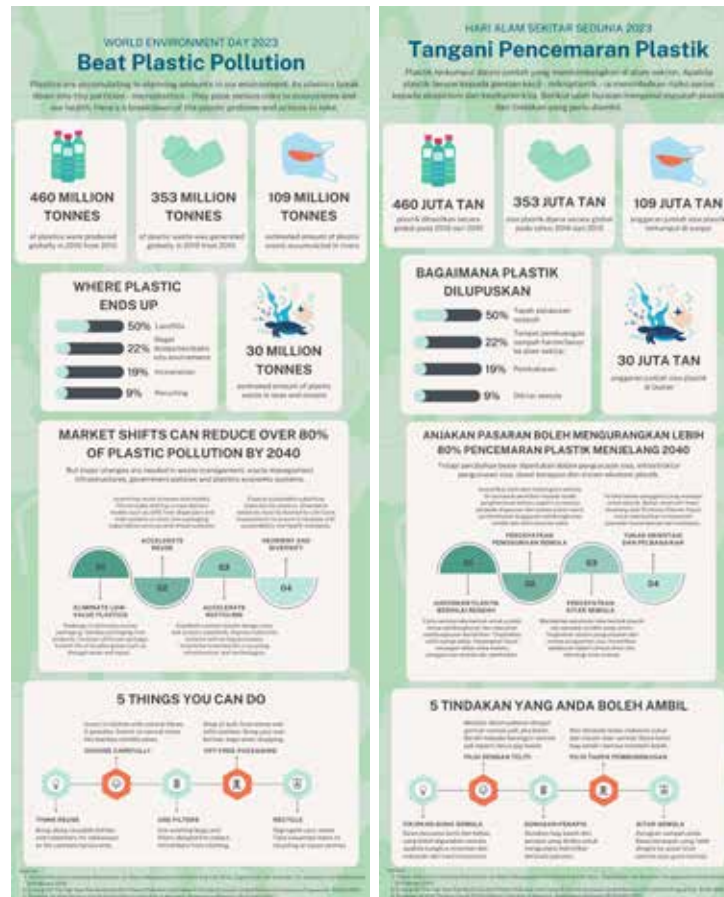


HLYM organised a host of activities for HLYM employees and their families during Yamaha Day celebrations.

Sustainability Statement

(Cont'd)

On June 6, 2023, infographics and a video were shared with employees to raise awareness of plastic pollution in conjunction with World Environment Day 2023.



Infographics on preventing plastic pollution which were communicated with employees in HLI.

On May 9 and 10, 2023, HLYM collaborated with the Gombak District Health Department under the National Health Screening Initiative, offering free health checks to employees to identify risks of comorbidities. Hong Leong Bank was also invited on May 16 and 17, 2023 to promote and advise employees on their credit card services.

On February 18, 2023, HLYM organised an Annual Dinner with the theme World Cultural Nite for employees, with a lucky draw of 205 prizes including gadgets, appliances, and the grand prize of one unit of the EZ115 motorcycle.



Management team (left) and best-dressed employees (right) at the HLYM Annual Dinner.

Sustainability Statement

(Cont'd)

On September 24, 2022, a closed fishing competition was organised for HLYM employees.



HLYM employees at the closed fishing competition.

Guocera organised gift distributions to recognise employees' contributions and gatherings to celebrate festive seasons with employees. On December 15, 2022, Guocera held a gift exchange and tea party for staff at their headquarters in celebration of Christmas. On April 18, 2023, employees gathered in Kluang and Meru plants to cook *bubur lambuk* for distribution to staff for Hari Raya Aidilfitri celebrations.



(left) Distribution of bubur lambuk for employees and (right) Christmas celebrations at Guocera.

On March 8, 2023, Guocera distributed small gifts and flowers to female employees at their headquarters, Kluang and Meru plants in conjunction with International Women's Day celebrations.



International Women's Day gift distribution on March 8, 2023, at Guocera.

Sustainability Statement

(Cont'd)

Floods had also affected Guocera employees in Meru, Selangor and Kluang, Johor. In November 2022, a donation drive was launched to provide food and other necessities to 10 employees in Guocera's Meru plant. Similarly, in March 2023, another donation drive was launched to provide necessities to employees in Guocera's Kluang plant.



Guocera employees receive donated necessities.

Employee turnover data is shown in Table M7C to M7E.

Total number of employee turnover (age group)	FY2021	FY2022	FY2023
18 to 26	157	109	112
27 to 41	86	129	112
42 to 57	36	45	43
58 and above	26	25	30

Table M7C: Employee turnover by age group.

Total number of employee turnover (gender)	FY2021	FY2022	FY2023
Female	47	58	44
Male	258	250	253

Table M7D: Employee turnover by gender.

	FY2021	FY2022	FY2023
Rate of employee turnover (%)	13.4%	13.5%	12.3%

Table M7E: Employee turnover rates.

Sustainability Statement

(Cont'd)

M12: Organisational Culture



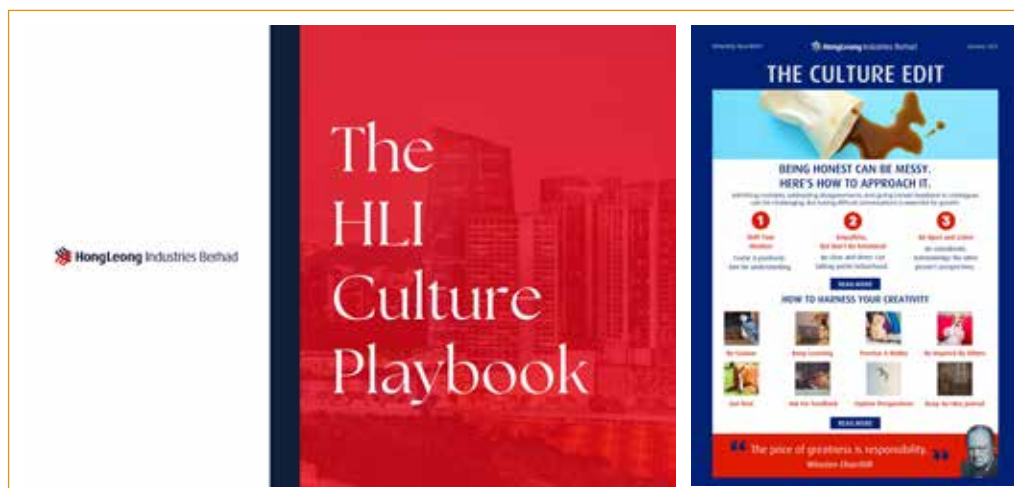
In a business landscape that continues to evolve due to digitalization and technological advancements, macroeconomic developments, regulatory requirements and shifting customer needs, HLI recognizes the significance of cultivating a strong, innovative organizational culture. To nurture this culture, we understand the importance of changing mindsets, reinforcing organisational values and creating alignment across all operating companies towards HLI's shared purpose.

HLI has embarked on a culture transformation programme to address these needs. The objective of the initiative is to foster a high-performance culture that harnesses digital competencies and continuous improvement by recognising behaviours that align with agility, efficiency, and simplicity.

The linchpin of the programme is a set of HLI values, a subset of Hong Leong Group values, to cultivate mindsets and behaviours, as well as rally employees around a shared purpose. In July 2022, the HLI Culture Playbook was launched to announce the culture transformation programme along with five HLI values as follows:

- Think Creatively,
- Act As One,
- Be Accountable,
- Take Charge, and;
- Be Honest.

Culture Champion Workshops were held with the leadership teams of HLYM, HYM and Guocera to garner leaders' endorsement as the first stage of the culture transformation programme. The workshop aims to prepare leaders as role models of the new culture and identify expected behaviours in leaders and individuals. Over the next year, engagement activities will be conducted to cascade leaders' messages to teams across the company and foster new behaviours aligned with the HLI values.



(left) The HLI Culture Playbook, an interactive, digital e-book, was launched to announce the HLI culture transformation programme.
(right) In January 2023, the HLI Culture Edit bi-monthly newsletter was launched to create awareness of the values and related new behaviours.

Sustainability Statement

(Cont'd)



Culture Champion Workshop was held with the HLYM Leadership Team on 12 June 2023.



Culture Champion Workshop was held with the HLYM Leadership Team on 23 June 2023.

a) 5S Programme

Operating companies implement a 5S programme, 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.

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 can teach their colleagues in their mother tongue languages. In Guocera, 5S training materials are translated into 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 Committee has also implemented the 5S Kaizen Reward system to encourage employees and nurture a continuous improvement culture. Employees of factory and office zones, represented by a leader, are 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. A 5S Kaizen Competition is held annually to encourage zone teams to spur continuous improvements in each zone. Zone teams with the most significant achievements are awarded prizes. In FY2023, the Committee revised the HLMG 5S Manual to focus on continuous improvement at the workplace and standardised checkpoints for office and factory audits. Figure M12A charts the Kaizen submissions at HLI for FY2023.



3,041

Total Kaizen improvements conducted
in FY2023 in HLI

Sustainability Statement

(Cont'd)

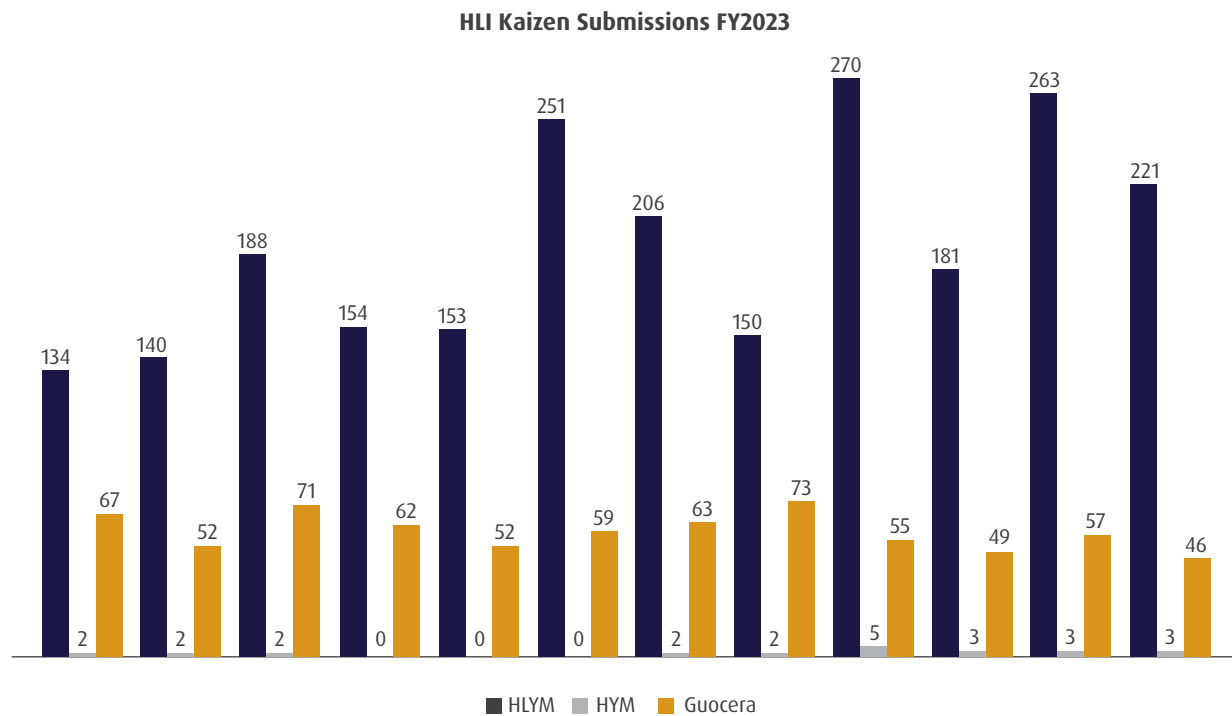


Figure M12A: FY2023 Kaizen Submissions in HLI.



