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## COMPANY PROFILE



# Hong Leong Industries Berhad ("HLI") is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

HLI is principally an investment holding company whilst the principal activities engaged by its subsidiaries are primarily in the consumer products segments involving in the manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, and manufacturing and sale of ceramic tiles. Other businesses include manufacturing and sale of fibre cement products, and distribution and trading of marine related products.

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

# CORPORATE INFORMATION

# Directors

- YBhg Datuk Kwek Leng San Chairman
- YBhg Dato' Jim Khor Mun Wei Group Managing Director
- Mr Peter Ho Kok Wai
- Ms Quek Sue Yian

- YBhg Datuk Noharuddin bin Nordin @ Harun
- Mr Edward Chin Fook Ling
- Ms Cheryl Khor Hui Peng

#### **COMPANY SECRETARIES**

Ms Wong Wei Fong Ms Valerie Mak Mew Chan

#### **AUDITORS**

KPMG PLT Level 10, KPMG Tower 8, First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan

Tel : 03-7721 3388 Fax : 03-7721 3399

#### **REGISTRAR**

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

Fax: 03-2088 8990

#### **REGISTERED OFFICE**

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

Tel : 03-2080 9200 Fax : 03-2080 9238

#### **COUNTRY OF INCORPORATION/DOMICILE**

A public limited company, incorporated and domiciled in Malaysia

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fifty-eighth Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 December 2021 at 3.00 p.m. in order:

- 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 2021.
- 2. To approve the payment of Director Fees of RM388,575/- (2020: RM382,000/-) for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM46,000/- from the Fifty-eighth Annual General Meeting ("AGM") to the Fifty-ninth AGM of the Company.

3. To re-elect the following Directors:

- (a) YBhg Datuk Kwek Leng San
- (b) Ms Quek Sue Yian
- (c) YBhq Datuk Noharuddin Bin Nordin @ Harun
- (d) Mr Edward Chin Fook Ling
- (e) Ms Cheryl Khor Hui Peng.
- 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

Resolution 4
Resolution 5

Resolution 6

Resolution 7

#### **SPECIAL BUSINESS**

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

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

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

**Resolution 8** 

#### 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 29 October 2021 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,

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd.)

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 9** 

#### 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 29 October 2021 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 10** 

#### 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 29 October 2021 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 11** 

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd.)

#### 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 HIIH

"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 29 October 2021 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 12** 

#### 10. **Ordinary Resolution**

Proposed Establishment Of A New Executive Share Scheme Comprising A Proposed New Executive Share
Option Scheme And A Proposed New Executive Share Grant Scheme Of Up To 10% Of The Total Issued
Ordinary Shares In Hong Leong Industries Berhad ("HLI") (Excluding Treasury Shares) For The Eligible
Executives And/Or Directors of HLI And Its Subsidiaries ("Eligible Executives") ("Proposed ESS")

"THAT, subject to the approvals of the relevant authorities and/or parties (where applicable) being obtained, approval be and is hereby given to the Directors of HLI ("Board of HLI") to:

- (i) establish and implement the Proposed ESS in accordance with the provisions of the bye-laws governing the Proposed ESS ("Bye-Laws"), a draft of which is set out in Appendix I of the Circular to Shareholders in relation to the Proposed ESS and Proposed Allocation (as define herein) dated 29 October 2021 ("Circular ESS"); and that the Proposed ESS shall be administered by the Board of HLI or the board of directors of relevant subsidiaries (in respect of Eligible Executives in the said subsidiary only) or a duly authorised committee thereof or an individual authorised by the relevant board of directors;
- (ii) allot and issue such number of new ordinary shares in HLI ("Shares"), transfer treasury Shares, transfer existing Shares and/or cash settle, from time to time to the Eligible Executives upon the vesting of grants and/or exercise of options, subject to the terms and conditions of the Bye-Laws, provided that the aggregate number of Shares available under the Proposed ESS and any other executive share scheme established by the Company which are still subsisting, shall not exceed an amount equivalent to 10% of the total issued Shares (excluding treasury Shares) at any one time during the duration of the Proposed ESS; and that any new Shares which are to be allotted and issued pursuant to the Proposed ESS, shall upon allotment and issue, rank equally in all respects with the existing issued Shares, except that they will not rank for any dividend, right, entitlement and/or distribution, in respect of which the record date precedes the allotment date of the new Shares and will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise;
- (iii) add, amend, modify and/or delete all or any part of the terms and conditions as set out in the Bye-Laws, from time to time provided that such addition, amendment, modification and/or deletion are effected in accordance with the provisions of the Bye-Laws; and

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd.)

(iv) do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions to delegate its power as may be necessary or expedient in order to give full effect to the Proposed ESS.

**THAT** the Board of HLI be and is hereby authorised to give effect to the Proposed ESS with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and take all such steps and do all acts, deeds and things as they may consider necessary and/or expedient to implement, finalise and give full effect to the Proposed ESS as the Board of HLI deems fit, appropriate and in the best interest of the Company;

**AND THAT** the draft Bye-Laws of the Proposed ESS as set out in Appendix I of the Circular - ESS which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad be and is hereby approved."

**Resolution 13** 

#### 11. **Ordinary Resolution**

- Proposed Allocation Of Options And/Or Grants To The Group Managing Director Of HLI

"THAT subject to the passing of Ordinary Resolution 13 above and for so long as such approval remains in force and the approvals of all relevant authorities and/or parties (where applicable) being obtained, authority be and is hereby given to the Board of HLI, from time to time, to offer to YBhg Dato' Jim Khor Mun Wei, the Group Managing Director of HLI, options to subscribe for/purchase such number of Shares and/or grants comprising such number of Shares under the Proposed ESS as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate (as defined in the Bye-Laws) are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the total issued Shares (excluding treasury Shares) subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws."

Resolution 14

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

By Order of the Board

Wong Wei Fong SSM PC No. 201908001352 MAICSA 7006751

Valerie Mak Mew Chan SSM PC No. 202008002623 MAICSA 7017944

Company Secretaries

Kuala Lumpur 29 October 2021

## NOTICE OF ANNUAL GENERAL MEETING

(cont'd.)

#### Notes:

- 1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be held in Malaysia and the Chairman shall be present at the main venue of the AGM. No shareholders/proxies will be allowed to be physically present at the broadcast venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.
- 2. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 25 November 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 3. 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 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.
- 4. 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.
- 5. The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at <a href="mailto:cosec-hlmg@hongleong.com.my">cosec-hlmg@hongleong.com.my</a>, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.
- 6. 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 RM388,575/- are inclusive of Board Committee Fees of RM142,000/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM46,000/-.

2. Resolutions 2 to 6 - Re-election of Directors

The Nominating Committee ("NC") has considered the performance and contribution of each of the retiring Directors and have also assessed the independence of the Independent Non-Executive Directors ("IDS") seeking for re-election at the Fifty-eighth Annual General Meeting ("AGM"). Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2021, the performance of each of the retiring Directors was found to be satisfactory with the retiring IDs complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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

The details and profiles of the Directors who are standing for re-election at the Fifty-eighth AGM are provided in the Board of Directors section on pages 10 to 12 of the Company's Annual Report 2021.

3. Resolution 8 - Authority To Directors To Allot Shares

The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares of the Company from time to time and expand the mandate to grant rights to subscribe for shares in the Company, convert any security into shares in the Company, or allot shares under an agreement or option or offer, provided that the aggregate number of shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued shares (excluding treasury shares) of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next 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 4 November 2020 and which will lapse at the conclusion of the Fifty-eighth 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.

# NOTICE OF ANNUAL GENERAL MEETING (cont'd.)

#### Explanatory Notes: (cont'd.)

4. Resolutions 9 to 12 - 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").

5. Resolutions 13 to 14 - Proposed ESS and Proposed Allocation

The Company currrently has in place an existing 10-year executive share option scheme ("Existing ESOS") which was implemented on 8 March 2013, and thereafter, on 28 February 2014, upon implementation of the executive share grant scheme ("Existing ESGS"), the Existing ESOS and Existing ESGS were renamed as the Executive Share Scheme ("Existing ESS").

The Existing ESS has a remaining period of approximately 1.5 years up to its expiry on 7 March 2023. In view that most of the options offers and/or grant offers ("Offers") are performance based with performance period straddling 3 years or more, new Offers will need to be made under a new executive share scheme with a longer expiry period ("Proposed ESS"). Notwithstanding the establishment and implementation of the Proposed ESS, the aggregate number of ordinary shares ("Shares") available under the Proposed ESS and the Existing ESS shall not, in any event, exceed 10% of the Company's total issued Shares (excluding treasury Shares) at any one time.

The proposed ordinary resolutions, if passed, will enable the Company to align the long-term interests of eligible executives and/or directors of HLI and its subsidiaries with those of the shareholders of the Company, as well as to motivate and reward them.

Detailed information on the Proposed Shareholders' Mandate, Proposed ESS and the Proposed Allocation is set out in the Circulars to Shareholders dated 29 October 2021, which are available on the Company's website at <a href="https://www.hli.com.my/gm\_/current.php">www.hli.com.my/gm\_/current.php</a>.

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

- 1. Details of individuals who are standing for election as Directors
  - No individual is seeking election as a Director at the Fifty-eighth Annual General Meeting of the Company.
- 2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad
  - Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of the Fifty-eighth Annual General Meeting.

## BOARD OF DIRECTORS

#### YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent Age 66, Male, Singaporean Datuk Kwek Leng San graduated from University of London with a Bachelor of Science (Engineering). He also holds a Master of Science (Finance) from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

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

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

#### YBHG DATO' JIM KHOR MUN WEI

Group Managing Director/ Non-Independent Age 57, Male, Malaysian Dato' Jim Khor Mun Wei graduated with a Bachelor of Engineering (Mechanical) from Glamorgan University, United Kingdom ("UK"). He further obtained his Master in Business Administration from University of South Australia in 2009.

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

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

#### MR PETER HO KOK WAI

Non-Executive Director/ Independent Age 62, Male, Malaysian Mr Peter Ho Kok Wai is a Member of the Malaysian Institute of Accountants ("MIA"), Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants ("MICPA").

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

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

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

# BOARD OF DIRECTORS (cont'd.)

#### MS QUEK SUE YIAN

Non-Executive Director/ Non-Independent Age 46, Female, Malaysian Ms Quek Sue Yian graduated from Brunel University London with a Bachelor of Law and qualified as a Barrister-at-Law from Middle Temple. She also holds a Master of Science in Poverty Reduction and Development Management from University of Birmingham and a Diploma in Child Psychology and Learning Disorders.

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

Ms Quek is the Founder of Wisdom Club for Children, a charity that runs literacy projects. Ms Quek is a founding member of Anyaman Preschool, a kindergarten. She is also a Director and Shareholder of Beyond Academics, an inclusive school. She helped start up 'Voice of the Children', a children's rights advocacy Non Governmental Organisation. Ms Quek is a published author of several children books. Her book, Kailash, was a recipient of the White Raven Award 2014. She is also a gold medalist in the 2017 Sea Games.

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

### YBHG DATUK NOHARUDDIN BIN NORDIN @ HARUN

Non-Executive Director/ Independent Age 65, Male, Malaysian Datuk Noharuddin bin Nordin @ Harun graduated with a Master of Business Administration from University of Birmingham, UK and a Member of the Chartered Institute of Transport (UK). He completed the Advance Management Programme in Harvard Business School, the United States of America ("USA") and Leaders in Governance Programme in School of Public Policy, Singapore. He also holds a Diploma in Public Administration from National Institute of Public Administration, Malaysia and a Diploma in Trade Policy from GATT, Geneva, Switzerland.

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

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

He is a Director of Apex Healthcare Berhad, a company listed on the Main Market of Bursa Securities.

# BOARD OF DIRECTORS (cont'd.)

# MR EDWARD CHIN FOOK LING

Non-Executive Director/ Independent Age 60, Male, Australian Mr Edward Chin Fook Ling graduated from Oxford University with a Bachelor of Arts (First Class Honours) in Mathematics.

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

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

#### MS CHERYL KHOR HUI PENG

Non-Executive Director/ Independent Age 46, Female, Malaysian Ms Cheryl Khor Hui Peng graduated from University Putra Malaysia with a Bachelor of Mathematics (Honours). She is a member of the MICPA, MIA, Institute of Internal Auditors Malaysia (IIAM) and Malaysian Association of Risk and Insurance Management (MARIM).

Ms Cheryl Khor has more than twenty-three (23) years of experience covering financial, operational and internal audits as well as governance, controls, sustainability, internal audit and risk assessments for many clients across a broad range of industries. She is also a Fellow and Faculty Member of the Institute of Corporate Directors Malaysia (ICDM) where she conducts training for directors on various board and governance topics across all 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 and VSTECS Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of Chubb Insurance Malaysia Berhad, a public company.

#### Notes:

#### 1. Family Relationship with Director and/or Major Shareholder

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

#### 2. Conflict of Interest

None of the Directors has any conflict of interest with HLI.

#### 3. Conviction of Offences

None of the Directors has been convicted of any offences (excluding traffic offences) within the past five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

#### 4. Attendance of Directors

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

## KEY SENIOR MANAGEMENT

#### MR GRAEME WALWYN

Managing Director, Hume Cemboard Industries Sdn Bhd Age 54, Male, British Mr Graeme Walwyn graduated from Staffordshire University, United Kingdom ("UK") with a Higher National Certificate in Electrical/Electronic Engineering and Bachelor of Arts degree in Business Studies.

Mr Graeme began his career with Michelin Tyres PLC ("Michelin") in the UK in 1984, starting as an Electrical and Electronics Engineering Apprentice. During his 12 years at Michelin, he was promoted through several different positions, including Industrial Engineer and Quality Assurance Manager.

Mr Graeme continued his manufacturing career and education in a variety of industries in the UK until he was transferred to Malaysia in October 2000 by Linatex Ltd to look after the business in the Asian region. In 2005, he then moved on to Ansell Ltd where he held two global roles, looking after 17 factories worldwide, and completed his 6 Sigma Black Belt certification before moving to the WEIR Group PLC in 2010, as a consultant for Quicksilver Management Services Ltd, to focus on building a state-of-the art factory in Malaysia while transforming the current operations to become world class standard. Subsequently, he held the position of Chief Operating Officer for the Malaysian government-linked company, UEM Edgenta Berhad, where he was responsible for 4 major businesses involved in the Infrastructure, Medical and Real Estate sectors.

In July 2020, Mr Graeme joined Hume Cemboard Industries Sdn Bhd as Managing Director.

#### MS SALLY CHENG LI YONG

Managing Director, Guocera Sdn Bhd Age 44, 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.

#### Notes

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

None of the Key Senior Management has any conflict of interest with HLI.

3. Conviction of Offences

None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past five (5) years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2021.

# 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 2021 ("FY2021").

On behalf of the Board, I would like to first wish everyone the best of health in this Coronavirus disease 2019 ("Covid-19") pandemic time. I am glad to inform you that our management has taken very active steps to encourage Covid-19 vaccinations for the safety of our employees. To-date, we have achieved more than 80% full vaccination status for our employees.

Despite a very difficult operating environment in FY2021, with negative impact on the supply chain and less than 100% workforce capacity allowed in our factories, the Group has achieved a satisfactory set of results due to the resilience and conviction of our people.

For FY2021, the Group (excluding Discontinued Operations) achieved a higher revenue of RM2,633 million as compared with RM2,313 million for the previous financial year ended 30 June 2020 ("FY2020"). Profit before tax ("PBT") for FY2021 was also higher at RM472 million as compared with RM323 million for FY2020. The Company declared and paid a total dividend of RM166 million for FY2021 as a result of healthy cash generation.

In FY2021, we expanded our production capacity in our Yamaha factory, upgraded some of our tiles production lines, prepared new products and further contained our cost. All these activities were undertaken to ensure that we would be well positioned to sustain and let our business grow.

On behalf of the Board, I warmly welcome Mr Edward Chin Fook Ling and Ms Cheryl Khor Hui Peng who were appointed as Independent Non-Executive Directors of the Company during FY2021 and I look forward to their support and contributions.

I also extend our sincere appreciation to YBhg Dato' Dr Zaha Rina binti Zahari who has stepped down during FY 2021 after serving more than 9 years as an Independent Non-Executive Director of the Company for her valuable guidance and contributions towards the growth of the Group. I wish her well in her future endeavours.

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

**DATUK KWEK LENG SAN** Chairman



# MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

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



HLI is principally engaged in the Consumer Products segment which comprises manufacturing, assembling and distribution of motorcycles, scooters and related parts and products and manufacturing and sale of ceramic tiles.

HLI is also involved in other businesses including manufacturing and sale of fibre cement products and distribution, trading and provision of services in marine related products.

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

The Group's businesses are largely in Malaysia which accounted for 94% (2020: 93%) of the Group's total revenue for the financial year ended 30 June 2021 ("FY2021").

GROUP'S FINANCIAL PERFORMANCE

For FY2021, the Group (excluding Discontinued Operations) recorded higher revenue of RM2,633 million as compared with RM2,313 million for the previous financial year ended 30 June 2020 ("FY2020").



Profit before tax ("PBT") for FY2021 was also higher at RM472 million as compared with RM323 million for FY2020. The PBT growth was mainly due to the higher sales recorded across all product segments. The increase was however partly offset by the ongoing impact of the Covid-19 pandemic and related containment measures in the last quarter of FY2021 and lower profit contribution from associated companies in FY2021.

Apart from focusing on revenue growth, the Group has been continuously driving digitalisation and transformation efforts to enhance automation, improve operational efficiencies and reduce structural costs to enhance the Group's competitive advantage.

#### CONSUMER PRODUCTS SEGMENT

The Consumer Products segment sells motorcycles under the Yamaha brand while ceramic tiles are distributed and sold under the Guocera brand. Sales and distribution of consumer products are generally undertaken through strategic partnerships with key distributors and dealers.

#### MOTORCYCLE

#### **OVERVIEW**

Hong Leong Yamaha Motor Sdn Bhd ("HLYM") commenced in 1978 with the signing of the 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 Malaysia.

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

#### PERFORMANCE REVIEW

Malaysia's total motorcycle industry sales volume rebounded 24% to achieve a record high of 655,000 units in FY2021 from 527,000 units in FY2020. This was a feat given that the industry faced nearly two months of total lockdown due to the Covid-19 restrictions. The market surged particularly in the second half of second half of FY2021 due to the stimulus packages announced by the government to spur economic activities.

FY2021 was a challenging yet a successful year as Yamaha continued to uphold its market leadership position despite facing supply chain interruptions. The success was driven by HLYM's continued investments into the development of new models to provide Malaysian consumers with a fresh range of innovative motorcycles.

In FY2021, HLYM launched a total of five new Yamaha models, including some major facelift models introduced into the market to enhance Yamaha's product line-up for the medium-term. The street segment has remained relatively untapped by Japanese bike makers for several years now. Seizing this potential, two new and iconic Yamaha Street models in the 155cc and 250cc segment were launched in in the second quarter of FY2021. With further growth anticipated in the premium moped segment, Yamaha launched its most premium and state-of-the-art 155cc moped in March 2021 to capitalise on the opportunity. Additionally, FY2021 also saw many model changes taking place to refresh the specs and styling of Yamaha's line-up, in preparation for the medium-term growth.

With growing demand for Yamaha's products, HLYM's capacity expansion plans were expedited to fulfil the piling orders and to meet the future growth of the business. Several new facilities have been installed and mass production commenced in FY2021 to increase supply output. A new assembly line and inspection facility, equipped with the latest motorcycle evaluation technology, were installed to produce motorcycles of the highest quality.