HLYM Kaizen Competition 2022 zone winners.

Sustainability Statement

(Cont'd)



Guocera Kaizen Competition 2022 zone winners.

b) Quality and Productivity Programme

In FY2023, the second edition of the HLI Quality and Productivity Programme (QPP) Convention was held among participating teams of HLYM and Guocera. The convention, held on 10 February 2023, aims to promote teamwork and a continuous improvement culture. The convention also recognised the achievement of 5S zone leaders, featured Kaizen initiatives and the second HLI Quality Action Team (QAT) 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. Qualifying teams and their continuous improvement projects are listed in Table M12A.

Sustainability Statement

(Cont'd)



The HLI QAT Competition 2023 involved HLYM and Guocera employees.

QAT Team	Project
HLYM's The "One" Team	Implementation of RFID technology for efficient production and store operations.
HLYM's F4 Revolusi Team	Implementation of electronic proof of delivery system (e-Pod) and Snaptruck app to track and document deliveries to dealers.
Guocera Kiln 4 Team	Reducing the rate of tile size variations with process improvements, machinery and equipment upgrades, and personnel training.
Guocera Planarity Team	Reducing curvature and warping rates of tiles with process improvements, machinery and equipment upgrades, and personnel training.

Table M12A: HLI QAT Competition qualifying teams.

Looking Forward: Improving Sustainable Impact

In line with our shared business purpose and goals, HLI remains committed to continuing the development of our sustainability initiatives. We will continue to build capabilities, fostering a culture of innovation and learning that drives progress towards our aims. By building upon implemented projects and exploring solutions to increase operational efficiency as well as optimisation, we aim to continuously improve and create a larger sustainable impact across our operations. Our focus remains on successfully implementing initiatives under our sustainability roadmaps, as we strive to meet our targets and contribute towards a more sustainable future.

Sustainability Statement

(Cont'd)

Summary of HLI's Sustainability Performance Data

Hong Leong Industries Bhd				
Bursa Malaysia Common Sustainability Matters	Indicators	FY2021	FY2022	FY2023
Anti-Corruption	Percentage of employees who have received training on anti- corruption			
	Production workers (%)	20	100	100
	Executives and above (%)	100	100	100
	Percentage of operations assessed for corruption-related risks (%)	100	100	100
	Confirmed incidents of corruption (number)	1	0	0
	Action taken on corruption incident	Employee suspended and ceased employment with HLI in 2020. HLI ceased business with alleged suppliers and lodged a police report.		
Community/ Society	Total amount invested in community (RM)			277,260
	Total number of beneficiaries of investment in communities (Number of people)			11,182
Diversity	Percentage of Management by gender			
	Male (%)	69	67	65
	Female (%)	31	33	35
	Percentage of executives by gender			
	Male (%)	56	57	57
	Female (%)	44	43	43
	Percentage of non-executives by gender			
	Male (%)	71	75	72
	Female (%)	29	25	28
	Percentage of workers by gender			
	Male (%)	90	90	91
	Female (%)	10	10	9
	Percentage of management per age group			
	Below 30 (%)	2	1	1
	Between 30 and 50 (%)	67	63	66
	Above 50 (%)	31	36	33
	Percentage of executives per age group			
	Below 30 (%)	27	27	31
	Between 30 and 50 (%)	63	64	58
	Above 50 (%)	10	9	11

Sustainability Statement

(Cont'd)

Hong Leong Industries Bhd				
Bursa Malaysia Common Sustainability Matters	Indicators	FY2021	FY2022	FY2023
Diversity (cont'd)	Percentage of non-executives per age group			
	Below 30 (%)	30	29	21
	Between 30 and 50 (%)	51	53	58
	Above 50 (%)	19	18	21
	Percentage of workers per age group			
	Below 30 (%)	48	48	47
	Between 30 and 50 (%)	42	42	44
	Above 50 (%)	10	10	9
	Percentage of directors per age group			
	40 to 50 years old (%)	29	29	29
	50 to 60 years old (%)	14	14	14
	60 to 70 years old (%)	57	57	57
	Percentage of directors per gender			
	Female (%)	29	29	29
	Male (%)	71	71	71
Energy Management	Total energy consumption (MWh)	337,343	345,619	422,446
Health and Safety	Number of work-related fatalities	0	0	0
	Lost-time incident rate	0.96	0.81	0.91
	Number of employees trained on health and safety standards			2,073
Labour practices and standards	Total hours of training			
	Production Workers			52,563.5
	Executives and Above			7,522.5
	Percentage of employees that are contractors or temporary staff (%)	5	1	1
	Total number of employee turnover			
	Production Workers		247	230
	Executives and Above		61	67
	Number of substantiated complaints concerning human rights violations	0	0	0
Supply chain management	Ratio of spending on local suppliers compared to international suppliers	62:38	61:39	63:37

Sustainability Statement

(Cont'd)

Hong Leong Industries Bhd				
Bursa Malaysia Common Sustainability Matters	Indicators	FY2021	FY2022	FY2023
Data privacy and security	Number of substantiated complaints on customer privacy breach and customer data loss		0	0
Water	Total volume of water used (m ³)	335,772	345,367	447,922
Waste management	Total waste generated (tonnes)	1,454	1,445	2,718
	Total waste to landfill (tonnes)	569	597	827
	Total waste recycled (tonnes)	486	588	1,451
Emissions management	Scope 1 emissions (tonnes of CO ₂ e)	59,074	61,324	73,875
	Scope 2 emissions (tonnes of CO ₂ e)	36,540	34,200	46,024
Effluents	Total volume of water (effluent) discharge over the reporting period (m ³)	26,657	24,433	28,221

Profile of Board of Directors

YBHG DATUK KWEK LENG SAN

*Chairman; Non-Executive/
Non-Independent*

Age 68, 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 PROF. DATO' DR JIM KHOR MUN WEI

*Group Managing Director/
Non-Independent*

Age 59, Male, Malaysian

Prof. 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. He was appointed as Adjunct Professor for the Faculty of Business and Technology of the University of Cyberjaya, effective 1 April 2023 to 31 March 2025.

Prof. 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, Prof. 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.

Prof. 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 64, 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, Allianz Malaysia Berhad and PMB Technology Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Allianz Life Insurance Malaysia Berhad, a public company.

Profile of Board of Directors

(Cont'd)

MS QUEK SUE YIAN

*Non-Executive Director/
Non-Independent*

Age 48, 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. She is also a Director of IMU Health Group which manages higher learning institutions, healthcare services and dialysis centre.

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 67, 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.

Datuk Noharuddin is the Senior Independent Director and Chairman of the Nomination Committee of Apex Healthcare Berhad, a company listed on the Main Market of Bursa Securities.

MR EDWARD CHIN FOOK LING

*Non-Executive Director/
Independent*

Age 62, 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. Prior to his retirement in October 2023, he was a senior IT leader in ROCHE Services (Asia Pacific), Malaysia ("ROCHE") and prior to that, he was the Deputy Director in the United Nations High Commission for Refugees (UNHCR), Geneva, Switzerland responsible for managing business relationships and IT applications globally.

Since his retirement, his focus has been in the Education field where he is a part-time lecturer on Business Analytics, Enterprise Architecture and Data Analytics to undergraduates and MBA students. He is also working with schools to encourage students to learn how to build webpages which he believes is an important skill to acquire in preparation for a career in a highly digitalised 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.

Profile of Board of Directors

(Cont'd)

MS CHERYL KHOR HUI PENG

*Non-Executive Director/
Independent*

Age 48, 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, Leader Energy Holdings Berhad and RAM Holdings Berhad, all public companies.

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 or Potential Conflict of Interest**
None of the Directors has any conflict of interest or potential conflict of interest, including interest in any competing business with HLI or its subsidiaries.
- 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 2023.
- 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.

Profile of Key Senior Management

MR JOHN LAU SIEW HONG

*General Manager,
HLY Marine Sdn Bhd*

Age 52, 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 46, 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 50, 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 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 other Director and/or major shareholder of HLI.
- 2. Conflict of Interest or Potential Conflict of Interest**
None of the Key Senior Management has any conflict of interest or potential conflict of interest, including interest in any competing business with HLI or its subsidiaries.
- 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 2023.

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 of Hong Leong Industries Berhad (“the Company”) [“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 2023 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 comprise at least one (1) woman Director.
- 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 2023, 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 2023 ("FY 2023") 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 composition of the NC is as follows:

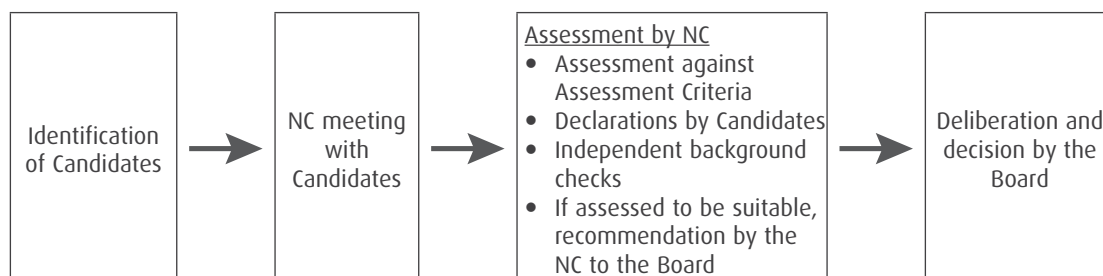
YBhg Datuk Noharuddin bin Nordin @ Harun
Chairman, Independent Non-Executive Director

Mr Peter Ho Kok Wai
Independent Non-Executive Director

Mr Edward Chin Fook Ling
Independent Non-Executive Director

(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)

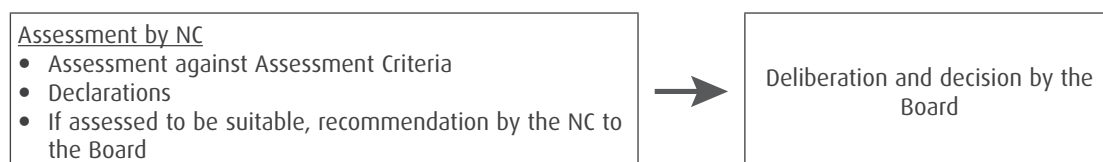
BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

● NC (cont'd)

(ii) Re-election

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



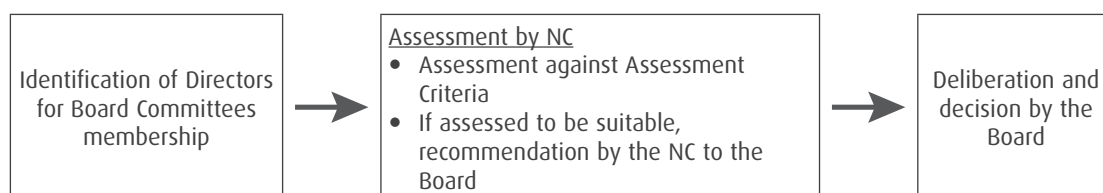
The Chairman, Directors and Chief Executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, fit and proper declaration and assessment in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity, 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 2023 and all the NC members attended the meeting.