# MANAGEMENT DISCUSSION AND ANALYSIS (cont'd.)

#### MOTORCYCLE - PERFORMANCE REVIEW (cont'd.)

Moving forward, the management will continue to elevate its overall process capability and capacity, especially in its upstream processes, to improve customers' satisfaction on quality, cost and delivery. Apart from investments into the plant's facilities and infrastructure, the Company has also focused on human capital development through its in-house talent development and upskilling programs.

HLYM has also made significant investments to create a vast network of after-sales service offering through its Yamaha Quality Service (YQS) network to maintain its status as a leading motorcycle manufacturer and distributor amidst a dynamically changing market environment. HLYM will also launch an initiative to grow the after-sales channel through the 1C5S (Customer, Sales, Service, Spare parts, Safety and Society), covering the whole spectrum of after-sales service convenience. 1C5S will be a widespread programme to enhance the capability of the entire Yamaha network.

HLYM will also continue to roll out many initiatives to further enhance and differentiate the Yamaha brand from its competitors in the marketplace. Additionally, Yamaha's active involvement and dominance in the local motorsports scene are expected to continue to showcase the strong performance and durability of Yamaha's products and brand.

Looking to the future, HLYM has strategically mapped out its Fourth Industrial Revolution (IR4) and business digitalisation roadmap as part of its future-proofing strategy and business continuity initiatives to position the company for growth and competitive advantage in the long term. Active brand engagement and communications continued through the lockdowns as HLYM promptly responded to market changes and proactively migrated all marketing activities onto the digital front. These include all new product launches, skills training for mechanics, safe riding public courses, road safety awareness and other brand engagement activities.

On the Vietnam front, total motorcycle industry demand declined marginally by 5% to 2,815,000 units in FY2021 from FY2020. This was mainly attributed to the full-year impact of the Covid-19 pandemic-related economic slowdown in FY2021 as opposed to the half-year impact seen in FY2020. Sales of motorcycles from Yamaha Vietnam (YMVN) were also marginally lower in FY2021 but sustained above the 500,000-unit level. Nevertheless, there was slight improvement in YMVN's market share, contributed by the introduction of the new class-leading 155cc moped into the Vietnam market. This new model is expected to have a strong following and help bolster a strong product foundation for the near-term uncertainties ahead in the Vietnam market.



#### CONSUMER PRODUCTS SEGMENT (cont'd.)



#### **CERAMIC TILES**

#### OVERVIEW

Guocera Holdings Sdn Bhd ("GHSB") is the holding company for the tile businesses of HLI. GHSB manufactures and distributes a full range of ceramic and porcelain tiles for sale globally, through its two manufacturing facilities located in Kluang, Johor and Meru, Selangor respectively ("GHSB Group").

Guocera is a well-recognised brand in Malaysia and its key international markets especially Vietnam, Thailand, Singapore and Australia for the past 40 years.

Ceramic and porcelain tiles continue to gain popularity following the introduction of inkjet printing technology which enable textures of materials such as marble, stone, cement and wood to be replicated on tiles, thereby blending the beauty of natural materials with the consistency, durability and strength of tiles, especially porcelain tiles. As a result, ceramic and porcelain tiles are now the specified product in a wide range of applications for both residential and commercial usage.

#### PERFORMANCE REVIEW

Despite the ongoing global Covid-19 pandemic and property oversupply situation in Malaysia, GHSB Group has been achieving consistent profits since the first quarter of FY2021 given its improved business and operational performance. GHSB Group's manufacturing facilities in Meru, Selangor has been upgraded with improved plant productivity that resulted in lower unit cost of production. Profit margin has also improved with the increased average selling price of new products like the Diamond surface products under the Home Collections and InMagine products under the Lifestyle Collection.

GHSB Group's new strategy is to move away from ceramics to focus on the mid to high-end market segments for porcelain tiles, particularly those with distinctive product features and concept-based selling. The immediate and long-term plans are to broaden and deepen market penetration for both domestic and international channels. The Company will also accelerate new product development of its "Home & Lifestyle Collections"; build its branding via marketing and customer engagement activities to key influencers; improve production capabilities through the adoption of the 4M (Material, Method, Machine, Man) concept and enhance manufacturing efficiency through continuous cost-down programmes.

OTHER BUSINESSES

FIBRE CEMENT BOARD

Fibre cement boards

are distributed and sold

under the brand name

"PRIMABOARD". The

products are distributed

to both local and overseas

markets via both retail and

project channels.



#### **OVERVIEW**

Hume Cemboard Industries Sdn Bhd ("HCBI"), a wholly-owned subsidiary of HLI, started its fibre cement board manufacturing in 1982. HCBI manufactures and distributes a range of products which comprises cellulose fibre cement board in multiple thickness and dimensions and for diverse applications. Fibre cement board products are made from exceptional grade cellulose fibre, top quality cement, high specification sand and softened water. Fibre cement boards are widely used for the internal linings of homes, the external architectural cladding for buildings and also as the permanent formwork of flyovers and bridges.

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

#### PERFORMANCE REVIEW

After rationalisation to focus on higher margin products in FY2020, HCBI has reorganised its organisational structure with appointments of a new management team in FY2021. HCBI has turned around to profitability in FY2021 thanks to growth in domestic sales and significant cost reductions contributed by productivity improvements.

Moving forward, HCBI determines to drive extensive Continuous Plant Improvements to strengthen the foundations built in FY2021. These efforts are expected to drive better penetration in targeted export markets through collaboration with GHSB. HCBI endeavours to optimise its present assets to achieve a strong organic growth in its revenue and profit growth in the next few years.

OTHER BUSINESSES (cont'd.)

#### MARINE-RELATED PRODUCTS

Marine-related products, specifically, the Yamaha outboard motor products are distributed and sold through strategic partnership with key distributors and dealers.



#### OVERVIEW

HLY Marine Sdn Bhd ("HYM"), a wholly-owned subsidiary of HLI, was appointed as the exclusive distributor of Yamaha outboard motor products in Malaysia since April 2017. The company currently operates from Sungai Buloh, Selangor, Malaysia and has four branches in West Malaysia. Its revenue comprises sales of Yamaha outboard motors, after-sales services and sales of spare parts related to the outboard motors.

#### PERFORMANCE REVIEW

HYM performed well in FY2021 despite the challenges brought by the Covid-19 pandemic. HYM managed to sustain its leadership position in the outboard motor market in West Malaysia. HYM achieved a 17% growth in revenue and recorded improved profitability in FY2021. The improved performance was contributed mainly by the sales growth in the fishermen market segment and from capturing demand from the enforcement authorities market including for the usage by the navy as well as the fire and rescue's marine department. Moving forward, HYM targets to penetrate and gain market share in market segments where currently it still has weaker presence. HYM is also well positioned to capture the demand for outboard motors in tourism industry and sport fishing segments when these markets recover from the pandemic.



#### RISKS AND OPPORTUNITIES

The adverse impact of the Covid-19 pandemic has extended into financial year ending 30 June 2022, with continued movement controls and restrictions imposed in various states of Malaysia for the months of July and August 2021. The risk of intermittent pandemic-related movement controls in the future remains a risk that may impact operations and growth plans for the respective businesses. Since the pandemic has impacted the world, there is also concern of disruptions in the global supply chain that may affect the production and delivery of Completely Knocked Down ("CKD") parts for motorcycles as well as the supply of key materials for production of other products.

To mitigate the risk of business disruption, the Group has implemented stringent SOPs and Covid-19 preventive measures in the workplace. The Group has also adopted a more prudent inventory management approach for CKD parts of motorcycles and key raw materials for products across its businesses. Management will also continue to diversify the supply sources for its key materials as well as develop alternate materials through research and development. Operational excellence remains the key focus to deliver structural cost savings. Marketing efforts will be targeted at specific markets or countries that less affected by the pandemic and the Group will also intensify its leveraging of digital marketing to maintain consistent engagement with customers.

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

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

#### DIVIDEND

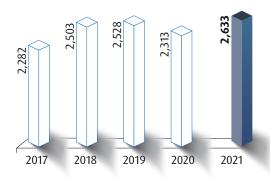
The Company declared and paid a first and second interim single tier dividends totalling 52 sen per share for FY2021, as compared to the total dividends of 42 sen per share in FY2020.

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

# GROUP FINANCIAL HIGHLIGHTS

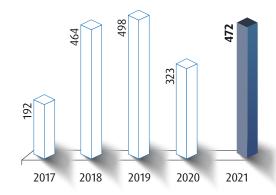
RM'million	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue	2,282	2,503	2,528	2,313	2,633
Profit Before Taxation	192	464	498	323	472
Profit attributable to Owners of the Company	103	335	327	169	292
Net Earnings per share (sen)	33	108	104	54	93
Net Dividend per share (sen)	45	47	50	42	52
Total Equity	1,383	1,585	1,763	1,838	2,014
Total Assets	1,837	2,014	2,179	2,199	2,366
Capital Expenditure	58	38	38	57	51

# **REVENUE** (RM'million)



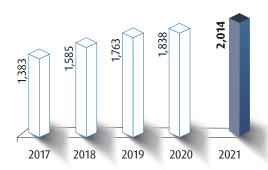
#### **PROFIT BEFORE TAXATION**

(RM'million)



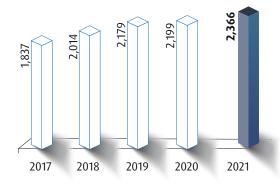
#### **TOTAL EQUITY**

(RM'million)



#### **TOTAL ASSETS**

(RM'million)



## SUSTAINABILITY STATEMENT

#### **GROUP STATEMENT ON SUSTAINABILITY**

# Hong Leong Group is built on the strong heritage of value creation for the stakeholders and communities within which Hong Leong Industries Berhad and its subsidiaries (the "Group") operate.

Over the years, the Group has taken a progressive approach in integrating sustainability into its businesses, towards a stronger and more resilient Group. The Group is committed to growing its businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact to stakeholders and contributing to communities.

The Group's sustainability efforts reflect its commitment towards maximising opportunities for stronger fiscal growth and optimising operational efficiency, while at the same time creating long-term value in accordance with economic, environmental and social considerations.

The Group works closely with a broad spectrum of stakeholders to ensure its businesses are conducted with integrity and with cognisance of its impact on communities and society. In the course of developing this report, the Group has methodically applied distinct, forward-looking values, namely quality, entrepreneurship, innovation, honour, human resources, unity, progress and social responsibilities. These values serve to drive the Group's focus on a long-term view of social and environmental business imperatives that help shape the Group's future.

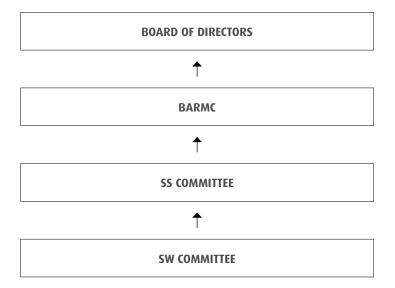
Honour	To conduct business with honour	
Human Resources	To enhance the quality of human resources as the essence of management excellence	
Entrepreneurship	To pursue management vision and foster entrepreneurship	
Innovation	To nurture and be committed to innovation	
Quality	To consistently provide goods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

The Group is committed to ensuring that responsibility towards society and environment is guided by the Hong Leong Group's core values.

# SUSTAINABILITY STATEMENT (cont'd.)

#### **GOVERNANCE STRUCTURE**

The sustainability governance structure of the Group comprises the Board of Directors ("Board") as the highest governing body. The Board plays an integral role by approving a sustainability framework and deliberating on reports from the Board Audit and Risk Management Committee ("BARMC") covering sustainability and risk governance issues. The Sustainability Steering ("SS") Committee, which includes the Group Managing Director and the Chief Financial Officer, acts as a guiding role and bridge between the Sustainability Working ("SW") Committee with the Board and BARMC. The SW Committee comprises Operating Managers and Heads of Department of operating companies. This structure enables the Group to continue to add value to its stakeholders in all aspects of its businesses.



#### SCOPE OF THIS STATEMENT

This statement focuses on sustainability efforts undertaken by the Group's key operating companies. This sustainability reporting covers the economic, environmental, and social aspects of the key operations within the Group in Malaysia from 1 July 2020 to 30 June 2021 ("Sustainability Statement" or "the Statement").

Key operations within the Group in Malaysia:

Operating Companies	Manufacturing Plant Location	Principal Business
Hong Leong Yamaha Motor Sdn Bhd ("HLYM")	Selangor	Manufacture, assemble and distribute motorcycles, scooters and related parts and products.
Guocera Holdings Sdn Bhd ("GHSB") and its subsidiaries ("Guocera")	Selangor and Johor	Manufacture and sale of ceramic tiles and investment holding.
Hume Cemboard Industries Sdn Bhd ("HCBI")	Selangor and Perak	Manufacture and sale of fibre cement board products.

The Statement was prepared in accordance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to Sustainability Statement in Annual Reports. We have aligned our initiatives to best practices, sustainability guidelines, standards and frameworks, and will continue to do so moving forward in order to provide all our stakeholders with accurate, reliable and relevant information on our sustainability performance and targets.

# SUSTAINABILITY STATEMENT

(cont'd.)

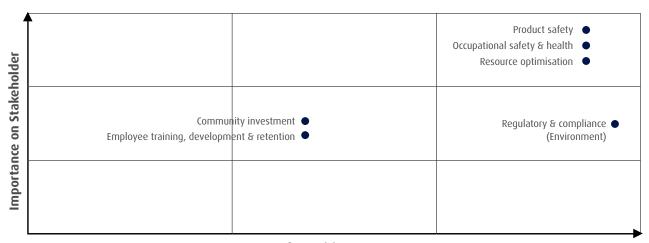
#### STAKEHOLDER ENGAGEMENT

The Group understands that stakeholder engagement is crucial to the success, growth and survival of its businesses. The Group strives to foster strong and long-term relationships with its stakeholders at all levels. Through dedicated communication mechanisms, the Group has collected and incorporated important stakeholders' feedback into its sustainability strategies. The table below summarises the stakeholder engagement approaches and the identified main sustainability concerns.

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

#### THE MATERIALITY MATRIX

The Group applies a progressive approach to sustainability reporting. Through communication with and feedback from key stakeholders, the Group has identified sustainability issues that matter to stakeholders across economic, environmental, and social aspects.



Impact to company

## SUSTAINABILITY STATEMENT

(cont'd.)

#### 1. PRODUCT SAFETY

i. Product safety education (training on safe use of products):

Operating Companies	Initiatives
HLYM	Yamaha Road Safety Campaign
	<ul> <li>Safety Riding Training Course (SRTC) and Marshal Riding Training (MRT)</li> </ul>
	Technical Training Programmes
Guocera	Technical training on properties and applications of ceramic tiles to ensure safe use
	Establishment of Tiles And Beyond (TAB) Academy
HCBI	PRIMA product and technical training on usage and safety

Beyond meeting relevant safety standards and requirements, the Group takes product safety and quality further by adopting best practices throughout the design/planning, production, and supply stages of products, including educating consumers on the safe use of its products.

Some of the initiatives in this area include the following:

#### **HLYM**

HLYM, the franchise holder for CKD and CBU Yamaha motorcycles in Malaysia since 1978, has consistently carried out programmes with motorcyclists to create awareness on the importance of road safety.

#### Yamaha Cares Road Safety Campaign

HLYM and Malaysia Motorcycle and Scooter Dealers Association (MMSDA) have enhanced its road safety campaign by working with its authorised dealers around the country. This campaign drew a total of 58 dealers, the highest involvement of dealers since the programme's inception 22 years ago (formerly known as the Balik Kampung Road Safety Campaign).

This campaign was launched through Yamaha Motor Malaysia's official Facebook and Instagram social media platforms.







DEALERS PARTICIPATION IN THE YAMAHA CARES ROAD SAFETY CAMPAIGN

# SUSTAINABILITY STATEMENT (cont'd.)

#### 1. PRODUCT SAFETY (CONT'D.)

Product safety education (training on safe use of products): (cont'd.)
 HLYM (cont'd.)

#### Safety Riding Training Course (SRTC) And Marshal Riding Training (MRT)

HLYM held one session of the Safety Riding Training Course (SRTC) programme in August 2020 while adhering to strict SOPs as outlined in the National COVID-19 Guidelines. This event, which was held at its Motorcycle Education and Training Academy (META) Centre, drew a total of 15 participants.

Aside from SRTC, HLYM also launched a new curriculum in July 2020 called the Marshall Riding Training (MRT). The purpose of this training is to provide knowledge and skills on how to conduct a safe motorcycle convoy. Its team had trained and qualified 17 internal employees to serve as marshal and riding instructors in this programme.





THEORY SESSION

CERTIFICATION





CONVOY ACTIVITIES SIMULATION

<u>Technical Training Programmes (Yamaha Technical Academy, Yamaha Parts and Accessories Academy, Yamaha Diagnostic Tools and New Product Training)</u>

Despite challenges posed by the COVID-19 pandemic, HLYM adapted and continued its technical training programmes to accelerate the upgrading of technical skills among Yamaha dealers, technicians and parts personnel. After the implementation of the Conditional Movement Control Order (CMCO), the team quickly pivoted to offer online learning for some of its existing programmes.

# SUSTAINABILITY STATEMENT

(cont'd.)

#### 1. PRODUCT SAFETY (CONT'D.)

#### i. Product safety education (training on safe use of products): (cont'd.)

#### HLYM (cont'd.)

The online platform enabled HLYM to reach out to more participants nationwide. In total, 1,746 participants attended its trainings for the year 2020 – 2021, as enumerated below:

Program	No. of Sessions Conducted	No. of Pax
Yamaha Technical Academy – Bronze Level	2	18
Yamaha Technical Academy – Silver Level	3	20
Yamaha Parts and Accessories Academy - YPA Bronze	7	126
Yamaha Diagnostic Tools	4	116
New Product Training	4	1,466
Total	20	1,746

HLYM has designed and introduced short courses as part of a collaborative effort to increase customer satisfaction. The Customer Service Training was one of the first courses established this year, and it teaches participants both practical and soft skills in customer service management. This session was attended by 76 employees of Yamaha dealers.





PHYSICAL AND ONLINE TRAINNING PROGRAMMES WITH EMPLOYEES OF YAMAHA DEALERS

#### Guocera

Guocera is dedicated to providing quality tiles with safety measures in mind through stringent measures of testing and research. The operation conducts regular technical training on the properties and applications of ceramic tiles for developers, contractors, specifiers, distributors as well as the sales team on the correct selection and safe usage of products. The training content covers education on the properties of tiles which explains, amongst others, the importance of using suitable materials and proper installation methods to prevent potential tiling failures which could pose as a safety hazard.

Physical properties such as the slip resistance of tiles are made known to customers and the slip resistance rating is specified in product brochures. Guocera also provides guidance on choice and suitability of tiles for the right application, e.g., tiles with anti-slip properties to be specified for wet areas. Guocera's testing facility in Ceramic Research Company Sdn Bhd (CRC), a subsidiary of GHSB, which is accredited with the ISO/IEC 17025 standard, provides ISO anti-slip testing as well as relevant dimensional, physical and chemical properties for the tile industry in conformity to international standards.