The NC discharged its duties in accordance with its TOR during FY 2023. The NC considered and reviewed the following:

- Policies on Board Composition and Independence of Directors and revised Nominating Committee Charter and policies on Board Diversity, Directors' Training and Directors' Fit and Proper;
- 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 Director.

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

The NC has also evaluated the performance of the Board, Board Committees, each individual Director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2023. 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.

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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

D. Remuneration (cont'd)

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.

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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Act. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) 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 2023 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 Prof. 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, among others, the industry or business of the Company, governance, risk management, accounting, laws and regulations through a combination of courses, conferences and workshops. A training budget is allocated for Directors' training programmes.

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP") Part I. In line with the recent amendments to MMLR in relation to sustainability training for Directors, the Directors of the Company have been advised to complete MAP Part II within the prescribed timeframe.

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 finance/accounts, legal and regulatory framework, internal control, information technology, cybersecurity, environmental, social and governance ("ESG"), industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Commitment (cont'd)

During FY 2023, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, 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 2023, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Advocacy Session For Directors And Senior Management Of Main Market Listed Issuers
- Anti-Bribery And Corruption Refresher Training: Revisiting Section 17A Of The Malaysian Anti-Corruption Commission Act 2009 On Corporate Liability Provision – Developing A Robust Anti-Bribery & Corruption Framework As Lines Of Defence
- Anti-Money Laundering Training
- Audit Oversight Board Conversation With Audit Committees (Session 1): How The Audit Committees And Auditors Can Work Together Towards Reliable Audited Financial Statements
- Bank Negara Malaysia's Requirement On Beneficial Ownership
- Beyond Box-Ticking: Essentials For Effective Remuneration Committees
- Companies Act 2016: Practical Guide For Company Directors
- Conduct Of Directors And Common Breaches Of Listing Requirements
- Corporate Governance & Remuneration Practices For The ESG World
- Corporate Liability Refresher Training
- Cybersecurity Threats For Top Executive
- Data Privacy & Personal Data Protection Act 2010
- Directors' Training On Anti-Money Laundering & Countering Financing of Terrorism
- Directors' Training On Climate Risk Management & Scenario Analysis
- Directors' Training On Capability Building Workshop
- Directors' Training On Fair Treatment Of Financial Consumers
- ESG Oversight For Board
- Guidelines For The Reporting Framework On Beneficial Ownership Under Companies Act 2016
- ICAEW Webinar
- ICDM Power Talk On Cybersecurity
- Inflation, Looming Recession & Climate Change: A Tricky Balancing Act?
- International Directors Summit
- KPMG Board Leadership Center Exclusive: Understanding The Requirements In Bursa Malaysia's Enhanced Sustainability Reporting Framework
- KPMG Tax Seminar On Special Voluntary Disclosure Programme (SVDP) 2.0
- Market Risk Management (Banking Sector)
- MFRS Update
- Navigating Through The Evolution Of Corporate Governance With The Introduction Of Tax Corporate Governance Framework (TCGF)
- Overview Of Voluntary Carbon Market And Bursa Carbon Exchange
- Pillar Two Of Base Erosion And Profit Shifting (BEPS) 2.0 – Global Minimum Tax
- PWC Briefing On ESG
- Risk Management Committee – Banking Sector
- Section 17A Of The Malaysian Anti-Corruption Commission Act 2009 Update
- Stop Talking, Take Action On Diversity, Equity And Inclusion
- Understanding The Cybersecurity Landscape
- What About Sustainability?

Subsequent to FY 2023, a site visit to Hong Leong Yamaha Motor factory was organised for the 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 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

I. Financial Reporting

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

II. Directors' Responsibility In Financial Reporting

The MMLR 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 2023 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 2023, 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.

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)

● Risk Management Framework (cont'd)

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

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 2023 covered tender and procurement function, security and weighbridge management, repair and maintenance management (including spare parts management), and logistics management.
- Quarterly reporting to the BARMC on the results of control assurance and audit activities, and also the management of risks throughout the Group.

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)

- Management and Decision-Making Processes

The internal control and risk management processes of the Group are in place for FY 2023 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 and CFO 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.

- 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 2023 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's By-Laws, 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.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

IV. Relationship with Auditors (cont'd)

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

For FY 2023, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

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

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

B. Shareholders

I. Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, 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

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

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

B. Shareholders (cont'd)

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, CFO, SM and the external auditors are also available to respond to shareholders' queries during the AGM. All Directors of the Company attended the AGM held on 2 November 2022. Minutes of AGM and a summary of the key pertinent matters discussed at the said AGM are 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.

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

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

Board Audit & Risk Management Committee Report

CONSTITUTION

The Board Audit & Risk Management Committee ("the Committee") of Hong Leong Industries Berhad ("HLI" or "the Company") 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 in each financial year ("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. 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 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 FY ended 30 June 2023 ("FY 2023") 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 2023, 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 2023:

- 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 2023 are stated in the notes to the annual financial statements.
- Reviewed with the external auditors the audit plan for FY 2023, 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 and recommended to the Board for approval, the Anti-Bribery And Corruption Policy, Hong Leong Manufacturing Group Anti-Bribery And Corruption Management System Manual, Whistleblowing Policy and Whistleblowing Communications Plan And Investigation Procedures.
- 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 recommended to the Board for approval, the Internal Audit Charter and revised Board Audit & Risk Management Committee Charter.
- Reviewed the Policy and Procedures of 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 ISO 37001:2016 Anti-Bribery Management System surveillance audit, bribery and corruption risk assessment, and ABCMS internal audit report, on a quarterly basis.

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 2023, there were eleven (11) staff in the GIAD and the total cost incurred by the GIAD for FY 2023 amounted to RM2,749,397.

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. Dr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Dr Teh is a Professional Member of the Institute of Internal Auditors ("IIA") Malaysia and holds the qualifications of Doctorate of Business Administration, Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiner. 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 co-operation in the performance of their work and do not have any disagreement that may have adverse impact on the audit process or findings.

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 2023 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.

Board Audit & Risk Management Committee Report

(Cont'd)

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

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 2023 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. In FY 2023, the IIA Malaysia was engaged as the external assessor to conduct Quality Assessment Review on GIAD in ascertaining whether the activities and performances are in conformance with the requirements of the International Professional Practices Framework issued by the IIA, Inc., USA.

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



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Directors' Report

For the financial year ended 30 June 2023

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 2023.

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	290,606	289,715
Non-controlling interests	102,947	-
	<u>393,553</u>	<u>289,715</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 20 sen per ordinary share amounting to RM63.9 million in respect of the financial year ended 30 June 2023 on 22 December 2022; and
- (ii) a second interim single tier dividend of 37 sen per ordinary share amounting to RM118.2 million in respect of the financial year ended 30 June 2023 on 20 June 2023.

The Directors do not recommend a final dividend for the financial year ended 30 June 2023.

Directors' Report

For the financial year ended 30 June 2023

(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 Prof. Dato' Dr 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
 Puan Noorbaizura binti Hermeyney
 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 2023 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 1.7.2022	Acquired	Sold	At 30.6.2023
<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	2,632,500	-	-	2,632,500
Malaysian Pacific Industries Berhad	1,199,167	16,667 ⁽¹⁾	-	1,215,834
	33,333*	-	16,667 ^{*(1)}	16,666*

Directors' Report

For the financial year ended 30 June 2023

(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 1.7.2022	Acquired	Sold	At 30.6.2023
<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 Prof. Dato' Dr Khor Mun Wei in:				
Hong Leong Industries Berhad	285,948	110,342 ⁽²⁾	-	396,290
	203,300 [*]	554,824 [*]	100,342 ^{*(1)}	657,782 [*]
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.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2023 are as follows:

	Group RM	Company RM
Directors of the Company:		
Fees	588,000	548,000
Remuneration and other benefits	3,877,000	-

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

For the financial year ended 30 June 2023

(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.

The financial performance of the Group and of the Company for the financial year ended 30 June 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors' Report

For the financial year ended 30 June 2023

(Cont'd)

SIGNIFICANT EVENT DURING THE YEAR

Significant event is disclosed in Note 35 to the financial statements.

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 RM673,000 and RM184,000 respectively.

On behalf of the Board,

Prof. Dato' Dr Khor Mun Wei

Peter Ho Kok Wai

23 August 2023

Statements of Financial Position

As at 30 June 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Property, plant and equipment	4	195,561	233,250	414	24
Right-of-use assets	5	23,162	24,505	-	-
Investment property	6	4,000	4,000	-	-
Investments in subsidiary companies	7	-	-	90,515	211,636
Investments in associated companies	8	182,338	176,299	26,898	26,898
Intangible assets	9	49,949	39,102	-	-
Other investments	10	72,957	68,726	67,642	65,605
Deferred tax assets	11	19,074	21,829	-	-
Tax credit receivable	12	-	960	-	-
Total non-current assets		547,041	568,671	185,469	304,163
Inventories	13	336,503	311,782	-	-
Trade and other receivables, including derivatives	14	272,163	279,685	4,091	3,088
Current tax assets		802	2,006	-	-
Short-term investments and deposits placed with licensed banks	15	961,600	132,683	724,600	103,948
Cash and cash equivalents	16	525,967	1,271,174	303,106	815,972
		2,097,035	1,997,330	1,031,797	923,008
Assets classified as held for sale	26	58,713	-	121,121	-
Total current assets		2,155,748	1,997,330	1,152,918	923,008
Total assets		2,702,789	2,566,001	1,338,387	1,227,171

Statements of Financial Position

As at 30 June 2023

(Cont'd)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Equity					
Share capital	17	321,217	321,217	321,217	321,217
Reserves	18	1,769,999	1,647,752	1,074,271	966,026
Treasury shares - at cost	19	(63,318)	(63,318)	(63,318)	(63,318)
Total equity attributable to owners of the Company		2,027,898	1,905,651	1,332,170	1,223,925
Non-controlling interests		160,322	148,432	-	-
Total equity		2,188,220	2,054,083	1,332,170	1,223,925
Liabilities					
Lease liabilities		2,540	3,843	-	-
Deferred tax liabilities	11	5,357	5,357	-	-
Employee benefits	21.1	21,863	24,067	-	142
Total non-current liabilities		29,760	33,267	-	142
Loans and borrowings	20	-	18,689	-	-
Lease liabilities		4,880	4,880	-	-
Trade and other payables, including derivatives	22	406,741	411,864	3,301	1,697
Tax payable		34,209	43,218	2,916	1,407
		445,830	478,651	6,217	3,104
Liabilities classified as held for sale	26	38,979	-	-	-
Total current liabilities		484,809	478,651	6,217	3,104
Total liabilities		514,569	511,918	6,217	3,246
Total equity and liabilities		2,702,789	2,566,001	1,338,387	1,227,171

The notes on pages 121 to 187 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Revenue					
Sales of goods and services	23	3,415,427	2,457,894	-	-
Dividend income	23	973	8,523	273,130	162,294
		3,416,400	2,466,417	273,130	162,294
Cost of sales		(2,820,009)	(1,999,798)	-	-
Gross profit		596,391	466,619	273,130	162,294
Distribution expenses		(90,141)	(91,588)	-	-
Administration expenses		(74,110)	(66,799)	(9,770)	(5,520)
Other operating expenses		(28,189)	(13,395)	-	(7,126)
Other operating income		7,675	39,433	1,412	1,886
Results from operations		411,626	334,270	264,772	151,534
Interest income		52,831	13,395	32,554	9,280
Finance costs		(1,976)	(1,626)	-	-
Share of profit in associated companies, net of tax		49,631	30,945	-	-
Profit before taxation	24	512,112	376,984	297,326	160,814
Taxation	25	(118,559)	(99,326)	(7,611)	(2,499)
Profit for the year		393,553	277,658	289,715	158,315
Profit attributable to:					
Owners of the Company		290,606	210,939	289,715	158,315
Non-controlling interests		102,947	66,719	-	-
		393,553	277,658	289,715	158,315
Basic/Diluted earnings per ordinary share (sen)	27	92.38	67.09		

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

(Cont'd)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Profit for the year		393,553	277,658	289,715	158,315
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		2,115	(24,327)	630	(24,094)
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences from foreign operations		672	200	-	-
Share of other comprehensive income of equity-accounted associates		6,494	7,044	-	-
Cash flow hedge		528	(666)	-	-
		7,694	6,578	-	-
Total other comprehensive income/(expense) for the year	28	9,809	(17,749)	630	(24,094)
Total comprehensive income for the year		403,362	259,909	290,345	134,221
Total comprehensive income attributable to:					
Owners of the Company		300,255	193,394	290,345	134,221
Non-controlling interests		103,107	66,515	-	-
		403,362	259,909	290,345	134,221

The notes on pages 121 to 187 are an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 30 June 2023

	Attributable to owners of the Company						Distributable				
	Non-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 2023

(Cont'd)

	Attributable to owners of the Company					Distributable					
	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 reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group											
At 1 July 2022	321,217	(63,318)	32,121	3,714	(58)	(15,262)	533	1,626,704	1,905,651	148,432	2,054,083
Profit for the year	-	-	-	-	-	-	-	290,606	290,606	102,947	393,553
Other comprehensive income/(expense)	-	-	672	-	-	-	-	-	672	-	672
Foreign currencies translation differences	-	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of equity-accounted associates	-	-	6,494	-	-	-	-	-	6,494	-	6,494
Gain on fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	2,115	2,115	-	2,115
Cash flow hedge	-	-	-	-	368	-	-	-	368	160	528
Total comprehensive income/(expense) for the year	-	-	7,166	-	368	-	-	292,721	300,255	103,107	403,362
<i>Contributions by and distribution to owners of the Company</i>											
Share-based payments/ transactions	-	-	-	-	-	-	1,308	-	1,308	550	1,858
ESS shares exercised	-	-	-	-	-	309	(564)	255	-	-	-
Dividends (Note 29)	-	-	-	-	-	-	-	(179,316)	(179,316)	(91,767)	(271,083)
Total transactions with owners of the Company	-	-	-	-	-	309	744	(179,061)	(178,008)	(91,217)	(269,225)
At 30 June 2023	321,217	(63,318)	39,287	3,714	310	(14,953)	1,277	1,740,364	2,027,898	160,322	2,188,220

Statements of Changes in Equity

For the year ended 30 June 2023

(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 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 2022/1 July 2022	321,217	(63,318)	3,943	962,083	1,223,925
Profit for the year	-	-	-	289,715	289,715
Other comprehensive income					
Gain on fair value of equity investments at fair value through other comprehensive income	-	-	-	630	630
Total comprehensive income for the year	-	-	-	290,345	290,345
Distributions to owners of the Company					
Dividends (Note 29)	-	-	-	(182,100)	(182,100)
Total transactions with owners of the Company	-	-	-	(182,100)	(182,100)
At 30 June 2023	321,217	(63,318)	3,943	1,070,328	1,332,170

The notes on pages 121 to 187 are an integral part of these financial statements.

Statements of Cash Flows

For the year ended 30 June 2023

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before taxation		512,112	376,984	297,326	160,814
<i>Adjustments for:</i>					
Amortisation of intangible assets		31,510	17,448	-	-
Depreciation of property, plant and equipment		42,091	45,737	42	5
Depreciation of right-of-use assets		4,942	2,896	-	-
Dividend income		(984)	(10,386)	(273,130)	(162,294)
Interest income		(52,831)	(13,395)	(32,554)	(9,280)
Finance costs		1,976	1,626	-	-
Gain on disposal of property, plant and equipment		(1,010)	(4,205)	-	-
Gain on disposal of right-of-use assets		-	(7,872)	-	-
(Gain)/Loss on fair value of financial assets at fair value through profit or loss		(2,116)	342	(1,407)	226
Impairment loss on property, plant and equipment		13,204	-	-	-
Impairment loss on investment in a subsidiary		-	-	-	6,900
Property, plant and equipment written off		3,741	621	-	-
Provision/(Reversal) of retirement benefits		2,185	2,254	(142)	-
Share-based payments		1,858	1,052	-	-
Share of profit in associated companies		(49,631)	(30,945)	-	-
Unrealised gain on foreign exchange		-	(2,290)	-	-
Others		312	-	-	(8)
Operating profit/(loss) before working capital changes		507,359	379,867	(9,865)	(3,637)
Inventories		(38,806)	(9,090)	-	-
Trade and other receivables		(15,415)	(69,243)	(1,003)	(2,952)
Trade and other payables		16,471	134,362	1,604	149
Cash generated from/(used in) operations		469,609	435,896	(9,264)	(6,440)
Dividends received from					
- Subsidiary companies		-	-	222,251	127,224
- Associated companies		50,086	26,839	50,086	26,839
- Other investments		984	10,386	793	8,231
Interest income received		52,831	13,395	32,554	9,280
Finance costs paid		(1,976)	(1,626)	-	-
Retirement benefits paid		(1,880)	(1,230)	-	-
Tax paid		(127,895)	(80,340)	(6,102)	(1,256)
Net cash generated from operating activities		441,759	403,320	290,318	163,878

Statements of Cash Flows

For the year ended 30 June 2023

(Cont'd)

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities					
Addition of development costs		(41,875)	(36,630)	-	-
Addition of computer software		(670)	(792)	-	-
(Placement)/Uplift in short-term investments and deposits placed with licensed banks		(828,917)	100,625	(620,652)	105,208
Purchase of property, plant and equipment		(29,494)	(20,177)	(432)	(11)
Proceeds from disposal of property, plant and equipment		2,185	4,331	-	-
Proceeds from disposal of right-of-use assets		-	9,890	-	-
Proceeds from capital reduction of a subsidiary		-	-	-	12,000
Net cash (used in)/generated from investing activities		(898,771)	57,247	(621,084)	117,197
Cash flows from financing activities					
Acquisition of addition equity interest in a subsidiary company		-	(11,642)	-	-
Dividends paid to					
- Owners of the Company		(179,316)	(163,528)	(182,100)	(166,126)
- Non-controlling shareholders of subsidiary companies		(91,767)	(45,885)	-	-
Drawdown of borrowings	(ii)	111,440	121,529	-	-
Repayment of borrowings	(ii)	(115,169)	(115,440)	-	-
Payment of lease liabilities	(ii)	(4,902)	(3,795)	-	-
Net cash used in financing activities		(279,714)	(218,761)	(182,100)	(166,126)
Net change in cash and cash equivalents		(736,726)	241,806	(512,866)	114,949
Effect of exchange rate fluctuations on cash held		673	229	-	-
Cash and cash equivalents at 1 July 2022/2021		1,271,174	1,029,139	815,972	701,023
Cash and cash equivalents at 30 June		535,121	1,271,174	303,106	815,972

(i) Cash and cash equivalents

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

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash and cash equivalents	16	525,967	1,271,174	303,106	815,972
Assets classified as held for sale	26	9,154	-	-	-
		535,121	1,271,174	303,106	815,972

Statements of Cash Flows

For the year ended 30 June 2023

(Cont'd)

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

Group	At 1 July 2021		Acquisition of new lease		At 30 June 2022/ 1 July 2022		Acquisition of new lease		At 30 June 2023	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bankers' acceptances	10,600	-	118,529	(110,440)	18,689	-	96,440	(102,169)	-	-
Revolving credit	2,000	-	3,000	(5,000)	-	-	15,000	(13,000)	-	-
Lease liabilities	12,163	355	-	(3,795)	8,723	3,599	-	(4,902)	-	7,420
	24,763	355	121,529	(119,235)	27,412	3,599	111,440	(120,071)	(14,960)	7,420

The notes on pages 121 to 187 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 2023 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 2023 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 23 August 2023.

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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

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(l)(iii) is amalgamated in the financial statements of the Company for the portion related to the Company and also consolidated in the financial statements of the Group.

(v) Loss of control

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

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.

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)

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.

(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.

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)

(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.

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.

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

(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.

(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.

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 (cont'd)

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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Intangible assets (cont'd)

(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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(g) Investment property (cont'd)

(i) Investment property carried at fair value (cont'd)

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.

(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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(i) Cash and cash equivalents

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

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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Other assets

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.

(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.

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 (cont'd)

(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.

(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").

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

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

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

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

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

(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) Non-current asset held for sale or distribution to owners

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

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(q) Non-current asset held for sale or distribution to owners (cont'd)

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

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale or distribution.