# SUSTAINABILITY STATEMENT (cont'd.)

#### 1. PRODUCT SAFETY (CONT'D.)

#### i. Product safety education (training on safe use of products): (cont'd.)

#### Guocera (cont'd.)

To further support knowledge development, Guocera launched their Tiles And Beyond Academy (TAB Academy) in May 2021, aiming to add value, educate and share knowledge with Guocera's internal and external stakeholders by offering structured trainings. The target audience include promoters of products (frontliners), architects, interior designers, quality surveyors, developers, contractors and its main producers – employees and suppliers. The trainings are also made accessible to all groups of employees who wish to further enhance their technical and product knowledge.

#### **HCBI**

HCBI conducts annual upskilling programmes for all its stakeholders – distributors, architects, hardware dealers, contractors as well as government agencies such as the Public Works Department (JKR). Physical product and technical training programmes were carried out before the CMCO took effect on March 5, 2021. During the CMCO period, HCBI continued to organise virtual trainings for stakeholders via digital platforms and expanded its reach to participants nationwide. A total of 15,329 participants attended the virtual trainings over the period of 2020 to 2021. Bahasa Malaysia (BM), English and Mandarin sessions were conducted to reach a wide and diverse audience.

Program	No of Sessions Conducted	No of Pax
General PRIMA Products Training	3 (BM, English and Mandarin)	3,989
High Value PRIMA Products Training	3 (BM, English and Mandarin)	3,366
PRIMA Planks and Its Diversification Usage Training	3 (BM, English and Mandarin)	7,974





(LEFT) PRODUCT SHARING SESSION FOR DISTRIBUTORS AND CONTRACTORS, AND (RIGHT) TECHNICAL SHARING SESSION FOR ARCHITECTS

#### ii. Continuous improvement

To ensure that the Group consistently produces high quality products, the Group has set in place policies to ensure that products are safe prior to distribution. For HLYM, quality assurance starts from the initial phase of model development. New products must go through a series of testing and evaluation to meet regulatory requirements prior to launching. This includes obtaining Vehicle Type Approval (VTA) for models – a procedure that is conducted by the Road Transport Department to ensure a vehicle's identity, dimension, weight, build characteristics and specifications are compliant with stipulations set under the Road Transport Act 1987 and Road Transport Rules. Certain models are outfitted with radio wave devices that are certified by the Malaysian Communications and Multimedia Commission (MCMC). During mass production stage, the motorcycles will undergo a list of inspections such as electrical inspection, performance test, speedometer, brake test, head light inspection, noise test, exhaust emission tests as well as appearance inspection. These tests are carried out in a rigorous manner to ensure that products delivered to customers meet high safety and quality standards.

HONG LEONG INDUSTRIES BERHAD

## SUSTAINABILITY STATEMENT

(cont'd.)

#### 1. PRODUCT SAFETY (CONT'D.)

#### ii. Continuous improvement (cont'd.)

For Guocera, its tiles go through a state-of-the-art sorting process. It consists of auto inspection by the surface quality machine to detect and segregate tiles with surface imperfections, followed by surface flatness and size measuring machine. Before shipment, the tiles are inspected by quality assurance inspectors. Tiles which involve safety criteria, such as slip resistance, are tested and rated to ensure compliance to slip resistance requirements. Critical properties such as water absorption and breaking strength are tested on a daily basis whilst the CRC conducts regular tests on tiles for confirmation purposes. Guocera also ensures that raw materials used in the manufacturing process are free from hazardous substances like lead, cadmium, antimony and asbestos. Hence, the tiles are safe for use on table-tops and food preparation areas. Guocera tiles are certified with a CE Mark, a certification mark of conformity with health, safety and environmental protection standards for products sold within the European Economic Area.

In addition, CRC started working on the development of an anti-bacterial/anti-viral tile which has a special activated surface that eliminates bacteria and viruses when it comes into contact with the tile surface. This product is capable of potentially reducing the transmission of harmful germs, providing a safer environment for health.

HCBI is committed to incorporating good quality and product safety into the manufacturing processes of PRIMA products. Its products are made safe for its valued customers and the environment. Manufacturing methods and processes are ISO certified, and PRIMA products are manufactured in a 100% asbestos free environment. Tests by external laboratories TÜV SÜD PSB Singapore, SGS Laboratories Taiwan and Korea Conformity Laboratories have shown that PRIMA products do not emit toxic gases.

The products also do not contain formaldehyde, a known carcinogen. It also has negligible emissions of total volatile organic compounds. An analysis by SIRIM Berhad showed that PRIMA products have trace amounts of heavy metal concentrations, way below the threshold of maximum acceptable levels. The test also showed that PRIMABOARD is pesticide-free. The Korea Atomic Energy Research Institute also conducted testing on PRIMABOARD which showed that the products do not contain radioactive components. PRIMA products have also received various green label certifications globally based on the ISO 14024 standard.

#### HLYM

- ISO9001:2015 (Quality Management System)
- ISO14001:2015 (Environment Management System)
- Vehicle Type Approval (VTA) for motorcycles
- · Certification of Communications Equipment, Malaysian Communications and Multimedia Commission
- ISO 37001 (Anti-bribery Management Systems)

#### Guocera

- MS ISO 13006 (Product Certification)
- EN14411:2012 (CE Mark)
- ISO9001:2015 (Quality Management System)
- ISO14001:2015 (Environment Management System)
- OHSAS 18001:2007 (Occupational Health and Safety Management System)
- SIRIM Eco Label
- ISO 37001 (Anti-bribery Management Systems)

# SUSTAINABILITY STATEMENT

(cont'd.)

#### 1. PRODUCT SAFETY (CONT'D.)

#### ii. Continuous improvement (cont'd.)

#### **HCBI**

- ISO9001:2015 (Quality Management System)
- ISO14001:2015 (Environment Management System)
- Singapore Green Label
- Korea Eco Label
- SIRIM Eco Label
- Myhijau Mark
- Class 'O' Certification by the Fire and Rescue Department of Malaysia (Jabatan Bomba & Penyelamat Malaysia)
- ISO 37001 (Anti-bribery Management Systems)

#### iii. 5S programme

All operating companies within the Group are required to implement a 5S programme as part of the culture. 5S is a workplace organisation method consisting of the principles *seiri* (sort), *seiton* (set in order), *seiso* (shine), *seiketsu* (standardise), *and shitsuke* (sustain). It describes how to organise a workspace for efficiency and effectiveness by identifying and storing used items, maintaining the organised area, and sustaining the new order. This programme serves as the foundation to the Group's operating companies in maintaining a sustainable environment to continuously improve processes, including those related to product safety and productivity gains. Annually, operating companies must review and plan ahead for yearly activities, including training, safety measures, improvement plans as well as periodic self-audit and third-party independent audit exercises to sustain the 5S programme.

#### 2. OCCUPATIONAL SAFETY AND HEALTH

Operating Companies	Initiatives	
HLYM	Safety and Health training to employees	
	Systematic Occupational Health Enhancement Level Programme (SoHelp) rating	
Guocera	Monitoring of work-related injuries and ill health	
	• 5S Committees	
	<ul> <li>Certified to Occupational Health And Safety Assessment Series (OHSAS) 18001: 2007</li> </ul>	
HCBI	Annual employee health screenings	
	• Department of Occupational Safety and Health (DOSH) Machinery Inspections and	
	Certifications	

The Group has active Occupational Safety and Health (OSH) committees at operating companies. At the same time, the Group also has 5S committees, which have practices and procedures to complement the safety and health efforts advocated by the OSH committees.

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

## SUSTAINABILITY STATEMENT

(cont'd.)

#### 2. OCCUPATIONAL SAFETY AND HEALTH (CONT'D.)

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

#### **HLYM**

HLYM prioritises workplace safety and has participated in the Systematic Occupational Health Enhancement Level Programme (SoHelp) that was implemented by the Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources. The programme was introduced following an increasing trend in reported cases of occupational diseases in Malaysia from 2012 to 2014 due to workers' exposure to noise, chemical and ergonomic risk factors.

Aimed at enhancing occupational health standards in the workplace, the programme was developed to tackle three risk factors: chemical management, ergonomic issues and hearing protection. It was designed to help industries comply with relevant regulations by focusing on high impact measures with low costs that could be easily implemented across various industries. HLYM participated in the programme in two phases, with three assessments conducted by the DOSH officers at the HLYM Complex on 7 July 2017, 16 November 2017 and 16 April 2018. HLYM received an overall "Excellent" rating from the Selangor DOSH following the assessments.

Since then, HLYM has complied with legal requirements for OSH by actively maintaining processes to mitigate workplace risks. This has resulted in the HLYM Complex achieving an "A" rating for three consecutive years since 2019, following annual inspections by the Selangor DOSH.

HLYM has also embarked on further enhancing OSH processes by participating in the SoHelp Do It Yourself (DIY) programme, which aims to further improve on the existing SoHelp programme. Participation in the programme is on a voluntary basis and requires companies to run the programme independently based on the SoHelp DIY Guide provided by the DOSH.

HLYM also established a COVID-19 Taskforce in July 2020, comprising 19 representatives from various departments. The taskforce's objectives are to monitor compliance with COVID-19 SOPs, coordinate and manage COVID-19 positive cases within departments including close contact tracing, and coordinate COVID-19 prevention programmes such as swab testing, sanitisation, awareness and promotion efforts. Deep sanitisation activities were conducted at the entire HLYM factory area and worker's hostel in May 2021. Swab tests were administered to workers in hostels in December 2020 and January 2021, and subsequently when required.

#### Guocera

Guocera's OSH system has been accredited with the Occupational Health and Safety Assessment Series (OHSAS) 18001: 2007 certification. Guocera is currently working on migrating its health and safety system to meet requirements under the ISO 45001: 2018 Occupational Health and Safety Management System (OHSMS) certification.

## SUSTAINABILITY STATEMENT

(cont'd.)

#### 3. RESOURCE OPTIMISATION

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

Key activities include:

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

The 3R programme is one of the key focus areas under HLYM's Environmental Management Programme. HLYM embarked on a digitalisation initiative to transform manual processes into digital formats to reduce paper usage in Financial Year 2020 (FY2020). Since the implementation of the initiative, HLYM has achieved a 10% reduction in paper usage.

#### i. Water recycling

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

Water Recycled & Reused (Guocera)

2021: **95%** 

2020: 95%

Water Recycled & Reused (HCBI)

2021: 70%

2020: 70%

For Guocera, 95% of wastewater generated from its production processes such as Raw Material Body (RMB), Glaze Preparation (GP), Glazing (GL), Trimming and Polishing is recycled and reused back in the RMB, Trimming and Polishing. It is a closed loop water recycling system whereby the wastewater is treated by the wastewater treatment plants (WWTPs) and is reused back in production processes. Therefore, water loss is less than 5% due to evaporation.

HCBI has incorporated water recycling as part of its manufacturing process. Fresh water used in softeners, water jetting systems, pump seals and steam generation is recycled back to HCBI's plant process water systems to be used in the raw material transportation during the wet process of product formation and in machine spray systems. HCBI is planning to implement rain water harvesting systems to be used in the manufacturing process in an effort to reduce the use of municipal water supplies.

### SUSTAINABILITY STATEMENT

(cont'd.)

#### 3. RESOURCES OPTIMISATION (CONT'D.)

#### ii. Energy consumption and energy efficiency

Energy is a significant component of the Group's operations as manufacturing plants are energy extensive. The Group strives to ensure that energy is consumed responsibly and efficiently to reduce carbon emissions as well as costs. The Group maintains the use of fuel from non-renewable sources which is closely monitored to avoid wastages. During FY2021, the operating companies have initiated some of the energy saving activities listed below.

#### **HLYM**

HLYM completed its first phase of solar panel installation in FY2020. The solar panel has a capacity of 36 kilowatt peak (kWp) and generated about 47,000 kilowatt hour (kWh) in 2020, which will reduce about 34 metric tonnes of CO2 emissions. HLYM continued with the second phase of the solar panel installation in December 2020, with a capacity of 72 kWp which is expected to reduce 68 metric tonnes of CO2 emissions annually.

In addition to leveraging on renewable energy, HLYM has also taken initiatives to reduce carbon emissions in its manufacturing processes in FY2020. These include the conversion of diesel forklifts to electric forklifts, reorganisation of processes to reduce travelling distances of lorries and a new SOP requiring engines be turned off during unloading of materials and products. The projected reduction in carbon emissions is as follows.

CO2 Emission Reducing Initiative	Amount of CO2 Reductions (tonnes per annum)
Conversion of diesel forklift to electric forklift	8.52
Reduction in lorry travel distance	8.4

#### Guocera

Guocera replaced its conventional air compressor to the inverter type energy savings compressor. The company also installed inverters in all motors of the Spray Dryer and Ball Mills, Kilns and other equipment for efficient energy purposes. Most of the conventional lights have been replaced with energy-saving LED lights at the shop floor and offices. Guocera has also installed an energy-saving burner system at the Kilns as well as engaged an integrated heat recovery system for Kilns, Horizontal Dryer and Spray Dryer. These efforts have enabled heat from the Kiln to be recycled for the drying process at Horizontal Dryer and Spray Dryer, reducing the consumption of natural gas and improving energy efficiency.

#### **HCBI**

HCBI is in the process of replacing, by stages, their conventional light bulbs to LED bulbs. In addition, energy-saving programmes have also been identified to reduce air leakages throughout the plant, converting high consumption motors to inverter drives and exploring the use of natural gas-fired steam boilers for better energy efficiencies. HCBI also sources its cement and sand required in the manufacturing of PRIMA products from a former tin mine that is within 100km of its factory.

#### iii. Materials recycling

Guocera recycles tile rejects and dosing of sludge into its tiles' body formulation.

#### SUSTAINABILITY STATEMENT

(cont'd.)

#### 4. REGULATORY AND COMPLIANCE (ENVIRONMENT)

Operating Companies	Initiatives
HLYM	<ul> <li>Certified to ISO14001: 2015 (Environmental Management system)</li> </ul>
Guocera	Certified to ISO14001: 2015 (Environmental Management system)
HCBI	Certified to ISO14001: 2015 (Environmental Management system)

The Group sets objectives to meet standards and comply with regulations in environmental management by evaluating its businesses and operations periodically and takes active steps to reduce environmental impact wherever possible. Hazardous and non-hazardous emissions as well as effluents are generated from production processes. Therefore, the utmost priority is to reduce such emissions and wastes at the source, and perform recycling activities wherever possible.

In an effort to increase self-regulation and accountability in environmental impact reporting, HLYM adopted the Department of Environment's (DOE)'s Environmental Mainstreaming Tools (EMT). The tools were developed under the department's Guided Self-Regulation Programme to enable industry players to pursue development projects while:

- factoring in environmental agendas in decision making and management processes;
- achieving sustained environmental regulatory compliance that is beyond regulatory requirements; and,
- continuous environmental improvements.

#### The EMT cover seven areas:

- Environmental Policy
- Environmental Budgeting
- Environmental Monitoring Committee
- Environmental Facility
- Environmental Competency
- Environmental Reporting and Communication
- Environmental Transparency

Organisations have to submit an EMT Compliance Report to the DOE, with supporting documentation, following implementation of the EMT. In an assessment conducted by the DOE in October 2020, HLYM achieved a score of 97 out of 100.

#### i. Emissions

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

HLYM also undertakes Scheduled Stack Air Emission monitoring, testing of chimney stack gas and particulate emissions as part of its compliance with the Environmental Quality (Clean Air) Regulation 2014. Periodic air monitoring is conducted for 112 chimneys in March, June and December every year.

In order to monitor environmental impacts, HLYM engages with third party consultancy firms to collect data on emissions from the manufacturing plant for submission to the DOE.

Guocera conducts various emission monitoring assessments to comply with legal requirements from the DOSH and DOE such as annual LEV assessments, monthly ambient air monitoring as well as stack emission monitoring for dust collectors and chimney for three times a year. All the assessment reports are prepared by third party consultancy firms recognised by the DOSH and DOE, and submitted to the DOSH and DOE to ensure compliance with legal requirements.

HCBI conducts annual monitoring of its Boiler Air Emission and Chemical Exposure. Results from collected data indicate that emissions and chemical exposure have met the standard limits set by local regulators. In addition to this, HCBI also provides internal training and education programmes to employees to ensure common objectives and understanding on compliance matters are taken seriously.

From these tests, operating companies of the Group obtain confirmation that emissions are within the requirements set by the DOE. All related reports will be submitted to the DOE.

## SUSTAINABILITY STATEMENT (cont'd.)

#### 4. REGULATORY AND COMPLIANCE (ENVIRONMENT) (CONT'D.)

#### ii. Waste and effluent

For HLYM, all its waste and effluents are systematically controlled and monitored in accordance with the ISO 14001 standard. HLYM has created a filtering system to extract excess moisture and liquid from the waste sludge generated by the production painting lines to reduce waste disposal. This filter system will reduce 81% of waste disposal. The liquid is treated in WWTPs before it is discharged according to regulations. This filtration and recovery process is one of several HLYM's environmentally friendly initiatives. HLYM's waste water treatment plant is also outfitted with a supervisory control and data acquisition (SCADA) system, which provides data in real-time to enhance monitoring of the plant's operation.

HLYM's compliance with management standards for scheduled waste, wastewater and sewage is as follows.

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

Guocera has a WWTP and an in-house mini lab to test treated water from the WWTP on a daily basis to comply with the DOE requirement. Weekly tests are also carried out by third party accredited labs on treated water to comply with the DOE's Industrial Effluent Regulations. In addition, Guocera also continues to comply with the obtained approval from the DOE for special management of scheduled waste (waste recycling programme) to use filter cakes (sludge) from the WWTP as an alternative raw material for brick and pipe products. Guocera also has on-site storage facilities for scheduled waste generated according to categories. Other wastes are segregated into hazardous and non-hazardous waste for recycling as well as to be sent for incineration or to landfills at prescribed premises licensed by the DOE.

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

Scheduled waste from HCBI's operations is collected by a third party every 180 days from the generation date or whenever it reaches 20 metric tonnes, which strictly follows the procedures set by the DOE. Programmes to monitor hazardous and non-hazardous waste are also stipulated in ISO 14001 procedures.

## SUSTAINABILITY STATEMENT (cont'd.)

#### 5. COMMUNITY INVESTMENT

Operating Companies	Initiatives
HLYM	Yamaha Cares Club
	Yamaha Cares Flood Relief Program
Guocera	· Internship programmes for local universities and colleges (Universiti Teknologi Mara,
	Universiti Kuala Lumpur, Universiti Malaysia Pahang, Kolej Poly-Tech Mara, Politeknik Sultan
	Mizan Zainal Abidin and German Malaysian Institute)
HCBI	· Internship programmes for local universities and colleges (Universiti Teknologi Mara,
	Universiti Kuala Lumpur, Universiti Malaysia Pahang, Kolej Poly-Tech Mara, Politeknik Sultan
	Mizan Zainal Abidin and German Malaysian Institute)

#### **HLYM**

#### Yamaha Cares Club

HLYM via its own Yamaha Cares Club (YCC) has conducted several social engagement activities together with Yamaha dealers and customers.

Under the Yamaha Cares banner, a flood relief programme was held in January 2021 in response to the flooding that affected several areas in Malaysia. A Free Service Campaign was offered by HLYM and was held at its selected Yamaha authorised dealers. About 100 motorcyclists benefited from this programme.





MOTORCYCLISTS BENEFITTED FROM HLYM'S FREE SERVICE CAMPAIGN

#### SMART KIDS, Yamaha Safety Riding Science (YSRS) and YSRS KIDS Programmes

The Yamaha Safety Riding Science (YSRS) programme was introduced in 2005. YSRS aims to educate motorcyclists on safe riding skills from a scientific approach. It is divided into two sessions, i.e., Theory and Practical Usage of Motorcycles. The target audiences are public servants, corporate office workers as well as college and university students.