(r) Discontinuing operation

A discontinuing 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 discontinuing 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 discontinuing 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.

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

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

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

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.

(t) Operating segments

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

(u) 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.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(v) 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.

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 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* – 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 and International Tax Reform – Pillar Two Model Rules

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases* – Lease Liability in a Sale and Leaseback
- Amendment to MFRS 101, *Presentation of Financial Statements* – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures* – Supplier Finance Arrangement

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

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Statement of compliance (cont'd)

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

- from the annual period beginning on 1 July 2023 for those 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.
- from the annual period beginning on 1 July 2024 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2024.

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.

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
		2023	2022	
		%	%	
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	100	100	Manufacture of ceramic tiles.
• Guocera Sdn Bhd	Malaysia	100	100	Manufacture and general trading in ceramic tiles and investment holding.
• Guocera Marketing Singapore Pte Ltd	Singapore	100	100	General trading in ceramic tiles.
• Ceramic Research Company Sdn Bhd	Malaysia	100	100	Research and development of ceramic tiles and related products.
• Guocera Tile Industries Sdn Bhd	Malaysia	100	100	Rental of properties.
• Glenex Sdn Bhd	Malaysia	100	100	In member's voluntary liquidation.
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.

Notes to the Financial Statements

(Cont'd)

3. COMPANIES IN THE GROUP (cont'd)

Name of Company	Country of incorporation	Effective interest		Principal activities
		2023	2022	
		%	%	
Subsidiary Companies (cont'd)				
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	Dormant.
Micalux Sdn Bhd	Malaysia	100	100	Investment holding.
Stableview Sdn Bhd*	Malaysia	100	100	Investment holding.
Megah Court Condominium Development Sdn Bhd*	Malaysia	100	100	Dormant.
Kensinton Edge 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 subsidiaries 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 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 2022/1 July 2022		45,356	210,834	699,422	17,158	972,770
Additions		146	297	10,443	18,608	29,494
Reclassification		-	287	23,050	(23,337)	-
Disposals		-	-	(38,214)	-	(38,214)
Write off		-	(22,964)	(615)	-	(23,579)
Effect of movements in exchange rates		-	8	15	-	23
Reclassified to assets held for sale	26	-	-	(190,074)	-	(190,074)
At 30 June 2023		45,502	188,462	504,027	12,429	750,420
Accumulated depreciation						
At 1 July 2021		-	101,128	660,740	-	761,868
Charge for the year		-	6,559	39,178	-	45,737
Disposals		-	-	(72,437)	-	(72,437)
Write off		-	-	(954)	-	(954)
Effect of movements in exchange rates		-	-	4	-	4
At 30 June 2022/1 July 2022		-	107,687	626,531	-	734,218
Charge for the year		-	5,530	36,561	-	42,091
Disposals		-	-	(34,714)	-	(34,714)
Write off		-	(19,625)	(213)	-	(19,838)
Effect of movements in exchange rates		-	12	15	-	27
Reclassified to assets held for sale	26	-	-	(181,362)	-	(181,362)
At 30 June 2023		-	93,604	446,818	-	540,422

Notes to the Financial Statements

(Cont'd)

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

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
Accumulated impairment						
At 1 July 2021		-	-	5,783	1,145	6,928
Disposals		-	-	(1,626)	-	(1,626)
At 30 June 2022/1 July 2022		-	-	4,157	1,145	5,302
Provision/(Reversal) of impairment loss		-	13,207	(3)	-	13,204
Disposals		-	-	(2,325)	-	(2,325)
Reclassified to assets held for sale	26	-	-	(1,744)	-	(1,744)
At 30 June 2023		-	13,207	85	1,145	14,437
Carrying amounts						
At 1 July 2021		45,356	109,338	81,540	23,351	259,585
At 30 June 2022/1 July 2022		45,356	103,147	68,734	16,013	233,250
At 30 June 2023		45,502	81,651	57,124	11,284	195,561
Company						Office equipment and motor vehicles RM'000
Cost						
At 1 July 2021						52
Additions						11
At 30 June 2022/1 July 2022						63
Additions						432
At 30 June 2023						495
Accumulated depreciation						
At 1 July 2021						34
Charge for the year						5
At 30 June 2022/1 July 2022						39
Charge for the year						42
At 30 June 2023						81
Carrying amounts						
At 1 July 2021						18
At 30 June 2022/1 July 2022						24
At 30 June 2023						414

Notes to the Financial Statements

(Cont'd)

5. RIGHT-OF-USE ASSETS

Group	Land RM'000	Building and equipment RM'000	Total RM'000
At 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 2022/1 July 2022	16,394	8,111	24,505
Addition for the year	-	3,599	3,599
Depreciation for the year	(468)	(4,474)	(4,942)
At 30 June 2023	15,926	7,236	23,162

6. INVESTMENT PROPERTY

	Group	
	2023 RM'000	2022 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	
	2023 RM'000	2022 RM'000
At cost:		
Unquoted shares	220,473	341,594
Less: Impairment loss	(129,958)	(129,958)
	90,515	211,636

As at 30 June 2023, the cost of investment in Hume Cemboard Industries Sdn Bhd has been classified under assets held for sale pursuant to the proposed disposal as disclosed in Note 35.

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:

	2023 RM'000	2022 RM'000
As at 30 June		
Statements of financial position		
Total assets	941,543	877,505
Total liabilities	(375,948)	(357,375)
Net assets	565,595	520,130
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Profit for the year	339,632	216,497
Total comprehensive income	342,540	213,751
Statements of cash flows		
Net cash flow (used in)/generated from operating, investing and financing activities	(7,417)	159,779
Dividends paid to NCI	(91,767)	(45,885)

8. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At cost:				
Unquoted shares	27,306	27,306	26,898	26,898
Share of post-acquisition reserves	155,032	148,993	-	-
	182,338	176,299	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	2023 RM'000	2022 RM'000
As at 30 June		
Statements of financial position		
Non-current assets	262,403	303,064
Current assets	981,009	998,175
Non-current liabilities	(52,590)	(44,238)
Current liabilities	(464,943)	(554,932)
Net assets	725,879	702,069
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Total comprehensive income	202,619	122,943
Included in the total comprehensive income is:		
Revenue	3,935,555	2,489,023
Reconciliation of net assets to carrying amount		
As at 30 June		
Group's share of net assets other than goodwill of the associated company	182,057	176,018
Premium on acquisition	281	281
Carrying amount in the statement of financial position	182,338	176,299
Year ended 30 June		
Group's share of results		
Group's share of profit or loss	49,631	30,945
Group's share of other comprehensive income	6,494	7,044
Group's share of total comprehensive income	56,125	37,989
Other information		
Dividends received by the Group	50,086	26,839

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 2021	66,975	94,880	8,602	170,457
Additions	-	36,630	792	37,422
At 30 June 2022/1 July 2022	66,975	131,510	9,394	207,879
Additions	-	41,875	670	42,545
Write off	-	-	(188)	(188)
At 30 June 2023	66,975	173,385	9,876	250,236
Amortisation and impairment loss				
At 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 2022/1 July 2022				
Accumulated amortisation	-	95,441	6,361	101,802
Accumulated impairment loss	66,975	-	-	66,975
	66,975	95,441	6,361	168,777
Amortisation for the year	-	30,720	790	31,510
At 30 June 2023				
Accumulated amortisation	-	126,161	7,151	133,312
Accumulated impairment loss	66,975	-	-	66,975
	66,975	126,161	7,151	200,287
Carrying amounts				
At 1 July 2021	-	16,210	2,918	19,128
At 30 June 2022/1 July 2022	-	36,069	3,033	39,102
At 30 June 2023	-	47,224	2,725	49,949

Notes to the Financial Statements

(Cont'd)

10. OTHER INVESTMENTS

		Group		Company	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Non-current					
Financial assets at fair value through profit or loss					
- Redeemable convertible unsecured loan stocks in a related company		5,348	3,232	3,554	2,147
Fair value through other comprehensive income					
- Shares in related companies, quoted in Malaysia	10.1	67,609	65,494	64,088	63,458
		72,957	68,726	67,642	65,605

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	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Property, plant and equipment	-	-	(8,870)	(14,555)	(8,870)	(14,555)
Right-of-use assets	-	-	(2,430)	(3,412)	(2,430)	(3,412)
Inventory, trade and other receivables and payables	22,514	31,159	-	(294)	22,514	30,865
Lease liabilities	2,503	3,574	-	-	2,503	3,574
Deferred tax assets/(liabilities)	25,017	34,733	(11,300)	(18,261)	13,717	16,472
Set off of tax	(5,943)	(12,904)	5,943	12,904	-	-
Net deferred tax assets/(liabilities)	19,074	21,829	(5,357)	(5,357)	13,717	16,472

Notes to the Financial Statements

(Cont'd)

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	
	2023	2022
	RM'000	RM'000
Inventory, trade and other receivables and payables	461	518
Unabsorbed capital allowances	6,446	1,767
Unutilised tax losses	41,303	52,743
	48,210	55,028

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	
	2023	2022
	RM'000	RM'000
Year of assessment 2028	33,752	35,084
Year of assessment 2029	2,457	2,830
Year of assessment 2030	2,638	11,589
Year of assessment 2032	-	3,240
Year of assessment 2033	2,456	-
	41,303	52,743

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

	At 1 July 2021	Recognised in profit or loss (Note 25)	At 30 June 2022/ 1 July 2022	Recognised in profit or loss (Note 25)	Reclassified to assets held for sale (Note 26)	At 30 June 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	(7,724)	(6,831)	(14,555)	6,078	(393)	(8,870)
Right-of-use assets	(7,299)	3,887	(3,412)	982	-	(2,430)
Inventory, trade and other receivables and payables	27,354	3,511	30,865	(4,458)	(3,893)	22,514
Lease liabilities	7,424	(3,850)	3,574	(1,071)	-	2,503
	19,755	(3,283)	16,472	1,531	(4,286)	13,717

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. At 30 June 2023, tax credit receivable has been reclassified to assets held for sale (Note 26).

13. INVENTORIES

	Group	
	2023 RM'000	2022 RM'000
Raw materials and consumables	254,250	231,785
Work-in-progress	5,396	9,636
Finished goods	76,857	70,361
	336,503	311,782
Recognised in profit or loss:		
Inventories recognised as cost of sales	2,789,447	1,856,065

14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

Note	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Trade				
Trade receivables	211,924	238,503	-	-
Amount due from related companies	2,982	2,991	-	-
Amount due from associated companies	776	475	-	-
	215,682	241,969	-	-
Less: Allowance for impairment losses 33.3(a)	(3,705)	(3,618)	-	-
	211,977	238,351	-	-
Non-trade				
Amount due from related companies	5	-	-	-
Other receivables and deposits	45,750	33,404	4,091	3,072
Prepayments	13,984	7,930	-	16
Derivative financial asset				
- Forward exchange contract designated as hedge instruments	447	-	-	-
	272,163	279,685	4,091	3,088

Notes to the Financial Statements

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15. SHORT-TERM INVESTMENTS AND DEPOSITS PLACED WITH LICENSED BANKS

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	-	32,683	-	3,948
Term investment account-i	471,000	100,000	471,000	100,000
Deposits placed with licensed banks	490,600	-	253,600	-
	961,600	132,683	724,600	103,948

Term investment account-i and deposits placed with licensed banks have tenure of more than three months but less than one year. Included in the short-term investments and deposits placed with licensed banks are the following balances maintained with a related company.