On the other hand, YSRS KIDS is a road safety education programme targeted at primary school students aged between 10 and 12 years old.

### SUSTAINABILITY STATEMENT

(cont'd.)

#### 5. COMMUNITY INVESTMENT (CONT'D.)

#### SMART KIDS, Yamaha Safety Riding Science (YSRS) and YSRS KIDS Programmes (cont'd.)

Due to the ongoing COVID-19 pandemic, HLYM had successfully launched SMART KIDS, a new virtual road safety education programme for pre-school children. SMART KIDS was created to improve awareness among young children to assist them in becoming safe and self-sufficient road users.

Programme	Age Group	No. of Session Conducted	No. of Pax
SMART KIDS	5-6 years old	5	89
YSRS KIDS	10-12 years old	8	286
YSRS	16-17 years old	7	330

Through the virtual online training initiative, HLYM was able to reach out to more schools across the country and more sessions for all programmes.



YSRS KIDS

#### **Guocera and HCBI**

Over the years, Guocera welcomed a number of interns from various local universities and colleges, such as Universiti Sains Malaysia (USM), Universiti Putra Malaysia (UPM), Universiti Tun Hussein Onn Malaysia (UTHM), Universiti Teknologi Mara (UiTM), Universiti Tunku Abdul Rahman (UTAR), Universiti Malaysia Sarawak (UNIMAS), Universiti Kuala Lumpur (UniKL), Asia Pacific University (APU), Politeknik Ibrahim Sultan (PIS) and Politeknik Muadzam Shah (PMS). A total of eight interns were hired in FY2021.

HCBI also hosted a number of interns from various local universities and colleges, namely UiTM, UniKL, Universiti Malaysia Pahang (UMP), Kolej Poly-Tech Mara (KPTM), Politeknik Sultan Mizan Zainal Abidin (PSMZA) and German Malaysian Institute (GMI).

During their on-the-job training period, students were exposed to the actual working environment. This provides them with the opportunity to gain first-hand industry knowledge as well as develop both technical and personal skills, while acknowledging their personal interests and abilities.

Apart from providing valuable working experience to young people, HCBI also conducted a community outreach initiative. In October 2020, HCBI donated 30 pieces of PRIMABOARD to the Federal Territory Indian Burial Association, Kuala Lumpur in an effort to improve facilities at the association's site in Bandar Baru Sentul. The materials were used to construct partitions for prayer rooms at the site.

### SUSTAINABILITY STATEMENT

(cont'd.)

#### 6. EMPLOYEE TRAINING, DEVELOPMENT AND RETENTION

Human capital is the key driver for the Group's success. Hence, it is an area where the Group has and will invest in continually. Employees within the Hong Leong Group are exposed to a diverse and comprehensive range of learning and development opportunities. The Group provides training on a needs basis. Upon assessment via a Training Needs Analysis to identify the skills and knowledge gaps of employees, training with relevant programmes and content will be provided to bridge the gaps. Most training programmes focuses on employees who are performing work related to product quality, whereby competencies are important to ensure customers' satisfaction. Training programmes fall under the following development pillars – Culture and Values, Leadership, Business Specific and General Management.

Due to the constraints of movement control measures during the COVID-19 pandemic, Hong Leong Manufacturing Group has adopted online training by way of video conference or self-paced learning for employees.

Hong Leong Group recognises that developing a professional begins at the entry point of one's career and requires a structured approach. The Graduate Development Programme (GDP) provides an opportunity for fresh graduates to gain valuable experience and knowledge. The GDP includes specific training activities such as the 5S and Quality Productivity Programmes. Graduates are also required to present their ideas and proposals to innovate processes at the workplace. Upon completion of the programme, these individuals are subsequently transitioned to key roles in the manufacturing companies within the Hong Leong Group. The retention rate of GDP graduates during FY2021 is outlined below:

Operating Companies	Retention rate from GDP
Guocera	50%

Hong Leong Group has also introduced a programme called Protégé to develop fresh graduates with the aim of accelerating their growth into leadership roles. Apart from going through similar training as those under the GDP, a Protége is assigned to work on key projects with other companies under the Hong Leong Manufacturing Group. The first batch of the Protégés are currently undergoing a two-year development programme that began in January 2020. Upon successful completion of the programme, they will be given a permanent role in the companies. One Protége at HLYM has performed exceptionally well and has been fast-tracked to complete the programme.

The Group encourages direct engagement between workers and management. Workers openly communicate and share grievances with management about their working conditions and management practices without fear of reprisal, intimidation and harassment. This is an effective way of resolving workplace issues. The Group practises bi-monthly "Management-Union" and monthly "HR-Union" meetings as a platform to create industrial harmony at the workplace.

HLYM has also collaborated with GIATMARA Malaysia, in addition to the Selangor Technical Skills Development Centre (STDC), to enhance the Technician Apprenticeship Programme (TAP). The programme aims to bridge the skills gap of graduates from technical training institutes, by providing them with the technical skills required in the motorcycle industry. Through TAP, HLYM aims to develop a pool of skilled technicians for Yamaha Authorised Dealerships and maintain a high level of after-sales services to customers. Apprentices will undergo a selection process and nine months of an "On-The-Job" training programme, including a three-month attachment at selected Yamaha authorised dealers. Upon completion, the apprentice will be awarded with a certificate from HLYM and will be employed by Yamaha Authorised Dealerships nationwide. Since its inception in October 2018, a total of 22 apprentices were deployed to dealers.

## SUSTAINABILITY STATEMENT (cont'd.)

#### 6. EMPLOYEE TRAINING, DEVELOPMENT AND RETENTION (CONT'D.)

HLYM aims to expand this programme to the national level in order to improve technical skills and boost job prospects for young people, particularly graduates with the Sijil Kemahiran Malaysia (SKM) Level 2 in Motorcycle Technology. The programme has been expanded to the East Coast of Malaysia.

Batch	No. of Apprentice Deployed to Dealers (FY2021)
4TAP	3
4TAP EC (East Coast)	2
5TAP	6
STAP EC (East Coast)	2
TOTAL	13





TECHNICAL SKILLS DEVELOPMENT AT HLYM

HLYM has been accredited by the Department of Skills Development (JPK) to implement National Dual Training System (SLDN) and Recognition of Prior Experiential Learning (RPEL) programmes. Through the RPEL programme, 30 internal staff comprising technicians, technical staff and instructors have been awarded with the Sijil Kemahiran Malaysia Level 3.

#### SUSTAINABILITY STATEMENT

(cont'd.)

#### OTHER IMPORTANT MATTERS

#### 1) Product sustainability

#### i) Carbon emissions from products

#### HLYM

HLYM acknowledges the environmental impact of its products and has taken efforts to ensure products distributed in the Malaysian market are in line with industry-wide specifications and standards. Yamaha models adhere to global and local carbon emission as well as fuel consumption standards. Yamaha models distributed in Malaysia comply to the Environmental Quality (Control of Emissions from Motorcycles) Regulation 2003 and adhere to the European Emissions Standards. More than half of the Yamaha model line-up distributed in Malaysia are certified Energy Efficient Vehicles (EEVs), as shown below.

#### a) Euro 3 and Euro 4 compliance

Yamaha models distributed in Malaysia complies with the Euro 3 or Euro 4 standards. Models will comply with the Euro 4 standard by end of 2022.

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

#### b) Energy Efficient Vehicle (EEV) certified models

Sixty-eight per cent of the Yamaha model line-up distributed in Malaysia, or 98% of HLYM's production volume, are EEV certified.

Model Name/ MT Code	EEV Certificate
EGO SOLARIZ	EEV/1009/17 - 18 <sup>th</sup> Jan 2017
LAGENDA 115Z	EEV/1040/17 - 15 <sup>th</sup> Aug 2017
EGO AVANTIZ	EEV/1041/17 - 15 <sup>th</sup> Aug 2017
X-MAX	EEV/2001/18 - 15 <sup>th</sup> Aug 2017
YZF-R15	EEV/2013/18 - 14 <sup>th</sup> May 2018
135 LC	EEV/2035/18 - 4 <sup>th</sup> Dec 2018
Y15ZR	EEV/2101/19 - 21st Feb 2019
MT-15	EEV/3008/20 - 9 <sup>th</sup> July 2020
NMAX	EEV/3009/20 - 9 <sup>th</sup> July 2020
NVX (ABS)	EEV/3003/21 – 27 <sup>th</sup> Jan 2021
NVX (STD)	EEV/3004/21 – 27 <sup>th</sup> Jan 2021
Y16ZR	EEV/3005/21 – 27 <sup>th</sup> Jan 2021

#### SUSTAINABILITY STATEMENT

(cont'd.)

#### OTHER IMPORTANT MATTERS (CONT'D.)

#### 1) Product sustainability (cont'd.)

#### i) Carbon emissions from products (cont'd.)

#### HLYM (cont'd.)

HLYM supports the commitment of Yamaha Motor Corporation Japan (Yamaha Motor Group) in its target to achieve net zero carbon emissions (carbon neutrality) for the whole product lifecycle by 2050, as stated in the Yamaha Motor Group Environmental Plan 2050 on the Yamaha Motor Group's website.

The plan outlines the Yamaha Motor Group's goals to achieve by 2050, with climate change, recycling of resources, and biodiversity as priority action areas, as well as milestone targets to achieve by 2035.

Targets include Yamaha Motor Group's regional and global total carbon emissions and carbon emissions per unit sales. It is working towards achieving carbon neutrality by implementing its policy to reduce movement-related carbon emissions per passenger by switching to efficient sources of power with lower carbon emissions and promoting the utilisation of compact mobility vehicles with a low carbon footprint.

The policy is underpinned by these strategies:

- a) improving the fuel efficiency of its internal combustion engines;
- b) the expansion of its electric model line-up and promoting the use of electric mobility; and,
- c) developing renewable energy compatible powertrains.

Yamaha Motor Group's introduction of electric vehicles in markets will depend on the prevalence of electricity use from renewable energy and whether there is adequate infrastructure, such as charging stations, to support the use of such vehicles.

Therefore, Yamaha Motor Group will begin to launch its electric products in Europe where renewable energy use is high. It expects to introduce its electric products in the ASEAN region, where the majority of carbon emissions from Yamaha products originate, over the period of 2030 to 2035.

#### ii) Control of Environmental Hazardous Substances (EHS) for direct and indirect materials

#### HLYM

HLYM practises the controlled use of environmental hazardous substances (EHS), as prescribed by the standard for EHS use in the Green Procurement Guideline issued by Yamaha Motor Group. The guideline requires business partners to ensure the controlled use of harmful chemical substances in operations is implemented in a thorough manner. These substances are listed under the Global Automotive Declarable Substances List. Use of these substances are prohibited or restricted by laws. HLYM ensures that its parts and materials comply with the Yamaha Technical Standard "Management Rules for Environmentally Hazardous Substances." This also covers the raw material development and quality assurance (QA) evaluation processes. Suppliers are required to declare non-use of EHS and comply with the standard.

#### iii) Certified material sources

#### **HCBI**

HCBI strives to meet sustainability requirements of its products. The pulp fibre used in HCBI's PRIMA products are sourced from managed plantations certified by the Forest Stewardship Council (FSC), which promotes the responsible management of forests around the world. PRIMA products are designed to be sustainable and is aligned with the 3R – Reduce, Reuse and Recycle – concept. PRIMABOARD has a lower thermal conductivity, which ranges between the values of 0.20 and 0.24 Watts per meter Kelvin (W/mK) compared to bricks or concrete with a higher k value of 0.8 – 0.9 W/mK. This means that less energy is required to heat or cool a building that is constructed with PRIMA boards. Independent building materials research organisation BRANZ, New Zealand have also declared PRIMABOARD to have a durability of 50 years.

### SUSTAINABILITY STATEMENT

(cont'd.)

#### OTHER IMPORTANT MATTERS (CONT'D.)

#### 2) Human rights and employee welfare

As a responsible corporation, the Group understands the importance of upholding the rights of all employees. The Group strives to continually improve the welfare and work conditions of employees. Similarly, the Group recognises the rights to freedom of association and collective bargaining and allows trade unions to have access to employees.

In line with the Group's respect to human rights, the Group does not retain workers' passports/identity documents nor withhold workers' wages other than as prescribed by the law. The Group will also ensure that the statutory monthly minimum wage and overtime compensation for all employees is in accordance with Malaysia's labour regulations.

The Group is also committed to the elimination of illegal, forced, bonded, compulsory or child labour. The Group operates in an open, transparent, and collaborative approach to resolving workers' and stakeholders' grievances.

As a believer in the fair treatment of employees and that they deserve to be heard, the Group launched a whistleblowing hotline for staff in 2019. This hotline provides a direct communication platform for employees to reach out directly to the Management should there be any work-related issues or grievances that the employees would wish to highlight to the Management. Employees are happy with this hotline; various issues were highlighted and improved upon successfully.

The Group also recognises that maintaining standards of employee welfare is a key area of sustainability. The Group ensures that workers adhere to 5S practices in their hostels, monitors housing conditions for improvements and compliance with COVID-19 SOPs through its human resources policies. Reporting mechanisms are in place to track 5S practices and housing conditions of hostels. As the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 came into force on 1 June 2020, the Group took measures to ensure housing conditions of workers fulfilled requirements of the Amended Act. Hostels are equipped with amenities and facilities that are crucial to the welfare of employees, and workers are able to report any grievances due to lack of amenities to respective persons in charge.

#### **HLYM**

HLYM has 10 hostels for workers located in Sungai Buloh. The company has embarked on various efforts to improve workers' housing conditions and welfare at the workplace, especially with the onset of the COVID-19 pandemic. In February 2021, following audits by the Labour Department, efforts were taken to improve conditions in the workers' hostels, in line with requirements under the Workers Minimum Standards of Housing and Amenities (Amendment) Act 2019. This includes providing amenities such as working lockers for workers. Workers also adhere to 5S practices, and activities are tracked on a weekly basis. Workers carry out daily sanitisation activities in all areas of their hostel, including appliances. Reminders on COVID-19 SOPs are also placed in the hostel to ensure compliance with SOPs.





5S PRACTICES AT HLYM HOSTELS

HLYM launched a vaccination awareness programme in FY2021. A memo and posters on the National Vaccination Programme were circulated among employees. HLYM also launched an internal survey for staff on registration for the national vaccination programme.

### SUSTAINABILITY STATEMENT (cont'd.)

#### OTHER IMPORTANT MATTERS (CONT'D.)

#### 2) Human rights and employee welfare (cont'd.)

#### HLYM (cont'd.)

HLYM also took the opportunity to celebrate International Women's Day 2021 on 8 March 2021. More than 200 female employees received a mask and pouch, a small gesture to recognise contributions made by its female employees in these challenging times.





FEMALE EMPLOYEES WITH THEIR POUCH AND FACE MASK

#### Guocera

Guocera's workers hostels are located in Meru, Klang and Kluang, Johor. Guocera's workers' hostels are equipped with amenities and facilities such as lockers, separate areas for cooking, living areas and bedding. Reminders on COVID-19 SOPs in workers' native language are also placed in hostels to ensure compliance with SOPs. The hostel in Kluang was audited by the Labour Department last year and found to be satisfactory in line with requirements of the Workers Minimum Standards of Housing and Amenities (Amendment) Act 2019. It was also noted by the Labour Department as a model hostel that other companies could emulate. The hostel provides a host of amenities such as cleaning equipment, a water filter and first aid kits. Following the COVID-19 pandemic, the hostel was equipped with face masks, hand sanitisers and temperature scanners. Common areas in the hostel are sanitised daily. Workers are also assigned an escort warden and provided with transportation to clinics and supermarkets.





AMENITIES AT GUOCERA'S KLUANG HOSTEL

#### LOOKING FORWARD: REVIEW FOR CONTINUOUS IMPROVEMENT

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

Moving forward, sustainability remains one of our key priorities in the interests of our stakeholders and their future. Therefore, the Group will continuously seek their views and participation in order for our sustainability initiatives to create a long-term positive impact in crucial areas that matter to stakeholders.

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

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three (3) key principles of the Malaysian Code on Corporate Governance 2017 ("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 2021 of the Company in relation to this statement is published on the Company's website at <a href="https://www.hli.com.my">www.hli.com.my</a> ("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.

## 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.)

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.

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 ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") in determining its Board composition. The policy includes the following:

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

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. 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 September 2021, 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.

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### C. Board Committees

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

#### BARMC

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

The TOR of the BARMC are published on the Website.

#### NC

The NC was established on 30 April 2013 and its TOR are published on the Website.

The NC has been re-constituted as follows:

#### YBhg Datuk Noharuddin bin Nordin @ Harun

Chairman, Independent Non-Executive Director (Appointed as Chairman on 1 June 2021)

#### Mr Peter Ho Kok Wai

Independent Non-Executive Director

#### YBhg Datuk Kwek Leng San

Non-Independent Non-Executive Director

#### (i) New Appointments

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

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

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

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### C. Board Committees (cont'd.)

NC (cont'd.)

#### (ii) Re-election

The nomination and approval process for re-election of Directors shall be as follows:

Assessment against Assessment Criteria and Guidelines
 Recommendation by the NC

Deliberation by the Board and decision thereof

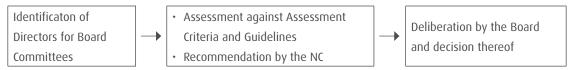
The Chairman, Directors and Chief Executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions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

#### (iii) Removal

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

#### (iv) Board Committee Appointments

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



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.

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.

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### C. Board Committees (cont'd.)

#### NC (cont'd.)

The NC met twice during FY ended 30 June 2021 ("FY 2021") where all the NC members attended the meetings. The NC discharged its duties in accordance with its TOR during FY 2021. The NC considered and reviewed the following:

- Nominating Committee Charter, policies on Board Composition, Directors' Training and Board Diversity, and revised Independence of Directors Policy;
- 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.

The NC has also considered and recommended to the Board for approval, the appointment of YBhg Dato' Jim Khor Mun Wei as GMD of the Company, Mr Edward Chin Fook Ling and Ms Cheryl Khor Hui Peng as IDs of the Company ("Appointment of IDs"), and the re-constitution of BARMC and NC following the resignation of YBhg Dato' Dr Zaha Rina binti Zahari after serving more than 9 years as an ID of the Company and the Appointment of IDs.

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, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2021. 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.

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### D. Remuneration (cont'd.)

The remuneration packages of EDs and SM are reviewed by the entire Board. EDs and 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 SM, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

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

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

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

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

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

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

#### E. Independence

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

The Company has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. 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.

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

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### F. Commitment

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

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

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the CA 2016. 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 facilitates 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 five (5) times for FY 2021 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	5/5
YBhg Dato' Jim Khor Mun Wei	4/4*
Ms Quek Sue Yian	5/5
Mr Peter Ho Kok Wai	5/5
YBhg Datuk Noharuddin bin Nordin @ Harun	5/5
YBhg Dato' Dr Zaha Rina binti Zahari (Resigned on 1 June 2021)	5/5
Mr Edward Chin Fook Ling (Appointed on 1 June 2021)	* —
Ms Cheryl Khor Hui Peng (Appointed on 1 June 2021)	* —

<sup>\*</sup> Reflects the attendance and the number of meetings held during the period the Director held office.

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

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### F. Commitment (cont'd.)

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

All Directors of the Company have completed the Mandatory Accreditation Programme ("MAP").

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 CG, finance/accounting, legal and regulatory framework, risk management, internal control, information technology, cyber security, anti-bribery and corruption, environmental, social and governance ("ESG"), digital trends and technology in manufacturing, industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2021, 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 and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes 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 2021, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- ESG Practical and Operational Considerations.
- MAP.
- Melbourne Business Analytics Conference.
- Corruption Risk Management.
- From Reactive to Proactive: Charting Your Course Seminar.
- Banking on Governance, Insuring Sustainability.
- AmBank Talk of Capital Markets.
- HLCB AMLA Training.
- Cpatain's Forum.
- KPMG Audit Committee Institute.
- Tax Highlights of Malaysia's Budget 2021.
- KPMG Tax Summit.
- Fraud Risk Management.
- Introducing Corporate Power Purchase Agreements.
- Demystifying ESG and Sustainable Finance in Malaysia.
- Cyber Security Awareness DTT.
- Developing Inclusive Leaders: Tips for Success.

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### F. Commitment (cont'd.)

- 2020 Personal Tax Filing: Maximising Your Savings.
- Corporate Tax Submission: Essential Considerations.
- Sustainable Finance: Making Better Financial Decisions.
- Sales Tax & Service Tax: The Journey So Far.
- FinTech-Talk Series, the Evolution of Financial Technology: The Transformation of Digital Technology Challenges and Opportunities.
- Directors Training on Unifying Insurance and Takaful Value Based Protection.
- How Digitalisation and Data Analytics Can Help You Do Wonders in Your Business.
- The Rise of AI and Its Impact on Strategy & Business.
- Implementing Amendments in the MCCG.
- Training on International Financial Reporting Standards ("IFRS") 17.
- Doubling Down on CG Watch 2020 and MCCG.
- Directors' Training on Data Analytic Tools for Management for Fraud.
- Section 17A Malaysian Anti-Corruption Commission Act 2009 ("MACC") and parallels with the United Kingdom ("UK") offence and lessons learnt in the UK.
- Towards A Comprehensive System of Corporate Reporting: Communication of Long-Term Value Creation.
- MCCG 2021.
- JC3 Flagship Conference on Financial Institutions.

#### 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.

#### BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

#### G. Strengthening CG Culture (cont'd.)

#### Whistleblowing Policy

The Company has a Whistleblowing Policy and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website. The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

#### EFFECTIVE AUDIT AND RISK MANAGEMENT

#### **Accountability And Audit**

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

The BARMC is supported by the Group Internal Audit Department ("GIAD") whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks, operational audits to identify opportunities for operational improvement, and also ensure compliance with standard operating procedures of the Group.

Investigation or special review will be carried out at the request of the BARMC and SM on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

#### I. Financial Reporting

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

#### II. Directors' Responsibility In Financial Reporting

The MMLR require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the CA 2016 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 2021 have been prepared in accordance with Malaysian Financial Reporting Standards, IFRS and the CA 2016 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.

## 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

For FY 2021, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:

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

For bribery and corruption risks, the Group has adopted the Anti-Bribery Management System ("ABMS") under the ISO 37001:2016 and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the MACC to prevent, detect and respond to bribery and corruption risks. During FY 2021, the Company and its local active 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.

#### EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)

#### Accountability And Audit (cont'd.)

#### III. Risk Management and Internal Control (cont'd.)

#### System of Internal Controls (cont'd.)

- 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 2021 cover spare parts management, logistic management, warehouse and security management, sales management and project repair and maintenance purchases.
- Quarterly reporting to the BARMC on the results of control assurance and audit activities, and also the management of risks throughout the Group.

#### Management and Decision-Making Processes

The internal control and risk management processes of the Group are in place for FY 2021 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 dealth with or included the state of risk management and internal control of associates.

#### 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 2021 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.

#### **EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D.)**

#### Accountability And Audit (cont'd.)

#### IV. Relationship with Auditors

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

The external auditors meet with the BARMC to:

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

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

For FY 2021, the BARMC members undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

#### INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### A. Disclosure

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

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

#### 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.

#### INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D.)

#### B. Shareholders (cont'd.)

#### I. Dialogue between Companies and Investors (cont'd.)

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. A summary of the key pertinent matters discussed at the AGM is published on the Website.

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

Queries may be conveyed to the following person:

Name : YBhq Dato' Jim Khor Mun Wei

Tel No. : 03-6157 7011 Fax No. : 03-6157 7087

Email address : <a href="mailto:IRelations@hli.com.my">IRelations@hli.com.my</a>

#### II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to attend and vote on all resolutions. Directors, SM and the external auditors are also available to respond to shareholders' queries during the AGM.

In view of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 4 November 2020 was conducted in virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors of the Company attended the said virtual AGM either physically at the broadcast venue or virtually to engage with shareholders and address issues of concern raised by the shareholders. Questions from the Minority Shareholders Watch Group and shareholders, which were raised prior to and during the meeting as well as the Company's responses to the same were shared with all shareholders during the Question & Answer session at the virtual AGM. Key pertinent matters discussed during the virtual AGM are also published on the Website.

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

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

### BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

#### CONSTITUTION

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

#### COMPOSITION

The composition of the Committee has been re-constituted as follows:

#### Mr Peter Ho Kok Wai

Chairman, Independent Non-Executive Director

#### Mr Edward Chin Fook Ling

Independent Non-Executive Director (Appointed on 1 June 2021)

#### Ms Cheryl Khor Hui Peng

Independent Non-Executive Director (Appointed on 1 June 2021)

#### **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 <a href="https://www.hli.com.my">www.hli.com.my</a>. The Committee is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the Committee.

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

#### **MEETINGS**

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

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

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

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

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

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

#### **ACTIVITIES**

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2021 ("FY 2021") 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 2021, five (5) Committee meetings\* were held and the attendance of the Committee members was as follows:

Members	Attendance
Mr Peter Ho Kok Wai	5/5
YBhg Dato' Dr Zaha Rina binti Zahari (Resigned on 1 June 2021)	5/5
YBhg Datuk Noharuddin bin Nordin @ Harun (Resigned on 1 June 2021)	5/5
Mr Edward Chin Fook Ling (Appointed on 1 June 2021)	<u>.</u>
Ms Cheryl Khor Hui Peng (Appointed on 1 June 2021)	

<sup>\*</sup> including the Anti-Bribery and Corruption Management System ("ABCMS") Governing Body Review Meeting.

The Committee carried out the following key activities during FY 2021:

- Reviewed and made recommendations to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Company and of the Group.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held two (2) separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised.
- Met with the external auditors and discussed the audit plan 2021 on the nature and scope of the audit, considered significant
  changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response,
  reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and
  auditing standards.
- Discussed with the external auditors the potential key audit matters, other significant audit matters and other audit matters identified by the external auditors.
- Reviewed the impact of the COVID-19 pandemic in preparing the financial statements of the Group for the FY 2021 and the external auditors' audit focus.
- Reviewed the impact of the COVID-19 pandemic on the businesses of the Group and the challenges ahead.
- Reviewed and recommended to the Board for approval of 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 2021 are stated in the Notes to the financial statements.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors
  such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the
  audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the reappointment of the external auditors.

<sup>^</sup> reflects the attendance and the number of meetings held during the period the Committee members held office.

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

#### **ACTIVITIES (CONT'D.)**

- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, COVID-19 pandemic and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- Met with the internal auditors and approved the annual audit plan and reviewed the internal audit findings/investigation
  reports and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on
  internal audit's findings and recommendations.
- Received and deliberated on the whistleblowing reports and decided on further steps to be taken.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- Reviewed the Policy and Procedures of Recurrent Related Party Transactions ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practice and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.
- Reviewed the proposed mandate for RRPT with various related parties prior to the Board's recommendation for shareholders'
  approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the
  external auditors in respect of their review on the SORMIC prior to the Board's approval for inclusion in the Company's Annual
  Report.
- Recommended to the Board the appointment of a new risk manager.
- 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 ABCMS and reviewed the Governing Body Report comprises the ABCMS activities, progress update
  on the Group's MS ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment,
  ABCMS internal audit report, on a quarterly basis.
- Reviewed and recommended to the Board for approval the Hong Leong Manufacturing Group Gift and Entertainment Policy
  and Hong Leong Manufacturing Group Business Continuity Policy and revised Hong Leong Manufacturing Group ABCMS Manual.

#### **INTERNAL AUDIT**

The internal audit ("IA") function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. There were 11 staff in the GIAD during FY 2021 and the total cost incurred by the GIAD amounted to RM2,115,840.

The purpose, authority, scope, independence and responsibilities of IA function are provided in the IA 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 internal audit function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh holds the qualifications of Master of Criminal Justice, Certified Fraud Examiner from The Association of Certified Fraud Examiners, USA, Certified Internal Auditor (CIA), USA and Advanced Diploma in Commerce. He is a Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators. 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.

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

#### **INTERNAL AUDIT (CONT'D.)**

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.

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 2021 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the GIAD and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2021 are described in the SORMIC.

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

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

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

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Independent Auditors' Report

for the financial year ended 30 June 2021

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 2021.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding whilst the principal activities of the significant subsidiaries consist of manufacturing, assembling and distribution of motorcycles, scooters and related parts and products, manufacturing and sale of ceramic tiles 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	291,882	289,137
Non-controlling interests	94,305	-
	386,187	289,137

#### **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 18 and Note 28 to the financial statements.

#### **DIVIDENDS**

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

- (i) a first interim single tier dividend of 17 sen per ordinary share amounting to RM54.3 million in respect of the financial year ended 30 June 2021 on 23 December 2020; and
- (ii) a second interim single tier dividend of 35 sen per ordinary share amounting to RM111.8 million in respect of the financial year ended 30 June 2021 on 25 June 2021.

The Directors do not recommend a final dividend for the financial year ended 30 June 2021.

(cont'd.)

#### **DIRECTORS OF THE COMPANY**

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

YBhg Datuk Kwek Leng San, Chairman
YBhg Dato' 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 (appointed on 1 June 2021)
Ms Cheryl Khor Hui Peng (appointed on 1 June 2021)
YBhg Dato' Dr Zaha Rina binti Zahari (resigned on 1 June 2021)

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

#### **DIRECTORS' INTERESTS**

The 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 2021 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, is as follows:

Number of ordinary shares/ordinary shares to be issued arising from conversion of redeemable convertible unsecured loan stocks#/ ordinary shares received or to be received arising from vesting of share grant\*

	At			At
	1.7.2020	Acquired	Sold	30.6.2021
Shareholdings in which the Directors have direct interests				
Interests of YBhg Datuk Kwek Leng San in:				
Hong Leong Company (Malaysia) Berhad	160,895	-	-	160,895
Hong Leong Industries Berhad	2,544,167	44,167 <sup>(1)</sup>	-	2,588,334
	88,333*	-	44,167 <sup>*(1)</sup>	44,166 <sup>*</sup>
Malaysian Pacific Industries Berhad	1,334,167	74,167 <sup>(1)</sup>	300,000	1,108,334
	148,333*	-	74,167 <sup>*(1)</sup>	74,166 <sup>*</sup>
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
(formerly known as Hume Industries Berhad)	2,017,142#	-	-	2,017,142#

#### Note:

Following the internal restructuring carried out on 16 April 2021, the following corporations are no longer regarded as related corporations of Hong Leong Industries Berhad pursuant to Section 7 of the Companies Act 2016. Accordingly, the interests of YBhg Datuk Kwek Leng San in the following corporations are no longer required to be recorded in the Register of Directors' Shareholdings of the Company pursuant to Section 59 of the Companies Act 2016:

- a. Guoco Group Limited
- b. The Rank Group Plc

(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\*

	1.7.2020/ Date of Appointment	Acquired	Sold	At 30.6.2021
Shareholdings in which the Directors have direct interests		-		
Interests of YBhg Dato Khor Mun Wei in:				
Hong Leong Industries Berhad	68,861	103,724(1)	-	172,585
	215,949*	80,000 <sup>*</sup>	103,724 <sup>*(1)</sup>	192,225*
Malaysian Pacific Industries Berhad Hume Cement Industries Berhad	250	-	250	-
(formerly known as Hume Industries Berhad)	3,220	-	-	3,220

Λt

Legend:

(1) Vesting of shares

#### **DIRECTORS' BENEFITS**

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees, remunerations, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 32.2 to the financial statements or the fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

#### **ISSUE OF SHARES AND DEBENTURES**

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

#### **OPTIONS GRANTED OVER UNISSUED SHARES**

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

#### **INDEMNITY AND INSURANCE COSTS**

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn. Bhd., together with its subsidiaries (the "Group" which includes Hong Leong Industries Berhad and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM57,711 and the apportioned amount of the said premium paid by the Company was RM13,576.

(cont'd.)

#### 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 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

#### **AUDITORS**

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

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

On behalf of the Board,

#### Dato' Khor Mun Wei

#### Peter Ho Kok Wai

20 September 2021

### STATEMENTS OF FINANCIAL POSITION

as at 30 June 2021

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	4	259,585	265,789	18	-
Right-of-use assets	5	29,064	33,195	-	-
Investment property	6	4,000	4,000	_	-
Investments in subsidiary companies	7	-	-	230,528	252,528
Investments in associated companies	8	165,149	155,354	26,898	26,898
Intangible assets	9	19,128	15,309	-	-
Other investments	10	93,395	32,282	89,925	28,640
Deferred tax assets	11	25,112	14,925	-	
Tax credit receivable	12	960	1,929	_	_
Total non-current assets		596,393	522,783	347,369	308,066
Inventories	13	302,692	212,600	-	-
Trade and other receivables, including					
derivatives	14	202,023	244,148	136	245
Current tax assets		2,467	8,503	-	-
Short-term money market fund	15	233,308	-	209,156	-
Cash and cash equivalents	16	1,029,139	1,211,109	701,023	765,171
Total current assets		1,769,629	1,676,360	910,315	765,416
Total assets		2,366,022	2,199,143	1,257,684	1,073,482
Equity					
Share capital	17	321,217	321,217	321,217	321,217
Reserves	18	1,608,540	1,420,321	997,931	813,332
Treasury shares - at cost	19	(63,318)	(63,318)	(63,318)	(63,318)
Total equity attributable to owners of the	12	1,866,439	1,678,220	1,255,830	1,071,231
Company		1,000,437	1,070,220	1,233,030	1,071,231
Non-controlling interests		147,738	159,898	-	-
Total equity		2,014,177	1,838,118	1,255,830	1,071,231
Liabilities					
Lease liabilities		8,423	10,529	_	_
Deferred tax liabilities	11	5,357	5,766		
Employee benefits	21(a)	23,043	24,890	142	142
Total non-current liabilities	21(a)	36,823	41,185	142	142
Total non current habilities		30,023	41,105	142	142
Loans and borrowings	20	12,600	16,980	-	-
Lease liabilities		3,740	3,423	-	-
Trade and other payables, including derivatives	22	277,418	274,665	1,548	1,938
Tax payable		21,264	24,772	164	171
Total current liabilities		315,022	319,840	1,712	2,109
Total liabilities		351,845	361,025	1,854	2,251
Total equity and liabilities		2,366,022	2,199,143	1,257,684	1,073,482