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	-	32,683	-	3,948
Term investment account-i	471,000	100,000	471,000	100,000
Deposits placed with licensed banks	105,000	-	-	-
	576,000	132,683	471,000	103,948

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	-	6,769	-	-
Term investment account-i	285,500	996,120	285,500	756,120
Deposits placed with licensed banks	212,510	224,296	16,500	59,000
Cash and bank balances	27,957	43,989	1,106	852
	525,967	1,271,174	303,106	815,972

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

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	-	6,769	-	-
Term investment account-i	285,500	996,120	285,500	756,120
Deposits placed with licensed banks	117,908	165,975	16,500	-
Cash and bank balances	20,419	14,470	1,082	809
	423,827	1,183,334	303,082	756,929

Notes to the Financial Statements

(Cont'd)

17. SHARE CAPITAL

	Group and Company			
	Number of shares	Amount	Number of shares	Amount
	2023	2023	2022	2022
	'000	RM'000	'000	RM'000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 July 2022/30 June 2023 and 1 July 2021/30 June 2022	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	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Reserves consist of:					
Exchange fluctuation reserve	18.1	39,287	32,121	-	-
Other reserves	18.2	3,714	3,714	3,943	3,943
Reserve for own shares	18.3	(14,953)	(15,262)	-	-
Executive share scheme reserve	18.4	1,277	533	-	-
Hedging reserve	18.5	310	(58)	-	-
Retained earnings		1,740,364	1,626,704	1,070,328	962,083
		1,769,999	1,647,752	1,074,271	966,026

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.

Notes to the Financial Statements

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18. RESERVES (cont'd)

Note 18.3

Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(l)(iii). As at 30 June 2023, the total number of HLI Shares held by the ESS Trusts at the Group level was 4,847,877 (2022: 4,948,219) HLI Shares.

At the Group level, during the financial year-to-date, a total of 100,342 (2022: 144,697) existing ordinary shares in the Company held in the ESS Trusts were transferred to the option holders arising from the exercise of options pursuant to the Executive Share Option Scheme.

Note 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
	2023	2023	2022	2022
	'000	RM'000	'000	RM'000
At cost:				
Ordinary shares	8,432	63,318	8,432	63,318

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

20. LOANS AND BORROWINGS

	Group	
	2023	2022
	RM'000	RM'000
Current (unsecured)		
Bankers' acceptances	-	18,689
	-	18,689

Notes to the Financial Statements

(Cont'd)

21. EMPLOYEE BENEFITS

21.1 Retirement benefits

	Note	Group		Company	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
At 1 July 2022/2021		24,067	23,043	142	142
Provision/(Reversal)		2,185	2,254	(142)	-
Payments		(1,880)	(1,230)	-	-
Reclassified to assets held for sale	26	(2,509)	-	-	-
At 30 June		21,863	24,067	-	142

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.

Notes to the Financial Statements

(Cont'd)

21. EMPLOYEE BENEFITS (cont'd)

21.2 Executive Share Scheme (cont'd)

ESS 2013

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 2013"), which have expired 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 2023.

Since the commencement of the ESS 2013, 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 to be valid ("ceased Options"). 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, 1,080,000 Options had been exercised and 2,000,000 Options had ceased to be valid 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 2023.

(ii) ESGS

During the financial year ended 30 June 2023, there was no grant of free HLI Shares to eligible executives of the Group. A total of 62,196 free HLI Shares had been vested during the financial year ended 30 June 2023 and, following the expiry of the ESS 2013, the balance of 26,666 free HLI Shares will be administered and vested under the ESS 2021 (as defined below).

Since the commencement of the ESS 2013, a total of 683,143 free HLI Shares had been granted (out of which, 247,500 free HLI Shares were granted in lieu of the ceased Options over 4,000,000 HLI Shares granted during the previous financial year), 656,477 free HLI Shares had been vested and, following the expiry of the ESS 2013, the balance of 26,666 HLI Shares will be administered and vested under the ESS 2021. The aggregate HLI Shares granted to a director/chief executive of the Group amounted to 364,143 HLI Shares, 337,477 free HLI Shares had been vested and following the expiry of the ESS 2013, the balance of 26,666 HLI Shares will be administered and vested under the ESS 2021.

The aggregate allocation of Options and HLI Shares Grant to directors and senior management of the Group pursuant to the ESS 2013 was at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

Notes to the Financial Statements

(Cont'd)

21. EMPLOYEE BENEFITS (cont'd)

21.2 Executive Share Scheme (cont'd)

ESS 2013 (cont'd)

(ii) ESGS (cont'd)

The share-based payments recognised in the profit or loss are as follows:

	Group	
	2023 RM'000	2022 RM'000
(i) Share-based payments recognised for HLI Shares Grant under ESS 2013		
HLI Shares Grant	118	1,052
(ii) Weighted average fair value and assumptions for HLI Shares Grant		
Weighted average fair value at grant date	RM8.36	RM8.36

ESS 2021

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.

(i) ESOS

During the financial year ended 30 June 2023 and since the commencement of the ESS 2021, there was no grant or vesting of Options to eligible executives (including directors/chief executives) of the Group.

(ii) ESGS

During the financial year ended 30 June 2023, 1,304,824 free HLI Shares were granted to eligible executives of the Group, out of which, 1,250,000 free HLI Shares granted is subject to the achievement of certain performance criteria. A total of 38,146 free HLI Shares had been vested during the financial year ended 30 June 2023 and 1,407,782 (including the balance of 26,666 free HLI Shares from ESS 2013) remain outstanding as at 30 June 2023.

Since the commencement of the ESS 2021, 1,419,262 free HLI Shares were granted to certain eligible executives, out of which, 1,250,000 free HLI shares granted is subject to the achievement of certain performance criteria. As at 30 June 2023, 38,146 HLI Shares had been vested. The aggregate of HLI Shares granted to directors/chief executives amounted to 669,262 free HLI Shares, out of which, 38,146 free HLI Shares has been vested, with 657,782 (including the balance of 26,666 free HLI Shares from ESS 2013) remaining outstanding. The actual percentage of total free HLI Shares granted to directors/senior management of the Group was 0.21% based on the total number of issued shares (excluding treasury shares) of the Company as at 30 June 2023.

Notes to the Financial Statements

(Cont'd)

21. EMPLOYEE BENEFITS (cont'd)

21.2 Executive Share Scheme (cont'd)

ESS 2021 (cont'd)

The aggregate allocation of Options and HLI Shares Grant to directors and senior management of the Group pursuant to the ESS 2021 is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

The share-based payments recognised in the profit or loss are as follows:

		Group	
		2023	2022
		RM'000	RM'000
(i) Share-based payments recognised for HLI Shares Grant under ESS 2021			
HLI Shares Grant		1,740	-
(ii) Weighted average fair value and assumptions for HLI Shares Grant			
Weighted average fair value at grant date		RM8.31	-

22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
Note		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables		154,569	155,669	-	-
Amount due to related companies		88,346	76,751	-	-
Amount due to associated companies		33,627	43,529	-	-
		276,542	275,949	-	-
Non-trade					
Amount due to related companies	22.1	141	281	-	-
Amount due to associated companies	22.1	1,274	1,356	-	-
Other payables		30,845	32,901	-	-
Accrued liabilities		97,939	101,293	3,301	1,697
Derivative financial liability					
- Forward exchange contract designated as hedge instruments		-	84	-	-
		406,741	411,864	3,301	1,697

Note 22.1

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

Notes to the Financial Statements

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23. REVENUE

	2023 RM'000	2022 RM'000
Group		
Revenue from contracts with customers	3,415,427	2,457,894
Other revenue		
- Dividend income	973	8,523
Total revenue	3,416,400	2,466,417
Company		
Other revenue		
- Dividend income	273,130	162,294

23.1 Disaggregation of revenue

Group	2023 RM'000	2022 RM'000
Major products		
Consumer products		
Motorcycles and spare parts sales	2,843,061	1,942,688
Ceramic tiles	319,641	251,269
	3,162,702	2,193,957
Other products		
Fibre cement and marine related products	252,725	263,937
	3,415,427	2,457,894
Timing and recognition		
At a point in time	3,415,427	2,457,894
Revenue from contracts with customers	3,415,427	2,457,894
Other revenue	973	8,523
Total revenue	3,416,400	2,466,417

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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration				
Audit fees:				
- KPMG PLT	511	511	110	110
- Overseas affiliates of KPMG PLT	61	61	-	-
- Other auditors	27	27	-	-
Non-audit fees:				
- KPMG PLT	5	5	5	5
- Overseas affiliates of KPMG PLT	69	69	69	69
Material expenses/(income)				
Dividend income				
- Unquoted associated companies in Malaysia	-	-	(3,600)	(3,600)
- Unquoted associated company outside Malaysia	-	-	(46,486)	(23,239)
- Quoted investment in Malaysia	(776)	(776)	(776)	(776)
- Unquoted subsidiary companies in Malaysia	-	-	(222,251)	(127,224)
- Short-term investments	(208)	(9,610)	(17)	(7,455)
Personnel expenses				
- Staff salaries and other expenses	179,174	166,188	3,611	631
- Contribution to Employees Provident Fund	12,502	10,571	354	75
- Retirement benefits provision/(reversal)	2,185	2,254	(142)	-
- Share-based payments	1,858	1,052	-	-
Retrenchment costs	3,719	-	-	-
Gain on disposal of property, plant and equipment	(1,010)	(4,205)	-	-
Gain on disposal of right-of-use asset	-	(7,872)	-	-
(Gain)/Loss on fair value of financial assets at fair value through profit or loss	(2,116)	342	(1,407)	226
Provision/(Reversal of provision) for slow moving inventories	6,109	(9,279)	-	-
Property, plant and equipment				
- written off	3,741	621	-	-
- impairment loss	13,204	-	-	-
Impairment loss on investment in a subsidiary	-	-	-	6,900
Realised (gain)/loss on foreign exchange	(1,332)	6,685	-	-

Notes to the Financial Statements

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25. TAXATION

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Current year	122,996	98,119	7,628	2,495
(Over)/Under provision in prior year	(2,906)	(2,076)	(17)	4
	120,090	96,043	7,611	2,499
Deferred taxation				
Current year	(2,438)	1,744	-	-
Under provision in prior year	907	1,539	-	-
	(1,531)	3,283	-	-
Total tax expense	118,559	99,326	7,611	2,499

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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	512,112	376,984	297,326	160,814
Taxation at Malaysian statutory tax rates of 24%	122,907	90,476	71,358	38,595
Effect of change in tax rate*	-	17,991	-	-
Non-allowable expenses	7,229	8,233	2,491	2,985
Non-taxable income	(757)	(5,940)	(66,221)	(39,085)
Effect of deferred tax asset not recognised	4,420	(1,943)	-	-
Tax attributable to associated companies	(11,911)	(7,427)	-	-
Tax incentive	(1,330)	(1,527)	-	-
	120,558	99,863	7,628	2,495
(Over)/Under provision in prior year	(1,999)	(537)	(17)	4
	118,559	99,326	7,611	2,499

* 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. For the year ended 30 June 2022, a subsidiary with chargeable income up to first RM100 million was taxed at 24% and the remaining chargeable income was taxed at a one-off rate of 33%.