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

Continuing operations         Revenue         Z (201 km/)		Gi		roup	Company	
Continuing operations   Revenue   Sales of goods and services   23   2,618,859   2,291,110   .		Note	2021	2020	2021	2020
Revenue         Sales of goods and services         23         2,618,859         2,291,110         -         -           Dividend income         23         14,237         22,372         315,633         185,039           Cost of sales         (2,070,976)         (1,864,745)         -         -         -           Gross profit         562,120         448,737         315,633         185,039           Distribution expenses         (74,732)         (75,119)         -         -           Administration expenses         (69,652)         (77,666)         (5,526)         (11,010)           Other operating expenses         (15,000)         33,994)         (23,032)         (11,309)           Other operating income         437,008         281,489         289,336         184,931           Interest income         1,669         4,137         441         1,391           Interest income         2,619         4,272         322,771         289,777         186,322           Finance costs         (2,231)         (3,001)         -         -         -           Share of profit in associated companies, net of tax         35,830         40,146         -         -           Profit from continuing operations         377,291			RM'000	RM'000	RM'000	RM'000
Revenue         Sales of goods and services         23         2,618,859         2,291,110         -         -           Dividend income         23         14,237         22,372         315,633         185,039           Cost of sales         (2,070,976)         (1,864,745)         -         -         -           Gross profit         562,120         448,737         315,633         185,039           Distribution expenses         (74,732)         (75,119)         -         -           Administration expenses         (69,652)         (77,666)         (5,526)         (11,010)           Other operating expenses         (15,000)         33,994)         (23,032)         (11,309)           Other operating income         437,008         281,489         289,336         184,931           Interest income         1,669         4,137         441         1,391           Interest income         2,619         4,272         322,771         289,777         186,322           Finance costs         (2,231)         (3,001)         -         -         -           Share of profit in associated companies, net of tax         35,830         40,146         -         -           Profit from continuing operations         377,291	Continuing operations					
Dividend income   23	• •					
2,633,096   2,313,482   315,633   185,039     Cost of sales   (2,070,976)   (1,864,745)   -   -   -     Gross profit   562,120   448,737   315,633   185,039     Distribution expenses   (74,732)   (75,119)   -     -     Administration expenses   (69,652)   (77,666)   (5,526)   (11,010)     Other operating expenses   (15,000)   (33,994)   (23,032)   (11,390)     Other operating income   34,272   19,531   2,261   22,291     Results from operations   437,008   281,489   289,336   184,931     Interest income   1,669   4,137   441   1,391     Finance costs   (2,231)   (3,001)   -   -   -     Share of profit in associated companies, net of tax   25   (94,985)   (73,249)   (640)   (473)     Profit from continuing operations   377,291   249,522   289,137   185,849     Profit for the year   26   8,896   (10,171)   -     -     Profit for the year   291,882   169,318   289,137   185,849     Profit tributable to:   291,882   169,318   289,137   185,849     Profit grid tributable to:   386,187   239,351   289,137   185,849     Basic/Diluted earnings/(loss) per ordinary   386,187   239,351   289,137   185,849     From continuing operations   94,305   70,033   -   -       From continuing operations   99,004   57,16       From continuing ope	Sales of goods and services	23	2,618,859	2,291,110	-	-
Cost of sales         (2,070,976)         (1,864,745)         -         -           Gross profit         562,120         448,737         315,633         185,039           Distribution expenses         (74,732)         (75,119)         -         -           Administration expenses         (69,652)         (77,666)         (5,526)         (11,010)           Other operating expenses         (15,000)         (33,994)         (23,032)         (11,390)           Other operating income         34,272         19,531         2,261         22,291           Results from operations         437,008         281,489         289,336         184,931           Interest income         1,669         4,137         441         1,391           Finance costs         (2,231)         (3,001)         -         -           Share of profit in associated companies, net of tax         35,830         40,146         -         -         -           Profit from continuing operations         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations, net of tax         26         8,896         (10,171)         -         -           Profit for the year         386,187         239,351         2	Dividend income	23	14,237	22,372	315,633	185,039
Gross profit         562,120         448,737         315,633         185,039           Distribution expenses         (74,732)         (75,119)         -         -           Administration expenses         (69,652)         (77,666)         (5,526)         (11,010)           Other operating expenses         (15,000)         (33,994)         (23,032)         (11,390)           Other operating income         34,272         19,531         2,261         22,291           Results from operations         437,008         281,489         289,336         184,931           Interest income         1,669         4,137         441         1,391           Finance costs         (2,231)         (3,001)         -         -           Share of profit in associated companies, net of tax         35,830         40,146         -         -           Profit before taxation         24         472,276         322,771         289,777         186,322           Taxation         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations, net of tax         26         8,896         (10,171)         -         -           Profit for the year         386,187         239,351         289,137			2,633,096	2,313,482	315,633	185,039
Distribution expenses         (74,732)         (75,119)         -         -           Administration expenses         (69,652)         (77,666)         (5,526)         (11,010)           Other operating expenses         (15,000)         (33,994)         (23,032)         (11,390)           Other operating income         34,272         19,531         2,261         22,291           Results from operations         437,008         281,489         289,336         184,931           Interest income         1,669         4,137         441         1,391           Finance costs         (2,231)         (3,001)         -         -           Share of profit in associated companies, net of tax         35,830         40,146         -         -           Profit before taxation         24         472,276         322,771         289,777         186,322           Taxation         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations         377,291         249,522         289,137         185,849           Profit for the year         26         8,896         (10,171)         -         -           Profit attributable to:         291,882         169,318         289,137	Cost of sales		(2,070,976)	(1,864,745)	-	-
Administration expenses       (69,652)       (77,666)       (5,526)       (11,010)         Other operating expenses       (15,000)       (33,994)       (23,032)       (11,390)         Other operating income       34,272       19,531       2,261       22,291         Results from operations       437,008       281,489       289,336       184,931         Interest income       1,669       4,137       441       1,391         Finance costs       (2,231)       (3,001)       -       -         Share of profit in associated companies, net of tax       35,830       40,146       -       -         Profit before taxation       24       472,276       322,771       289,777       186,322         Taxation       25       (94,985)       (73,249)       (640)       (473)         Profit from continuing operations       377,291       249,522       289,137       185,849         Profit for the year       38,8187       239,351       289,137       185,849         Profit attributable to:       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         Basic/Diluted earnings/(loss) per ordinary share (sen)       27	Gross profit		562,120	448,737	315,633	185,039
Other operating expenses       (15,000)       (33,994)       (23,032)       (11,390)         Other operating income       34,272       19,531       2,261       22,291         Results from operations       437,008       281,489       289,336       184,931         Interest income       1,669       4,137       441       1,391         Finance costs       (2,231)       (3,001)       -       -         Share of profit in associated companies, net of tax       35,830       40,146       -       -         Profit before taxation       24       472,276       322,771       289,777       186,322         Taxation       25       (94,985)       (73,249)       (640)       (473)         Profit from continuing operations       377,291       249,522       289,137       185,849         Profit for the year       26       8,896       (10,171)       -       -         Profit attributable to:       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         Non-controlling interests       94,305       70,033       -       -         Basic/Diluted earnings/(loss) per ordinary share (sen)       27 <td< td=""><td>Distribution expenses</td><td></td><td>(74,732)</td><td>(75,119)</td><td>-</td><td>-</td></td<>	Distribution expenses		(74,732)	(75,119)	-	-
Other operating income       34,272       19,531       2,261       22,291         Results from operations       437,008       281,489       289,336       184,931         Interest income       1,669       4,137       441       1,391         Finance costs       (2,231)       (3,001)       -       -         Share of profit in associated companies, net of tax       35,830       40,146       -       -         Profit before taxation       24       472,276       322,771       289,777       186,322         Taxation       25       (94,985)       (73,249)       (640)       (473)         Profit from continuing operations       377,291       249,522       289,137       185,849         Profit for the year       386,187       239,351       289,137       185,849         Profit attributable to:       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         Basic/Diluted earnings/(loss) per ordinary share (sen)       27       90.04       57.16       57.16         from continuing operations       2.83       (3,24)       6.24       6.24       6.24       6.24       6.24       6.24       6.24	Administration expenses		(69,652)	(77,666)	(5,526)	(11,010)
Results from operations       437,008       281,489       289,336       184,931         Interest income       1,669       4,137       441       1,391         Finance costs       (2,231)       (3,001)       -       -         Share of profit in associated companies, net of tax       35,830       40,146       -       -         Profit before taxation       24       472,276       322,771       289,777       186,322         Taxation       25       (94,985)       (73,249)       (640)       (473)         Profit from continuing operations       377,291       249,522       289,137       185,849         Profit for the year       386,187       239,351       289,137       185,849         Profit attributable to:       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         Basic/Diluted earnings/(loss) per ordinary share (sen)       27       90.04       57.16         from continuing operations       2.83       (3.24)	Other operating expenses		(15,000)	(33,994)	(23,032)	(11,390)
Interest income         1,669         4,137         441         1,391           Finance costs         (2,231)         (3,001)         -         -           Share of profit in associated companies, net of tax         35,830         40,146         -         -           Profit before taxation         24         472,276         322,771         289,777         186,322           Taxation         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations         377,291         249,522         289,137         185,849           Profit for the year         386,187         239,351         289,137         185,849           Profit attributable to:         291,882         169,318         289,137         185,849           Non-controlling interests         94,305         70,033         -         -           Basic/Diluted earnings/(loss) per ordinary share (sen)         27         386,187         239,351         289,137         185,849           from continuing operations         90.04         57.16         57.16         57.16         57.16	Other operating income		34,272	19,531	2,261	22,291
Carifornia   Car	Results from operations		437,008	281,489	289,336	184,931
Share of profit in associated companies, net of tax         35,830         40,146         -         -           Profit before taxation         24         472,276         322,771         289,777         186,322           Taxation         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations         377,291         249,522         289,137         185,849           Profit for the year         26         8,896         (10,171)         -         -         -           Profit attributable to:         386,187         239,351         289,137         185,849           Powers of the Company         291,882         169,318         289,137         185,849           Non-controlling interests         94,305         70,033         -         -           Basic/Diluted earnings/(loss) per ordinary share (sen)         27         386,187         239,351         289,137         185,849           Basic/Diluted earnings/(loss) per ordinary share (sen)         27         57.16         57.16         57.16           from continuing operations         90.04         57.16         57.16         57.16           from continuing operations         2.83         (3.24)	Interest income		1,669	4,137	441	1,391
Profit before taxation         24         472,276         322,771         289,777         186,322           Taxation         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations         377,291         249,522         289,137         185,849           Profit for tax         26         8,896         (10,171)         -         -           Profit for the year         386,187         239,351         289,137         185,849           Profit attributable to:         291,882         169,318         289,137         185,849           Non-controlling interests         94,305         70,033         -         -         -           Basic/Diluted earnings/(loss) per ordinary share (sen)         27         386,187         239,351         289,137         185,849           From continuing operations         90.04         57.16         57.16         57.16           from discontinued operations         2.83         (3.24)         (3.24)	Finance costs		(2,231)	(3,001)	-	-
Taxation         25         (94,985)         (73,249)         (640)         (473)           Profit from continuing operations         377,291         249,522         289,137         185,849           Profit/(Loss) from discontinued operations, net of tax         26         8,896         (10,171)         -         -           Profit for the year         386,187         239,351         289,137         185,849           Profit attributable to:         291,882         169,318         289,137         185,849           Non-controlling interests         94,305         70,033         -         -           Basic/Diluted earnings/(loss) per ordinary share (sen)         27           from continuing operations         90.04         57,16           from discontinued operations         2.83         (3,24)	Share of profit in associated companies, net of tax		35,830	40,146	-	-
Profit from continuing operations         377,291         249,522         289,137         185,849           Profit/(Loss) from discontinued operations, net of tax         26         8,896         (10,171)         -         -           Profit for the year         386,187         239,351         289,137         185,849           Profit attributable to:         291,882         169,318         289,137         185,849           Non-controlling interests         94,305         70,033         -         -           Basic/Diluted earnings/(loss) per ordinary share (sen)         27         57.16         57.16           from continuing operations         90.04         57.16         57.16           from discontinued operations         2.83         (3.24)	Profit before taxation	24	472,276	322,771	289,777	186,322
Profit/(Loss) from discontinued operations, net of tax         26         8,896         (10,171)         -	Taxation	25	(94,985)	(73,249)	(640)	(473)
of tax       26       8,896       (10,171)       -       -         Profit for the year       386,187       239,351       289,137       185,849         Profit attributable to:         Owners of the Company       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         Basic/Diluted earnings/(loss) per ordinary share (sen)       27         from continuing operations       90.04       57.16         from discontinued operations       2.83       (3.24)	Profit from continuing operations		377,291	249,522	289,137	185,849
Profit for the year         386,187         239,351         289,137         185,849           Profit attributable to:         291,882         169,318         289,137         185,849           Non-controlling interests         94,305         70,033         -         -           Basic/Diluted earnings/(loss) per ordinary share (sen)         386,187         239,351         289,137         185,849           From continuing operations         90.04         57.16         57.16         57.16           from discontinued operations         2.83         (3.24)         (3.24)						
Profit attributable to:       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         386,187       239,351       289,137       185,849         Basic/Diluted earnings/(loss) per ordinary share (sen)       27         from continuing operations       90.04       57.16         from discontinued operations       2.83       (3.24)		26	8,896		-	-
Owners of the Company       291,882       169,318       289,137       185,849         Non-controlling interests       94,305       70,033       -       -         386,187       239,351       289,137       185,849         Basic/Diluted earnings/(loss) per ordinary share (sen)         from continuing operations       90.04       57.16         from discontinued operations       2.83       (3.24)	-		386,187	239,351	289,137	185,849
Non-controlling interests         94,305         70,033         -         -           386,187         239,351         289,137         185,849           Basic/Diluted earnings/(loss) per ordinary share (sen)         27           from continuing operations         90.04         57.16           from discontinued operations         2.83         (3.24)	Profit attributable to:					
Basic/Diluted earnings/(loss) per ordinary share (sen) 27 from continuing operations 90.04 57.16 from discontinued operations 2.83 (3.24)	Owners of the Company		291,882	169,318	289,137	185,849
Basic/Diluted earnings/(loss) per ordinary share (sen) 27 from continuing operations 90.04 57.16 from discontinued operations 2.83 (3.24)	Non-controlling interests		94,305	70,033	-	-
share (sen) 27 from continuing operations 90.04 57.16 from discontinued operations 2.83 (3.24)			386,187	239,351	289,137	185,849
from continuing operations  90.04  57.16  from discontinued operations  2.83  (3.24)	Basic/Diluted earnings/(loss) per ordinary					
from discontinued operations 2.83 (3.24)	share (sen)	27				
			90.04			
92.87 53.92	from discontinued operations		2.83	(3.24)		
			92.87	53.92		

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021 (cont'd.)

		Gı	roup	Co	mpany
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the year		386,187	239,351	289,137	185,849
Other comprehensive income/(expense), net of tax					
Item that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity investments at fair value through other comprehensive income		61,567	4,412	61,588	4,370
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences from foreign operations		41	29	-	-
Share of other comprehensive (expense)/income of equity-accounted associates		(3,183)	6,296	-	-
Cash flow hedge		584	302	-	-
		(2,558)	6,627	-	-
Total other comprehensive income for the year	28	59,009	11,039	61,588	4,370
Total comprehensive income for the year		445,196	250,390	350,725	190,219
Total comprehensive income attributable to:					
Owners of the Company		350,713	180,265	350,725	190,219
Non-controlling interests		94,483	70,125	-	-
		445,196	250,390	350,725	190,219

### STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2021

	•			Attributab	le to owners	Attributable to owners of the Company	)y		<b>A</b>		
	•		N	Non-distributable	əlqe			Distributable			
	Share capital RM′000	Treasury shares RM'000	Exchange fluctuation reserve RM′000	Other reserve 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 2019	321,217	(63,318)	21,694	3,714	(212)	(16,469)	4,563	1,356,064	1,627,253	136,062	1,763,315
Profit for the year	1	1					1	169,318	169,318	70,033	239,351
Other comprehensive income/(expense)											
Foreign currency translation differences	1	•	29	1	•		•	ı	29	1	29
Share of other comprehensive income of equity-accounted associates	1	1	962/9	1	1	•	1	1	96'296		6,296
Gain on fair value of equity investments at fair value through other comprehensive income		1	1					4 412	4.412	1	4.417
Cash flow hedge	1	1	1	1	210	1	1	! '	210	92	302
Total comprehensive income/ (expense) for the year	,	1	6,325	,	210	1	1	173,730	180,265	70,125	250,390
Contributions by and distribution to owners of the Company											
Share-based payments/ transactions	1	'		'	'	,	1,530		1,530	672	2,202
ESS shares exercised	'	1	•		1	331	(2,443)	3,188	1,076	(1,076)	1
Dividends (Note 29)	1	1	1	1	1		1	(131,904)	(131,904)	(45,885)	(177,789)
Total transactions with owners of the Company	•	•	1	1	•	331	(913)	(128,716)	(129,298)	(46,289)	(175,587)
At 30 June 2020	321,217	(63,318)	28,019	3,714	(2)	(16,138)	3,650	1,401,078	1,678,220	159,898	1,838,118

# STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2021

(cont'd.)

	<b>\</b>		\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \	Attributable to Non-distributable	able ——	Attinbutable to owners of the company n-distributable	A	Distributable			
	Share capital RM′000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserve 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 2020	321,217	(63,318)	28,019	3,714	(2)	(16,138)	3,650	1,401,078	1,678,220	159,898	1,838,118
Profit for the year	1	1	1	1	1	1	1	291,882	291,882	94,305	386,187
Other comprehensive income/(expense) Foreign currency translation differences	,		14			•		,	41	•	14
Share of other comprehensive income of equity-accounted associates	1	1	(3,183)	1	•	ı			(3,183)		(3,183)
Gain on fair value of equity investments at fair value through other comprehensive income	1		,	,			,	61,567	61,567		61,567
Cash flow hedge	1	ı	•	1	406	•	,		406	178	584
Total comprehensive income/ (expense) for the year	1	1	(3,142)	1	406	,	,	353,449	350,713	94,483	445,196
Contributions by and distribution to owners of the Company											
Share-based payments/ transactions	1	1	1	1	1	1	958	1	958	422	1,380
ESS shares exercised	1	1	1	1	1	439	(2,992)	2,553	1	•	ı
Dividends (Note 29)	'	'	'	'	'	•	'	(163,452)	(163,452)	(107,065)	(270,517)
Total transactions with owners of the Company	ı	1	ı	1	,	439	(2,034)	(160,899)	(162,494)	(106,643)	(269,137)
At 30 June 2021	321,217	(63,318)	24,877	3,714	404	(15,699)	1,616	1,593,628	1,866,439	147,738	2,014,777

# STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2021

(cont'd.)

	<b>←</b>	— Attributable	to owners of the	Company ———	-
	<b>←</b> N	on-distributable	<b></b>	Distributable	
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total equity RM'000
Company					
At 1 July 2019	321,217	(63,318)	3,943	753,349	1,015,191
Profit for the year	-	-	-	185,849	185,849
Other comprehensive income					
Gain on fair value of equity investments at fair value through other comprehensive income	-	-	-	4,370	4,370
Total comprehensive income for the year	-	-	-	190,219	190,219
Distributions to owners of the Company					
Dividends (Note 29)	-	-	-	(134,179)	(134,179)
Total transactions with owners of the Company		-	-	(134,179)	(134,179)
At 30 June 2020/1 July 2020	321,217	(63,318)	3,943	809,389	1,071,231
Profit for the year	-	-	-	289,137	289,137
Other comprehensive income					
Gain on fair value of equity investments at fair value through other comprehensive income	-	-	-	61,588	61,588
Total comprehensive income for the year	-	-	-	350,725	350,725
Distributions to owners of the Company					
Dividends (Note 29)	-	-	-	(166,126)	(166,126)
Total transactions with owners of the Company	-	_		(166,126)	(166,126)
At 30 June 2021	321,217	(63,318)	3,943	993,988	1,255,830

### STATEMENTS OF CASH FLOWS

for the year ended 30 June 2021

	(	Group	Con	npany
Note	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit/(Loss) before taxation				
- Continuing operations	472,276	322,771	289,777	186,322
- Discontinued operations	9,165	(8,859)	-	-
	481,441	313,912	289,777	186,322
Adjustments for:				
Amortisation of intangible assets	12,907	12,222	-	-
Depreciation of property, plant and equipment	43,444	44,037	1	6
Depreciation of right-of-use assets	5,566	4,025	-	-
Dividend income	(22,974)	(33,045)	(315,633)	(185,039)
Interest income	(1,770)	(4,293)	(441)	(1,391)
Finance costs	2,231	3,087	-	-
Gain on disposal of property, plant and equipment	(6,430)	(1,290)	-	(62)
Others	(3)	250	-	-
Loss/(Gain) on fair value of financial assets at fair value through profit or loss	454	(291)	303	(177)
Gain on capital repayment of a subsidiary	-	-	-	(15,800)
Gain on liquidation of subsidiaries	-	-	-	(5,362)
(Reversal)/Impairment loss on property, plant and equipment	(4,336)	11,830	-	-
Impairment loss on investment in a subsidiary	-	-	22,000	11,000
Property, plant and equipment written off	312	1,914	-	-
(Write back)/Provision of retirement benefits	(1,847)	1,314	-	-
Share-based payments	1,380	2,202	_	-
Share of profit in associated companies	(35,830)	(40,146)	_	-
Unrealised loss on foreign exchange	2,213	110	-	-
Operating profit/(loss) before working capital changes	476,758	315,838	(3,993)	(10,503)
Inventories	(90,092)	10,603	-	-
Trade and other receivables	40,495	126,445	109	(79)
Trade and other payables	2,757	(34,190)	(390)	1,144
Cash generated from/(used in) operations	429,918	418,696	(4,274)	(9,438)
Dividends received from				
- Subsidiary companies	-	-	279,006	109,123
- Associated companies	22,853	54,876	22,853	54,876
- Other investments	22,974	33,045	13,774	21,040
Interest income received	1,770	4,293	441	1,391
Finance costs paid	(2,231)	(3,087)	-	-
Retirement benefits paid	-	(337)	-	-
Tax (paid)/refunded	(102,353)	(84,421)	(647)	2,372
Net cash generated from operating activities	372,931	423,065	311,153	179,364

STATEMENTS OF CASH FLOWS for the year ended 30 June 2021 (cont'd.)

		Gro	oup	Con	npany
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Addition of development costs		(15,988)	(7,639)	-	-
Addition of computer software		(738)	(1,667)	-	-
Cash distribution from liquidation of subsidiaries		-	-	-	30,600
Placement in short-term money market fund		(233,308)	-	(209,156)	-
Proceeds from disposal of other investments		-	6,448	-	6,448
Purchase of property, plant and equipment		(34,695)	(47,858)	(19)	-
Proceeds from disposal of property, plant and equipment		7,904	1,547	-	62
Proceeds from capital reduction of a subsidiary		-	-	-	20,800
Net cash (used in)/generated frominvesting activities		(276,825)	(49,169)	(209,175)	57,910
Cash flows from financing activities					
Dividends paid to					
- Owners of the Company		(163,452)	(131,904)	(166,126)	(134,179)
- Non-controlling shareholders of subsidiary companies		(107,065)	(45,885)	-	-
Drawdown of borrowings	(ii)	128,169	111,599	-	-
Repayment of borrowings	(ii)	(132,549)	(133,349)	-	-
Payment of lease liabilities	(i),(ii)	(3,226)	(3,226)	-	-
Net cash used in financing activities		(278,123)	(202,765)	(166,126)	(134,179)
Net change in cash and cash equivalents		(182,017)	171,131	(64,148)	103,095
Effect of exchange rate fluctuations on cash held		47	37	-	-
Cash and cash equivalents at 1 July 2020/2019		1,211,109	1,039,941	765,171	662,076
Cash and cash equivalents at 30 June		1,029,139	1,211,109	701,023	765,171

#### (i) Cash outflows for leases as a lessee

	G	roup	Co	ompany
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Included in net cash from operating activities				
Interest paid in relation to lease liabilities	168	547	-	-
Included in net cash from financing activities				
Payment of lease liabilities	3,226	3,226	-	-
Total cash outflows for leases	3,394	3,773	-	-

STATEMENTS OF CASH FLOWS for the year ended 30 June 2021 (cont'd.)

Group	At 1 July 2019 RM′000	Drawdown RM′000	Repayments RM'000	At 30 June/ 1 July 2020 RM′000	Acquisition of new lease RM'000	Drawdown RM′000	Repayment RM'000	At 30 June 2021 RM'000
Bankers' acceptances	14,030	660'99	(73,849)	6,280	1	113,169	(108,849)	10,600
Revolving credit	24,700	45,500	(29,500)	10,700	ı	15,000	(23,700)	2,000
Lease liabilities	17,178	1	(3,226)	13,952	1,437	,	(3,226)	12,163
	25,908	111,599	(136,575)	30,932	1,437	128,169	(135,775)	24,763

The notes on pages 78 to 142 are an integral part of these financial statements.

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

# 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 2021 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 2021 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 20 September 2021.

#### 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 indictors exist, management judgements and assumptions are required to determine the recoverable amount of the investment in the subsidiaries.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.1 Basis of preparation (cont'd.)

#### (ii) Note 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.

#### (iii) Note 14 - Trade and other receivables, including derivatives

The management applied judgements to determine that financial instruments of the Group and the Company are recognised and measured in accordance to MFRS 9, Financial Instruments as described in Note 2.2(c) and (j).

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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (a) Basis of consolidation (cont'd.)

#### (ii) Business combinations (cont'd.)

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

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

#### (iii) Acquisitions of non-controlling interests

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

#### (iv) Special purpose entities

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

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

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

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

Investments in associates are measured in the Company's statement of financial position at cost less 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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (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.

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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (c) Financial instruments

#### (i) Recognition and initial measurement

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

Financial asset (unless it is a trade receivable without significant financing component) 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 issue. A trade receivable without a 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.

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

- 2.2 Summary of significant accounting policies (cont'd.)
  - (c) Financial instruments (cont'd.)
    - (ii) Financial instrument categories and subsequent measurement (cont'd.)

Financial assets (cont'd.)

- (b) Fair value through other comprehensive income (cont'd.)
  - I. Debt investments (cont'd.)

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.

#### (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)).

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (c) Financial instruments (cont'd.)

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

#### Financial liabilities

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.

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (c) Financial instruments (cont'd.)

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

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.

#### (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.

#### 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 (cont'd.)

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.

#### 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.

#### 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 landOver period of leaseBuildings10 - 50 yearsPlant, equipment and motor vehicles2 - 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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (e) Leases (cont'd.)

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

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

#### (ii) Recognition and initial measurement

#### (a) As a lessee

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

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

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

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

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

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (e) Leases (cont'd.)

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

#### (b) As a lessor

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

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

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

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

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

#### (iii) Subsequent measurement

#### (a) As a lessee

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

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

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (e) Leases (cont'd.)

#### (iii) Subsequent measurement (cont'd.)

#### (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.

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (f) Intangible assets (cont'd.)

#### (iv) Amortisation (cont'd.)

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.

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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (g) Investment property (cont'd.)

#### (iii) Determination of fair value

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

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

#### (h) Inventories

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

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

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

#### (i) Cash and cash equivalents

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

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (j) Impairment (cont'd.)

#### (i) Financial assets (cont'd.)

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

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

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

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

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

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

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

#### (ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets, 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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (j) Impairment (cont'd.)

#### (ii) Other assets (cont'd.)

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

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

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

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

#### (k) Equity instruments

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

#### (i) Issue expenses

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

#### (ii) Ordinary shares

Ordinary shares are classified as equity.

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (I) 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").

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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (l) Employee benefits (cont'd.)

#### (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.

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (n) Revenue and other income (cont'd.)

#### (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.

#### (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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (p) Taxation (cont'd.)

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

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

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

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

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

#### (q) Discontinued operations

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

#### (r) Earnings per ordinary share ("EPS")

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

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

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.2 Summary of significant accounting policies (cont'd.)

#### (s) Operating segments

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

#### (t) Contingent liabilities

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

#### (u) Fair value measurements

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

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

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

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

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

#### 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.

#### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.3 Statement of compliance (cont'd.)

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 2021

 Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2

#### MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

Amendment to MFRS 16, Leases – Covid-19-Related Rent Concessions beyond 30 June 2021

#### MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

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

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

- MFRS 17. Insurance Contracts
- Amendments to MFRS 101, Presentation of Financial Statements Classification of Liabilities as Current or Noncurrent and Disclosures of Accounting Policies and Disclosures of Accounting Policies
- Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors Definition of Accounting Estimates
- Amendments to MFRS 112, Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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

- from the annual period beginning on 1 July 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021.
- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022 except for amendments to MFRS 1 and MFRS 141 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023 except for MFRS 17 as it is not expected to be applicable to the Group and the Company.

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

#### 3. COMPANIES IN THE GROUP

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

Name of Company	Country of incorporation	Effective	e interest	Principal activities
,		<b>2021</b> %	<b>2020</b> %	
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	100	100	Investment holding.
<ul> <li>Guocera Tile Industries (Meru) Sdn Bhd</li> </ul>	Malaysia	70	70	Manufacture of ceramic tiles.
• Guocera Sdn Bhd	Malaysia	100	100	Manufacture and general trading in ceramic tiles and investment holding.
<ul> <li>Guocera Marketing Singapore Pte Ltd</li> </ul>	Singapore	100	100	General trading in ceramic tiles.
<ul> <li>Ceramic Research Company Sdn Bhd</li> </ul>	Malaysia	100	100	Research and development of ceramic tiles and related products.
<ul> <li>Guocera Tile Industries</li> <li>Sdn Bhd</li> </ul>	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.
Hume Cemboard Industries Sdn Bhd	Malaysia	100	100	Manufacture and sale of fibre cement products.
Malex Industrial Products Sdn Bhd	Malaysia	100	100	Investment holding.
Hume Roofing Products Sdn Bhd	Malaysia	100	100	Investment holding.
HLY Marine Sdn Bhd	Malaysia	100	100	Distribution, trading and provision of services in marine related products and investment holding.
Hume Marketing Co Sdn Bhd	Malaysia	100	100	Dormant.
Stonenet Sdn Bhd	Malaysia	100	100	In member's voluntary liquidation.
Stableview Sdn Bhd*	Malaysia	100	100	Investment holding.
Maxider Sdn Bhd*	Malaysia	100	100	In member's voluntary liquidation.
Megah Court Condominium Development Sdn Bhd*	Malaysia	100	100	Dormant.
HLI Trading Limited*	Hong Kong	100	100	Investment holding.
<ul> <li>Avenues Zone Inc*</li> </ul>	Malaysia	100	100	Investment holding.

#### 3. COMPANIES IN THE GROUP (cont'd.)

Name of Company	Country of incorporation	Effective	interest	Principal activities
		<b>2021</b> %	<b>2020</b> %	
Associated Companies				
HICOM-Yamaha Manufacturing Malaysia Sdn Bhd*	Malaysia	30	30	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	34	34	Provision of research and development services.
Yamaha Motor Vietnam Co., Ltd	Vietnam	24	24	Procure and assemble motorcycles, motorcycle spare parts and components and provision of maintenance and repair service for motorcycles.

#### Notes:

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

#### 4. PROPERTY, PLANT AND EQUIPMENT

Group	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 2019		45,356	205,035	798,698	5,095	1,054,184
Additions		-	1,918	6,621	39,319	47,858
Reclassification		-	5,469	10,715	(16,184)	-
Disposals		-	-	(40,093)	-	(40,093)
Write off		-	(2,360)	(4,149)	(274)	(6,783)
At 30 June 2020/1 July 2020		45,356	210,062	771,792	27,956	1,055,166
Additions		-	237	6,190	28,268	34,695
Reclassification		-	167	31,561	(31,728)	-
Disposals		-	-	(56,875)	-	(56,875)
Write off		-	-	(4,605)	-	(4,605)
At 30 June 2021		45,356	210,466	748,063	24,496	1,028,381

#### 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 depreciation and impairment losses						
At 1 July 2019		-	87,196	691,013	-	778,209
Charge for the year		-	8,096	35,941	-	44,037
Impairment loss		-	-	7,891	3,939	11,830
Disposals		-	-	(39,836)	-	(39,836)
Write off		-	(1,424)	(3,445)	-	(4,869)
Effect of movements in exchange rates		-	-	6	-	6
At 30 June 2020/1 July 2020	_					
Accumulated depreciation		-	93,868	683,250	-	777,118
Accumulated impairment losses		-	-	8,320	3,939	12,259
		-	93,868	691,570	3,939	789,377
Charge for the year		-	7,260	36,184	-	43,444
Write back of impairment loss		-	-	(1,542)	(2,794)	(4,336)
Disposals		-	-	(55,401)	-	(55,401)
Write off		-	-	(4,293)	-	(4,293)
Effect of movements in exchange rates		-	-	5	-	5
At 30 June 2021						
Accumulated depreciation		-	101,128	660,740	-	761,868
Accumulated impairment losses		-	-	5,783	1,145	6,928
		-	101,128	666,523	1,145	768,796
Carrying amounts						
At 1 July 2019		45,356	117,839	107,685	5,095	275,975
At 30 June 2020/1 July 2020	-	45,356	116,194	80,222	24,017	265,789
At 30 June 2021		45,356	109,338	81,540	23,351	259,585
	-					

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# NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

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

Company	Office equipment and motor vehicles RM'000
Cost	
At 1 July 2019	148
Disposal	(115)
At 30 June 2020/1 July 2020	33
Additions	19
At 30 June 2021	52
Accumulated depreciation	
At 1 July 2019	142
Charge for the year	6
Disposal	(115)
At 30 June 2020/1 July 2020	33
Charge for the year	1
At 30 June 2021	34
Carrying amounts	
At 1 July 2019	6
At 30 June 2020/1 July 2020	
At 30 June 2021	18

#### 5. RIGHT-OF-USE ASSETS

	Building and		
Group	Land RM'000	equipment RM'000	Total RM'000
At 1 July 2019	20,042	17,178	37,220
	,		
Depreciation for the year	(564)	(3,461)	(4,025)
At 30 June 2020/1 July 2020	19,478	13,717	33,195
Addition for the year	-	1,435	1,435
Depreciation for the year	(565)	(5,001)	(5,566)
At 30 June 2021	18,913	10,151	29,064

#### 6. INVESTMENT PROPERTY

	Group	
	2021	2020
	RM'000	RM'000
At fair value:		
Leasehold land with unexpired lease period of more than 50 years	4,000	4,000

### Fair value information

Fair value of investment property is categorised as Level 3.

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

#### 7. INVESTMENTS IN SUBSIDIARY COMPANIES

	Cor	mpany
	2021 RM′000	2020 RM'000
At cost:	inii oo	
Unquoted shares	353,586	353,586
Less: Impairment loss	(123,058)	(101,058)
	230,528	252,528

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

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

The carrying amount of the investment in a subsidiary company was determined to be higher than its recoverable amount of RM12 million (2020: RM34 million) after an impairment loss of RM22 million (2020: RM11 million) was recognised in the current financial year's profit or loss.

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

## 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:

	2021	2020
	RM'000	RM'000
As at 30 June		
Statements of financial position		
Total assets	764,048	778,411
Total liabilities	(242,458)	(232,747)
Net assets	521,590	545,664
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Profit for the year	317,712	248,793
Total comprehensive income	319,470	233,694
Statements of cash flows		
Net cash flow generated from operating, investing and financing activities	(113,433)	75,841
Dividends paid to NCI	(107,065)	(45,885)

### 8. INVESTMENTS IN ASSOCIATED COMPANIES

	G	roup	Company		
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
At cost:					
Unquoted shares	27,306	27,306	26,898	26,898	
Share of post-acquisition reserves	137,843	128,048	-	-	
	165,149	155,354	26,898	26,898	

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

## 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:

	2021 RM'000	2021 RM'000
As at 30 June		
Statements of financial position		
Non-current assets	302,126	296,998
Current assets	869,124	719,790
Non-current liabilities	(42,347)	(36,912)
Current liabilities	(458,076)	(361,350)
Net assets	670,827	618,526
Year ended 30 June		
Statements of profit or loss and other comprehensive income		
Total comprehensive income	143,273	161,564
Included in the total comprehensive income is:		
Revenue	3,054,067	3,190,036
Reconciliation of net assets to carrying amount		
As at 30 June		
Group's share of net assets other than goodwill of the associated company	164,868	155,073
Premium on acquisition	281	281
Carrying amount in the statement of financial position	165,149	155,354
Year ended 30 June		
Group's share of results		
Group's share of profit or loss	35,830	40,146
Group's share of other comprehensive income	(3,183)	6,296
Group's share of total comprehensive income	32,647	46,442
Other information		
Dividends received by the Group	22,853	54,876

### 9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development costs RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 July 2019	66,975	71,253	6,197	144,425
Additions	-	7,639	1,667	9,306
At 30 June 2020/1 July 2020	66,975	78,892	7,864	153,731
Additions	-	15,988	738	16,726
At 30 June 2021	66,975	94,880	8,602	170,457
Amortisation and impairment loss				
At 1 July 2019				
Accumulated amortisation	-	54,757	4,468	59,225
Accumulated impairment loss	66,975	-	-	66,975
	66,975	54,757	4,468	126,200
Amortisation for the year	-	11,679	543	12,222
At 30 June 2020/1 July 2020				
Accumulated amortisation	-	66,436	5,011	71,447
Accumulated impairment loss	66,975	-	-	66,975
	66,975	66,436	5,011	138,422
Amortisation for the year	-	12,234	673	12,907
At 30 June 2021				
Accumulated amortisation	-	78,670	5,684	84,354
Accumulated impairment loss	66,975	-	-	66,975
	66,975	78,670	5,684	151,329
Carrying amounts				
At 1 July 2019		16,496	1,729	18,225
At 30 June 2020/1 July 2020	-	12,456	2,853	15,309
At 30 June 2021	-	16,210	2,918	19,128

### 10. OTHER INVESTMENTS

		G	roup	Con	npany
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current					
Financial assets at fair value through profit or loss					
<ul> <li>Redeemable convertible unsecured loan stocks in a related company</li> </ul>		3,574	4,028	2,373	2,676
Fair value through other comprehensive income					
<ul> <li>Shares in related companies, quoted in Malaysia</li> </ul>	10.1	89,821	28,254	87,552	25,964
		93,395	32,282	89,925	28,640

### 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:

	Assets		Liab	Liabilities		let
Group	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment	-	-	(7,724)	(11,780)	(7,724)	(11,780)
Right-of-use assets	-	-	(7,299)	(3,293)	(7,299)	(3,293)
Inventory, trade and other receivables and payables	27,354	21,095	-	(211)	27,354	20,884
Lease liabilities	7,424	3,348	-	-	7,424	3,348
Deferred tax assets/(liabilities)	34,778	24,443	(15,023)	(15,284)	19,755	9,159
Set off of tax	(9,666)	(9,518)	9,666	9,518	-	-
Net deferred tax assets/(liabilities)	25,112	14,925	(5,357)	(5,766)	19,755	9,159

## Unrecognised deferred tax assets

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

	G	Group		
	2021 RM'000	2020 RM'000		
Inventory, trade and other receivables and payables	30	10,475		
Property, plant and equipment	-	9,153		
Unabsorbed capital allowances	2,215	5,934		
Unutilised tax losses	44,280	46,088		
	46,525	71,650		

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

### 11. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd.)

### Unrecognised deferred tax assets (cont'd.)

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

There are no unutilised tax losses arising in year of assessment 2021. Unutilised tax losses of RM44,280,000 and RM46,088,000 arising up to year of assessment 2021 and 2020, respectively, can be carried forward under current tax legislation as follows:

		Group
	20 RM'0	
Year of assessment 2025	33,7	33,753
Year of assessment 2026		- 647
Year of assessment 2027	10,5	27 11,688
	44,2	80 46,088

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

Group	At 1 July 2019 RM'000	Recognised in profit or loss (Note 25) RM'000	Included in discontinued operations (Note 26) RM'000	At 30 June 2020/1 July 2020 RM'000	Recognised in profit or loss (Note 25) RM'000	At 30 June 2021 RM'000
Property, plant and equipment	(483)	(11,414)	117	(11,780)	4,056	(7,724)
Right-of-use assets	(4,123)	830	-	(3,293)	(4,006)	(7,299)
Inventory, trade and other receivables and payables	2,378	19,913	(1,407)	20,884	6,470	27,354
Lease liabilities	4,123	(775)	-	3,348	4,076	7,424
	1,895	8,554	(1,290)	9,159	10,596	19,755

### 12. TAX CREDIT RECEIVABLE

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

### 13. INVENTORIES

	Group		
	2021 RM'000	2020 RM'000	
Raw materials and consumables	251,756	124,392	
Work-in-progress	6,565	7,457	
Finished goods	44,371	80,751	
	302,692	212,600	
Recognised in profit or loss:			
Inventories recognised as cost of sales	2,078,740	1,874,612	

### 14. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

		Group Company		npany	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade					
Trade receivables		173,193	208,033	-	-
Amount due from related companies		2,261	3,812	-	-
Amount due from associated companies		555	447	-	-
		176,009	212,292	-	-
Less: Allowance for impairment losses	33.3(a)	(3,628)	(11,322)	-	-
		172,381	200,970	-	-
Non-trade					
Other receivables and deposits		20,979	26,442	110	200
Prepayments		8,080	16,736	26	45
Derivative financial asset					
<ul> <li>Forward exchange contract designated as hedge instruments</li> </ul>		583	-	-	-
		202,023	244,148	136	245

### 15. SHORT-TERM MONEY MARKET FUND

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term money market fund	233,308	-	209,156	-

The funds placed in the short-term money market fund by the Group and the Company are managed by a related company.

### 16. CASH AND CASH EQUIVALENTS

	Group		Group Comp		ompany
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
Short-term money market fund	218,020	-	-	-	
Deposits with licensed banks	743,719	1,150,261	700,000	764,600	
Cash and bank balances	67,400	60,848	1,023	571	
	1,029,139	1,211,109	701,023	765,171	

The funds placed in the short-term money market fund by the Group are managed by a related company.