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26. ASSETS/(LIABILITIES) CLASSIFIED AS HELD FOR SALE

On 14 June 2023, the Company announced that it had entered into a conditional sale and purchase agreement with Saint-Gobain Malaysia Sdn Bhd for the proposed disposal of the entire issued and paid-up share capital of Hume Cemboard Industries Sdn Bhd. Details of the proposed disposal are disclosed in Note 35 to the financial statements.

Accordingly, the related assets and liabilities of Hume Cemboard Industries Sdn Bhd that form parts of the proposed disposal have been reclassified as assets and liabilities held for sale.

The assets and associated liabilities held for sale as at 30 June 2023 are as follows:

	Note	Group 2023 RM'000
Assets classified as held for sale		
Property, plant and equipment	4	6,968
Deferred tax assets	11	4,286
Tax credit receivable	12	960
Inventories		14,085
Trade and other receivables		23,260
Cash and cash equivalents		9,154
		58,713
Liabilities associated with assets held for sale		
Trade and other payables		(21,510)
Loans and borrowings		(14,960)
Retirement benefits	21	(2,509)
		(38,979)
		Company 2023 RM'000
Investment in a subsidiary		121,121

Notes to the Financial Statements

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27. BASIC/DILUTED 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 RM290,606,000 (2022: RM210,939,000) by the weighted average number of ordinary shares outstanding during the financial year of 314,566,000 (2022: 314,426,000) as follows:

	Group	
	2023	2022
	RM'000	RM'000
Profit attributable to owners of the Company	290,606	210,939
	'000	'000
Weighted average number of ordinary shares (basic):		
Issued ordinary shares at 1 July 2022/2021	327,905	327,905
Less:		
Treasury shares held at 1 July 2022/2021	(8,432)	(8,432)
Trust shares held at 1 July 2022/2021	(4,948)	(5,093)
	314,525	314,380
Effect of Trust shares vested	41	46
Weighted average number of ordinary shares	314,566	314,426
	sen	sen
Basic earnings per ordinary share	92.38	67.09

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
2023			
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	2,115	-	2,115
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	528	-	528
Foreign currency translation differences for foreign operations			
- Gain arising during the year	672	-	672
- Share of other comprehensive expense of equity-accounted associates	6,494	-	6,494
	9,809	-	9,809
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 loss 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)

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
2023			
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	630	-	630
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	(24,094)	-	(24,094)

29. DIVIDENDS

	Group		Company	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
First interim				
20 sen per share single tier (2022: 17 sen per share single tier)	62,905	53,444	63,895	54,310
Second interim				
37 sen per share single tier (2022: 35 sen per share single tier)	116,411	110,084	118,205	111,816
	179,316	163,528	182,100	166,126

Dividends received by the ESS Trusts amounting to RM2,784,000 (2022: RM2,598,000) 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).

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 Group's reportable segment is as follows:

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

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

Notes to the Financial Statements

(Cont'd)

30. OPERATING SEGMENTS (cont'd)

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.

	Consumer products	
	2023 RM'000	2022 RM'000
Group		
Segment profit	454,446	340,956
<i>Included in the measure of segment profit are:</i>		
Revenue from external customers	3,162,702	2,193,957
Depreciation and amortisation	(71,530)	(57,617)
Impairment loss on property, plant and equipment	(11,460)	-
Share of profit in associated companies	49,631	30,945

Reconciliations of reportable segment profit or loss

	Group	
	2023 RM'000	2022 RM'000
Profit		
Total profit for reportable segment	454,446	340,956
Non-reportable segment	6,811	24,259
Interest income	52,831	13,395
Finance costs	(1,976)	(1,626)
Consolidated profit before taxation	512,112	376,984

Notes to the Financial Statements

(Cont'd)

30. OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment profit or loss (cont'd)

	2023		2022	
	External revenue	Depreciation and amortisation	External revenue	Depreciation and amortisation
	RM'000	RM'000	RM'000	RM'000
Group				
Total reportable segment	3,162,702	71,530	2,193,957	57,617
Non-reportable segment	253,698	7,013	272,460	8,464
Consolidated total	3,416,400	78,543	2,466,417	66,081

Geographical information

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

	Revenue	
	2023	2022
	RM'000	RM'000
Group		
Malaysia	3,222,516	2,318,098
Australia	38,772	38,977
Vietnam	23,246	16,981
Thailand	35,087	25,523
Singapore	40,832	16,202
Taiwan	24,914	19,776
Others	31,033	30,860
	3,416,400	2,466,417

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	
	2023	2022
	RM'000	RM'000
Group		
Malaysia	272,668	300,838
Singapore	4	19
	272,672	300,857

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.

Notes to the Financial Statements

(Cont'd)

31. CAPITAL COMMITMENTS

	Group	
	2023	2022
	RM'000	RM'000
Property, plant and equipment		
Authorised but not contracted for	16,909	38,462
Authorised and contracted for	4,344	31,026

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"), Yamaha Motor (China) Co., Ltd ("YMCC"), Yamaha Motor Vietnam Co., Ltd ("YMVN") and Yamaha Motor Biz Partners Co., Ltd ("YMBP") are persons connected with YMC (Yamaha Asia, YDS, TYM, YIM, YMTT, YMCC, YMVN and YMBP are collectively referred to as "YMC Group").

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES (cont'd)

32.1 Significant related party transactions (cont'd)

Significant transactions with related parties, other than those disclosed elsewhere in the financial statements, are as follows:

Transactions	Related Party	Group	
		2023 RM'000	2022 RM'000
(a) Sale of goods and services	Hong Leong Group	18	52
	Hong Bee Hardware and Hong Bee Motors	49,870	47,120
	YMC Group	4,201	2,719
(b) Purchase of goods and services	Hong Leong Group	576	2,776
	YMC Group	875,573	655,864
	Tasek and subsidiary and associated companies of Tasek	10,635	11,138
	Associated companies of HLI	515,176	309,061
(c) Rental of properties	Hong Leong Group	1,224	1,171
(d) Receipt of services	Hong Leong Group	992	1,229
(e) Receipt of Group management and/or support services	Hong Leong Group	24,887	20,443
(f) Payment of royalties and technical fees for usage of the Yamaha trademark and technical support	YMC	78,154	54,053
(g) Receipt of research and development services	YMC	3,859	4,417

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

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

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES (cont'd)

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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<i>Executive Directors</i>				
Remuneration and other benefits	3,877	3,747	-	-
<i>Non-Executive Directors</i>				
Fees*	588	582	548	542

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

33. FINANCIAL INSTRUMENTS

33.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

- Fair value through other comprehensive income ("FVOCI");
- Equity instrument designated upon initial recognition ("EIDUIR");
- Financial assets measured at amortised cost ("FAAC");
- Financial liabilities measured at amortised cost ("FLAC"); and
- Fair value through profit or loss ("FVTPL") - Designated upon initial recognition ("DUIR").

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
2023	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Group					
Other investments	72,957	-	67,609	5,348	-
Trade and other receivables, including derivatives (excluding prepayments)	258,179	257,732	-	-	447
Short-term investments and deposits placed with licensed banks	961,600	961,600	-	-	-
Cash and cash equivalents	525,967	525,967	-	-	-
	1,818,703	1,745,299	67,609	5,348	447
Company					
Other investments	67,642	-	64,088	3,554	-
Trade and other receivables, including derivatives (excluding prepayments)	4,091	4,091	-	-	-
Short-term investments and deposits placed with licensed banks	724,600	724,600	-	-	-
Cash and cash equivalents	303,106	303,106	-	-	-
	1,099,439	1,031,797	64,088	3,554	-
Financial liabilities					
Group					
Trade and other payables, including derivatives	(406,741)	(406,741)	-	-	-
Company					
Trade and other payables, including derivatives	(3,301)	(3,301)	-	-	-

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
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 investments and deposits placed with licensed banks	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 investments and deposits placed with licensed banks	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)

33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) on financial instruments carried at:				
(i) <i>Amortised cost</i>				
- Interest income	52,717	13,281	32,478	9,204
- Unrealised forex gain	-	2,290	-	-
- Finance costs	(1,976)	(1,626)	-	-
(ii) <i>Fair value through profit or loss:</i>				
- Dividend income from short-term investments	208	9,610	17	7,455
- Fair value gain/(loss) on loan stock investment	2,116	(342)	1,407	(226)
- Others	114	114	76	76
(iii) <i>Fair value through other comprehensive income:</i>				
- Fair value gain/(loss) on equity investments	2,115	(24,327)	630	(24,094)
- Dividend income	776	776	776	776
	56,070	(224)	35,384	(6,809)

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	
	2023 RM'000	2022 RM'000
Domestic	191,162	215,713
Asia	17,020	17,035
Europe	1,048	3,950
Others	2,747	1,653
	211,977	238,351

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 2023 and 30 June 2022.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2023			
Not past due	157,119	(3,336)	153,783
Past due 1 – 30 days	29,509	(9)	29,500
Past due 31 – 60 days	23,104	(160)	22,944
Past due 61 – 90 days	5,224	(32)	5,192
Past due 91 – 120 days	375	(34)	341
Past due more than 120 days	351	(134)	217
	215,682	(3,705)	211,977
2022			
Not past due	228,677	(3,412)	225,265
Past due 1 – 30 days	11,418	-	11,418
Past due 31 – 60 days	1,069	(4)	1,065
Past due 61 – 90 days	500	-	500
Past due 91 – 120 days	75	-	75
Past due more than 120 days	230	(202)	28
	241,969	(3,618)	238,351

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:

	2023 RM'000	2022 RM'000
Group		
Balance at 1 July 2022/2021	3,618	3,628
Net measurement of loss allowance	95	(10)
Reclassified to assets held for sale	(8)	-
Balance at 30 June	3,705	3,618

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 receivables. 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 investments and deposits placed with licensed banks

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's term investment account and deposits placed with licensed banks are placed as fixed rate investments.

Short-term money market fund of the Group and the Company were placed as floating rate investments and were based on the market value of the fund.

The short-term investments and deposits placed with licensed banks of the Group and the Company which is managed by a related company are 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 investments and deposits placed with licensed banks 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's 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
2023							
Non-derivative financial liabilities							
Trade and other payables	406,741	-	406,741	406,741	-	-	-
Lease liabilities	7,420	3.5 - 3.8	11,083	7,038	2,770	1,229	46
	414,161		417,824	413,779	2,770	1,229	46
Derivative financial liabilities							
Forward exchange contract (gross settled):							
Outflow	-	-	58,176	58,176	-	-	-
Inflow	(447)	-	(58,623)	(58,623)	-	-	-
	413,714		417,377	413,332	2,770	1,229	46
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	-
	439,276		440,414	434,471	2,750	3,193	-
Derivative financial liabilities							
Forward exchange contract (gross settled):							
Outflow	84	-	80,183	80,183	-	-	-
Inflow	-	-	(80,099)	(80,099)	-	-	-
	439,360		440,498	434,555	2,750	3,193	-

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
2023				
Non-derivative financial liabilities				
Trade and other payables	3,301	-	3,301	3,301
2022				
Non-derivative financial liabilities				
Trade and other payables	1,697	-	1,697	1,697

(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's 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's 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.

(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. Short-term investments and deposits placed with licensed banks are not significantly exposed to interest rate risk.

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 (cont'd)

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	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Deposits placed with licensed banks	703,110	224,296	270,100	59,000
Term investment account-i	756,500	1,096,120	756,500	856,120
Loans and borrowings	-	(18,689)	-	-
Lease liabilities	(7,420)	(8,723)	-	-
	1,452,190	1,293,004	1,026,600	915,120
Floating rate instruments				
Short-term money market fund	-	39,452	-	3,948

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 there is no floating rate instrument outstanding as at end of the financial year.

(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.

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 (cont'd)

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").

The Management of the Group has assessed that the exposure to equity price as at the end of the reporting period and it is not material.

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.

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
2023										
Financial assets										
Investment in quoted shares and loan stocks	72,957	-	-	72,957	-	-	-	-	72,957	72,957
Forward foreign exchange contracts	-	447	-	447	-	-	-	-	447	447
	72,957	447	-	73,404	-	-	-	-	73,404	73,404
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)

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
2023										
Financial assets										
Investment in quoted shares and loan stocks	67,642	-	-	67,642	-	-	-	-	67,642	67,642
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

Short-term money market fund

The fair value of short-term money market fund were 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

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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 2023 and 30 June 2022 were as follows:-

	Group	
	2023	2022
	RM'000	RM'000
Loans and borrowings	-	18,689
Lease liabilities	7,420	8,723
Less:		
Short-term investments and deposits placed with licensed banks	(961,600)	(132,683)
Cash and cash equivalents	(525,967)	(1,271,174)
Net cash	(1,480,147)	(1,376,445)
Total equity	2,188,220	2,054,083
Debt-to-equity ratios	Nil	Nil

35. SIGNIFICANT EVENT DURING THE YEAR

On 14 June 2023, the Company announced that it had entered into a conditional sale and purchase agreement ("SPA") with Saint-Gobain Malaysia Sdn Bhd for the proposed disposal of the entire issued and paid-up share capital of Hume Cemboard Industries Sdn Bhd ("HCB") ("Sale Shares") for a cash consideration to be determined ("Proposed Disposal").

Pursuant to the SPA, the purchase price for the Sale Shares comprises mainly the sum of the estimated net asset value based on the unaudited statement of financial position of HCB at the completion date and a premium of RM20.0 million. Selected assets of HCB will not form part of the Proposed Disposal ("Excluded Assets"). The Excluded Assets comprise mainly the following:

- (i) land and buildings located at Petaling Jaya, Selangor ("PJ Plant");
- (ii) all land and buildings located at Kanthan, Perak; and
- (iii) all the assets used for the manufacture of fibre cement products at the PJ Plant (except selected inventory to be agreed by the parties including raw materials and finished goods).

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed in the third quarter of the financial year ending 30 June 2024.

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 111 to 187 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 2023 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Prof. Dato' Dr Khor Mun Wei

Peter Ho Kok Wai

Date: 23 August 2023

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 111 to 187 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 23 August 2023.

Goh Eng Tatt

Before me:

Alizahwati Binti Atan
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 2023 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 111 to 187.

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 2023, 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 17% and 80% 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 sales subsequent 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 7% 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"> - Challenged management's assessment of indication of impairment and whether they have considered internal and external sources of information. - Reviewed the financial positions and performances of the subsidiaries to determine if there is any impairment indicator.

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.

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.

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

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.

Auditors' Responsibilities for the Audit of the 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.

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.

Independent Auditors' Report

To the Members of Hong Leong Industries Berhad

(Registration No. 196401000167 (5486-P)) (Incorporated in Malaysia)

(Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT

(LLP0010081-LCA & AF 0758)

Chartered Accountants

Petaling Jaya, Selangor

Date: 23 August 2023

Thong Foo Vung

Approval Number: 02867/08/2024 J

Chartered Accountant

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixtieth 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, 1 November 2023 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 2023.
2. To approve the payment of Director Fees of RM548,000/- (2022: RM542,493/-) for the financial year ended 30 June 2023, to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM68,000/- from the Sixtieth Annual General Meeting ("AGM") to the Sixty-first AGM of the Company.
3. To re-elect YBhg Prof. Dato' Dr Jim Khor Mun Wei 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 3 October 2023 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 3 October 2023 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 3 October 2023 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 3 October 2023 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. 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

Zoe Lim Hoon Hwa

SSM PC No. 202108000147

MAICSA 7031771

Company Secretaries

Kuala Lumpur

3 October 2023

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 24 October 2023 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 Damanela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.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.

Explanatory Notes:

1. Resolution 1 - Director Fees And Directors' Other Benefits

Director Fees of RM548,000/- are inclusive of Board Committee Fees of RM148,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM68,000/-.

2. Resolution 2 - Re-Election Of A Director

The Nominating Committee ("NC") has considered the performance and contribution of the retiring Director seeking for re-election at the Sixtieth Annual General Meeting ("AGM"). The NC has further assessed the retiring Director in terms of his quality and integrity in complying with Paragraph 2.20A of the Main Market Listing Requirement. Based on the results of the Board Annual Assessment and Fit and Proper Assessment conducted for the financial year ended 30 June 2023, the performance and fit and properness of the retiring Director was found to be satisfactory.

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 Board meeting.

The details and profile of the Director who is standing for re-election at the Sixtieth AGM are provided in the Board of Directors section on page 83 of the Company's Annual Report 2023.

Notice of Annual General Meeting

(Cont'd)

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 November 2022 and which will lapse at the conclusion of the Sixtieth 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.

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 resolution, 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.

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 3 October 2023, which is available on the Company's website at www.hli.com.my/general-meetings-current/.

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 Sixtieth 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 Sixtieth Annual General Meeting.

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2023

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 2023 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	27	44,222
5¼ miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	41	665
5½ miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	32 - 42	18,694
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	38	723
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	33	2,239
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	30	2,497
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	14	31,288
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	28	11,337
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	27	8,189
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	32	7,116
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	63	15,810

Other Information

(Cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2023 (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 2023 (RM'000)
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara Kulai, Johor	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	21	822
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	26	428
P.T.531 to 534 & P.T.552 to 560 Taman Panchor Industrial Area, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2096	Vacant land	1998	1,117,627	-	4,000

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023

Class of Shares : Ordinary shares

Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 August 2023

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	439	9.07	8,318	0.00
100 – 1,000	1,958	40.46	1,263,475	0.40
1,001 – 10,000	1,906	39.39	7,055,887	2.21
10,001 – 100,000	448	9.26	12,978,506	4.06
100,001 – less than 5% of issued shares	87	1.80	59,949,589	18.76
5% and above of issued shares	1	0.02	238,217,035	74.57
	4,839	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 2023 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2023

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)	3,822,836	1.20
4. HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	3,500,377	1.09
5. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	3,219,000	1.00
6. AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad	2,641,500	0.83
7. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Fund	2,512,400	0.79
8. Soft Portfolio Sdn. Bhd.	2,512,000	0.79
9. Woo Khai Yoon	2,000,000	0.63
10. Hong Bee Hardware Company, Sdn. Berhad	1,971,333	0.62
11. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	1,905,300	0.60
12. HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse AG (SG-CLT-A-MY PR)	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. Cartaban Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad for Prulink Strategic Fund	1,308,700	0.41

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2023 (cont'd)

Name of Shareholders	No. of Shares	%
19. Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (F Templeton)	1,035,700	0.32
20. RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,000,000	0.31
21. Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Participating Fund	858,600	0.27
22. YBhg Datuk Kwek Leng San	832,500	0.26
23. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Equity Income Fund	825,600	0.26
24. Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM AHAM) (410195)	771,900	0.24
25. Maybank Nominees (Tempatan) Sdn Bhd - Medical Fund (IFM AHAM) (410222)	645,900	0.20
26. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund	530,000	0.17
27. Maybank Nominees (Tempatan) Sdn Bhd - Maybank Private Wealth Management for Wong Tuck Meng (PW-M00714)(420211)	521,800	0.16
28. Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (AHAM ABSR EQ)	514,667	0.16
29. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	506,400	0.16
30. Neoh Choo Ee & Company, Sdn. Berhad	506,000	0.16
	286,042,124	89.54

Other Information

(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2023 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2023 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")	-	-	240,330,170 [#]	75.23 [#]
3. HL Holdings Sdn Bhd	-	-	240,330,170 [*]	75.23 [*]
4. YBhg Tan Sri Quek Leng Chan	-	-	242,876,970 ^{**}	76.02 ^{**}
5. Hong Realty (Private) Limited	-	-	242,301,503 [^]	75.84 [^]
6. Hong Leong Investment Holdings Pte. Ltd.	-	-	242,301,503 [^]	75.84 [^]
7. Kwek Holdings Pte Ltd	-	-	242,301,503 [^]	75.84 [^]
8. Mr Kwek Leng Beng	-	-	242,301,503 [^]	75.84 [^]
9. Mr Kwek Leng Kee	-	-	242,301,503 [^]	75.84 [^]
10. Davos Investment Holdings Private Limited	-	-	242,301,503 [^]	75.84 [^]

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 2023

Subsequent to the financial year end, there was no change, as at 30 August 2023, 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 107 to 108 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. MATERIAL CONTRACTS

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

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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 Sixtieth 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, 1 November 2023 at 10.30 a.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1 To approve the payment of Director Fees and Directors' Other Benefits		
2 To re-elect YBhg Prof. Dato' Dr Jim Khor Mun Wei 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		

Dated this _____ day of _____ 2023

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 24 October 2023 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 duly authorised officer or 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 cosec-hlmg@hlmg.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 Sixtieth 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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