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

	Group		oup Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits with licensed banks	738,038	1,144,355	700,000	764,600
Cash and bank balances	52,286	39,629	610	413
	790,324	1,183,984	700,610	765,013

### 17. SHARE CAPITAL

	Group and Company			
	Number of shares 2021 '000	Amount 2021 RM'000	Number of shares 2020 '000	Amount 2020 RM'000
Issued ordinary shares:				
At 1 July 2020/30 June 2021 and 1 July 2019/ 30 June 2020	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

		Group		Con	npany
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Reserves consist of:					
Exchange fluctuation reserve	18.1	24,877	28,019	-	-
Other reserves	18.2	3,714	3,714	3,943	3,943
Reserve for own shares	18.3	(15,699)	(16,138)	-	-
Executive share scheme reserve	18.4	1,616	3,650	-	-
Hedging reserve	18.5	404	(2)	-	-
Retained earnings		1,593,628	1,401,078	993,988	809,389
		1,608,540	1,420,321	997,931	813,332

### 18. RESERVES (cont'd.)

#### Note 18.1

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

#### Note 18.2

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

#### Note 18.3

Reserve for own shares represents Trust Shares purchased by the ESS Trusts as disclosed in Note 2.2(I)(iii). As at 30 June 2021, the total number of HLI Shares held by the ESS Trusts at the Group level was 5,092,916 (2020: 5,237,973) HLI Shares.

At the Group level, during the financial year-to-date,

- (i) a total of 145,057 (2020: 109,527) 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; and
- (ii) a total of Nil (2020: 132,500) existing ordinary shares held in the ESS Trusts were sold to a related company.

#### 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(I)(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 2021 '000	Amount 2021 RM'000	Number of shares 2020 '000	Amount 2020 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
	2021 RM'000	
Current (unsecured)		
Bankers' acceptances	10,600	6,280
Revolving credit	2,000	10,700
	12,600	16,980

#### 21. EMPLOYEE BENEFITS

### (a) Retirement benefits

	Group		Cor	mpany
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 July 2020/2019	24,890	23,913	142	142
(Write-back)/Provision	(1,847)	1,314	-	-
Payments	-	(337)	-	-
At 30 June	23,043	24,890	142	142

### (b) Executive Share Scheme ("ESS")

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

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

- (i) Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.
- (ii) The aggregate number of shares comprised in:
  - (a) exercised options;
  - (b) unexercised options;
  - (c) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
  - (d) outstanding grants;
  - (e) completed grants; and
  - (f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

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

### 21. EMPLOYEE BENEFITS (cont'd.)

### (b) Executive Share Scheme ("ESS") (cont'd.)

- (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.

### (i) ESOS

During the previous financial years, conditional incentive share options ("Options") were granted and/or vested to certain eligible executives of the Group as follows:

- Guocera Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, and certain of its subsidiaries ("Guocera Group") granted Options over 3,820,000 ordinary shares in HLI ("HLI Shares") at the exercise price of RM4.23 per share ("Guocera Options") to certain of their eligible executives, out of which, Guocera Options over 2,610,000 HLI Shares were vested and 2,340,000 HLI Shares in the ESS Trust were transferred to the Guocera Options holders during the previous financial years. The remaining Guocera Options over 270,000 HLI Shares had lasped.
- Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of the Company, granted Options over 5,000,000 HLI Shares at the exercise price of RM9.71 per HLI Share ("HLYM Options") to certain eligible executives subject to the achievement of certain performance criteria by the option holders over the option performance period ("HLYM Option Period"). At the end of the HLYM Options Period, the performance targets had been achieved. HLYM granted 247,500 HLI Shares, free of consideration, to certain eligible executives in lieu of the outstanding HLYM Options over 4,000,000 HLI Shares granted during the previous financial year. Accordingly, all the HLYM Options over 4,000,000 HLI Shares had ceased to be valid.

Since the commencement of the ESS, the Group granted a total of 8,820,000 Options, out of which, 2,610,000 Guocera Options had been vested, 2,340,000 Guocera Options had been exercised and 4,000,000 HLYM Options had ceased. The aggregate Options granted to directors/chief executives (including a past director/chief executive) of the Group amounted to 3,850,000 Options, out of which, 1,350,000 Options had been vested and 1,080,000 Options had been exercised during the previous financial years, and 2,000,000 Options had ceased during the previous financial years. The actual percentage of total Options granted to directors/senior management (including a past director/senior management) of the Group was 1.21% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2021.

### 21. EMPLOYEE BENEFITS (cont'd.)

- (b) Executive Share Scheme ("ESS") (cont'd.)
  - (ii) ESGS

#### **HLI Shares Grant**

During the previous financial years, HLI Shares were granted and/or vested to certain eligible executives of the Group as follows:

- Guocera Group granted and vested a total of 195,000 free HLI Shares to certain eligible executives.
- HLYM granted 408,143 free HLI Shares to certain eligible executives (out of which, 247,500 free HLI Shares were granted in lieu of the outstanding HLYM Options over 4,000,000 HLI Shares granted during the previous financial year) to certain eligible executives of HLYM.

During the financial year ended 30 June 2021, HLYM granted 80,000 HLI Shares, free of consideration to an eligible executive of the Group and none of the HLI Shares had been vested. A total of 145,057 free HLI Shares had been vested during the financial year ended 30 June 2021 and 233,559 HLI Shares remain outstanding as at 30 June 2021. The aggregate HLI Shares granted to a director/chief executive of the Group during the financial year ended 30 June 2021 amounted to 80,000 HLI Shares, 103,724 free HLI Shares had been vested and 192,225 HLI Shares remain outstanding as at 30 June 2021. The actual percentage of total HLI Shares granted to a director/senior management of the Group was 0.03% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2021.

Since the commencement of the ESS, 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 outstanding HLYM Options over 4,000,000 HLI Shares granted during the previous financial year), 449,584 free HLI Shares had been vested and 233,559 HLI Shares remain outstanding as at 30 June 2021. The aggregate HLI Shares granted to a director/chief executive of the Group amounted to 364,143 HLI Shares, 171,918 free HLI Shares had been vested and 192,225 HLI Shares remain outstanding as at 30 June 2021. The actual percentage of total HLI Shares granted to a director/senior management of the Group was 0.11% based on the total number of issued ordinary shares (excluding treasury shares) of the Company as at 30 June 2021.

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

		G	roup
		2021 RM'000	2020 RM'000
(i)	Value of employee services received for HLI Shares Grant		
	HLI Shares Grant	1,380	2,202
(ii)	Weighted average fair value and assumptions for HLI Shares Grant		
	Weighted average fair value at grant date	RM8.37	RM8.52

### 22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		G	roup	Company	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade					
Trade payables		76,475	120,372	-	-
Amount due to related companies		79,720	7,575	-	-
Amount due to associated companies		202	32,206	-	
		156,397	160,153	-	-
Non-trade					
Amount due to related companies	22.1	687	1,144	-	-
Amount due to associated companies	22.1	1,657	851	-	-
Other payables		35,909	37,734	-	-
Accrued liabilities		82,768	74,779	1,548	1,938
Derivative financial liability					
<ul> <li>Forward exchange contract designated as hedge instruments</li> </ul>		-	4	-	<u>-</u>
		277,418	274,665	1,548	1,938

### Note 22.1

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

### 23. REVENUE

	2021 RM'000	2020 RM'000
Group		
Revenue from contracts with customers	2,618,859	2,291,110
Other revenue		
- Dividend income	14,237	22,372
Total revenue	2,633,096	2,313,482
Company		
Other revenue		
- Dividend income	315,633	185,039

## 23. REVENUE (cont'd.)

## 23.1 Disaggregation of revenue

	2021 RM'000	2020 RM'000
Group		
Major products		
Consumer products		
Motorcycles and spare parts sales	2,119,045	1,804,057
Ceramic tiles	265,852	308,072
	2,384,897	2,112,129
Other products		
Fibre cement and marine related products	233,962	178,981
	2,618,859	2,291,110
Timing and recognition		
At a point in time	2,618,859	2,291,110
Revenue from contracts with customers	2,618,859	2,291,110
Other revenue	14,237	22,372
Total revenue	2,633,096	2,313,482

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.

REVENUE (cont'd.)

### 24. PROFIT BEFORE TAXATION

	Group		Cor	Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
Profit before taxation is arrived at after charging/(crediting):					
Auditors' remuneration					
Audit fees:					
- KPMG PLT	513	521	105	100	
- Overseas affiliates of KPMG PLT	59	58	-	-	
- Other auditors	25	31	-	-	
Non-audit fees:					
- KPMG PLT	4	4	4	4	
- Overseas affiliates of KPMG PLT	61	56	57	56	
Material expenses/(income)					
Dividend income					
- Unquoted associated companies in Malaysia	-	-	(3,600)	(1,800)	
- Unquoted associated company outside Malaysia	-	-	(19,253)	(53,076)	
- Quoted investment in Malaysia	(665)	(658)	(665)	(658)	
- Unquoted subsidiary companies in Malaysia	-	-	(279,006)	(109,123)	
- Short term investments	(22,309)	(32,387)	(13,109)	(20,382)	
Personnel expenses					
- Staff salaries and other expenses	159,950	189,031	1,013	-	
- Contribution to Employees Provident Fund	12,742	13,371	121	-	
- Retirement benefits (write-back)/provision	(1,847)	1,314	-	-	
- Share-based payments	1,380	2,202	-	-	
Retrenchment costs	13,316	-	-	-	
Gain on disposal of property, plant and equipment	(6,430)	(1,290)	-	(62)	
Loss/(Gain) on fair value of financial assets at fair	45.4	(204)	202	(477)	
value through profit or loss	454	(291)	303	(177)	
(Reversal of)/Provision for slow moving inventories	(7,097)	19,612	-	-	
Property, plant and equipment					
- written off	312	1,914	-	-	
- (reversal of)/impairment loss	(4,336)	11,830	-	-	
Gain on capital repayment of a subsidiary	-	-	-	(15,800)	
Gain on liquidation of subsidiaries	-	-	-	(5,362)	
Impairment loss on investment in a subsidiary	-	-	22,000	11,000	
Expenses/(Income) arising from leases					
Expenses relating to short-term leases	8,949	4,503	-	-	
Net loss/(gain) on impairment of financial instruments					
Financial assets at amortised cost	153	137	-	-	

### 25. TAXATION

	Group		Company		
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
Continuing operations:					
Current taxation					
Current year	99,500	73,417	643	490	
Under/(Over) provision in prior year	6,081	8,386	(3)	(17)	
	105,581	81,803	640	473	
Deferred taxation					
Current year	(1,136)	(2,952)	-	-	
Over provision in prior year	(9,460)	(5,602)	-	-	
	(10,596)	(8,554)	-	-	
Taxation attributable to continuing operations	94,985	73,249	640	473	
Discontinued operations:					
Current taxation					
Current year	269	-	-	-	
Under provision in prior year	-	22	-		
	269	22	-	-	
Deferred taxation					
Current year	-	1,290	-		
	-	1,290	-	-	
Taxation attributable to discontinued operations	269	1,312	-	-	
Total tax expense	95,254	74,561	640	473	

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		Con	Company		
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000		
Profit/(Loss) before taxation						
- Continuing operations	472,276	322,771	289,777	186,322		
- Discontinued operations	9,165	(8,859)	-			
Total profit before taxation	481,441	313,912	289,777	186,322		
Taxation at Malaysian statutory tax rates of 24%	115,546	75,339	69,546	44,717		
Non-allowable expenses	6,384	7,094	6,849	5,373		
Non-taxable income	(8,305)	(8,235)	(75,752)	(49,600)		
Effect of deferred tax not recognised	(6,030)	8,664	-	-		
Tax attributable to associated companies	(8,599)	(9,635)	-	-		
Tax incentive	(363)	(1,472)	-	-		
	98,633	71,755	643	490		
(Over)/Under provision in prior years	(3,379)	2,806	(3)	(17)		
	95,254	74,561	640	473		

### 26. DISCONTINUED OPERATIONS

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

Profit attributable to the discontinued operations were as follows:

### **Results of discontinued operations**

	Gr	oup
	2021 RM'000	2020 RM'000
Revenue	10,848	160,660
Cost of sales	(9,977)	(146,834)
Gross profit	871	13,826
Distribution expenses	(641)	(13,212)
Administration expenses	(2,319)	(7,094)
Other operating expenses	(1)	(5,355)
Other operating income	11,154	2,906
Results from operations	9,064	(8,929)
Interest income	101	156
Finance costs	-	(86)
Profit/(Loss) before taxation	9,165	(8,859)
Taxation (Note 25)	(269)	(1,312)
Profit/(Loss) from discontinued operations, net of tax	8,896	(10,171)

## Cash flows from/(used in) discontinued operations

	Group		
	2021 RM'000	2020 RM'000	
Net cash from operating activities	15,017	19,855	
Net cash from investing activities	3,429	106	
Net cash used in financing activities	(31,761)	(1,100)	
Effect on cash flows	(13,315)	18,861	

### 27. EARNINGS PER ORDINARY SHARE

### Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM291,882,000 (2020: RM169,318,000) by the weighted average number of ordinary shares outstanding during the financial year of 314,281,000 (2020: 314,026,000) as follows:

	G	roup
	2021 RM'000	2020 RM'000
Profit from continuing operations	282,986	179,489
Profit/(Loss) from discontinued operations	8,896	(10,171)
Profit attributable to owners of the Company	291,882	169,318
	G	roup
	2021 ′000	2020 ′000
Weighted average number of ordinary shares (basic):		
Issued ordinary shares at 1 July 2020/2019	327,905	327,905
Less:		
Treasury shares held at 1 July 2020/2019	(8,432)	(8,432)
Trust shares held at 1 July 2020/2019	(5,238)	(5,480)
	314,235	313,993
Effect of Trust shares vested	46	33
Weighted average number of ordinary shares	314,281	314,026
	G	roup
	2021	2020
From continuing operations (sen)	90.04	57.16
From discontinued operations (sen)	2.83	(3.24)
Basic earnings per ordinary share (sen)	92.87	53.92

### Diluted earnings per ordinary share

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

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

	Before tax RM'000	Tax benefit/ (expense) RM'000	Net of tax RM'000
Group			
2021			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Fair value gain arising during the year	61,567	-	61,567
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Reclassification adjustments for the gain included in profit or loss	584	-	584
Foreign currency translation differences for foreign operations			
- Gain arising during the year	41	-	41
- Share of other comprehensive expense of equity-accounted			
associates	(3,183)	-	(3,183)
	59,009	-	59,009
2020			
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	4,412	-	4,412
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	302	-	302
Foreign currency translation differences for foreign operations			
- Gain arising during the year	29	-	29
- Share of other comprehensive income of equity-accounted associates	6,296	-	6,296
	11,039	-	11,039
Company 2021			
Items that will not be reclassified subsequently to profit or loss			
Equity investments measured at fair value through other comprehensive income			
- Fair value gain arising during the year	61,588	-	61,588
2020			
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	4,370	-	4,370

#### 29. DIVIDENDS

	G	roup	Company		
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
First interim					
17 sen per share single tier (2020: 17 sen per share single tier)	53,419	53,379	54,310	54,311	
Second interim					
35 sen per share single tier (2020: 25 sen per share single tier)	110,033	78,525	111,816	79,868	
	163,452	131,904	166,126	134,179	

Dividends received by the ESS Trusts amounting to RM2,674,000 (2020: RM2,275,000) 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 following summary describes the continuing and discontinued operations in each of the Group's reportable segments:

### (a) Continuing operations

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

### (b) Discontinued operations

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

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

### Segment profit

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

### Segment assets

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

### Segment liabilities

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

## 30. OPERATING SEGMENTS (cont'd.)

		ing operations Discontinued operations mer products Industrial products Total				otal
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Segment profit/(loss)	443,485	324,604	9,064	(8,929)	452,549	315,675
Included in the measure of segment profit/(loss) are:						
Revenue from external customers	2,384,220	2,112,129	10,848	160,660	2,395,068	2,272,789
Depreciation and amortisation	(52,443)	(48,330)	(169)	(1,392)	(52,612)	(49,722)
Reversal of/(Impairment loss) on property, plant and equipment	4,336	(9,994)	-	(1,836)	4,336	(11,830)
Share of profit in associated companies	35,830	40,146	-	-	35,830	40,146

### Reconciliations of reportable segment profit or loss

	Gr	oup
	2021 RM'000	2020 RM'000
Profit/(Loss)		
Total profit for reportable segments	452,549	315,675
Non-reportable segments	29,353	(2,969)
(Profit)/Loss from discontinued operations	(9,064)	8,929
Interest income	1,669	4,137
Finance costs	(2,231)	(3,001)
Consolidated profit (excluding taxation and discontinued operations)	472,276	322,771

	2	021	2020		
	Depreciation External and revenue amortisation RM'000 RM'000		External revenue RM'000	Depreciation and amortisation RM'000	
Group					
Total reportable segments	2,395,068	52,612	2,272,789	49,722	
Non-reportable segments	248,876	9,305	201,353	10,562	
Discontinued operations	(10,848)	(169)	(160,660)	(1,392)	
Consolidated total	2,633,096	61,748	2,313,482	58,892	

### 30. OPERATING SEGMENTS (cont'd.)

## **Geographical information**

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

	Revenue	
	2021 RM'000	2020 RM'000
Group		
Malaysia	2,489,822	2,304,195
Australia	24,326	35,768
Vietnam	21,430	31,448
Thailand	26,111	26,784
Singapore	34,082	15,300
Taiwan	17,421	12,298
Others	30,752	48,349
Discontinued operations	(10,848)	(160,660)
	2,633,096	2,313,482

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-cur	Non-current assets	
	2021 RM'000	2020 RM'000	
Group			
Malaysia	311,495	317,755	
Singapore	282	538	
	311,777	318,293	

### Major customer

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

## 31. CAPITAL COMMITMENTS

	G	roup
	2021 RM′000	2020 RM'000
Property, plant and equipment		
Authorised but not contracted for	31,228	66,990
Authorised and contracted for	61,459	13,860

#### 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"). YBhg Tan Sri Quek Leng Chan, the father of Ms Quek Sue Yian, who is a Director of the Company, is a major shareholder of the Company, and a Director and a major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company, HLMG and HLCM, and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Kee and Mr Kwek Leng Beng;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company;
- (iii) Hong Bee Hardware Company Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company; and
- (iv) Yamaha Motor Co., Ltd ("YMC") is a major shareholder of a subsidiary of the Company. Yamaha Motor Asia Pte Ltd ("Yamaha Asia"), Yamaha Motor Distribution Singapore Pte Ltd ("YDS"), Thai Yamaha Motor Co., Ltd ("TYM"), P.T. Yamaha Indonesia Motor Manufacturing ("YIM"), Yamaha Motor Taiwan Trading Co., Ltd ("YMTT"), Sunward International Inc ("SII"), Yamaha Motor (China) Co., Ltd ("YMCC") and Yamaha Motor Vietnam Co., Ltd ("YMVN") are persons connected with YMC (Yamaha Asia, YDS, TYM, YIM, YMTT, SII, YMCC and YMVN are collectively referred to as "YMC Group").

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

		G	roup
Transactions	Related Party	2021 RM'000	2020 RM'000
(a) Sale of goods and services	Subsidiary and associated companies of HLCM	32	2,157
	Hong Bee Hardware and Hong Bee Motors	40,412	42,108
	YMC Group	2,902	3,128
(b) Purchase of goods and	Subsidiary and associated companies of HLCM	4,269	66,709
services	YMC Group	745,549	567,499
	Tasek and subsidiary and associated companies of Tasek	7,860	6,434
	Associated companies of HLI	394,966	344,207
(c) Rental of properties	Subsidiary and associated companies of HLCM	1,443	1,851
(d) Receipt of services	Subsidiary and associated companies of HLCM	1,134	874

### 32. RELATED PARTIES (cont'd.)

### 32.1 Significant related party transactions (cont'd.)

		G	roup
Transactions	Related Party	2021 RM'000	2020 RM'000
(e) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	22,224	29,827
(f) Payment of royalties and technical fees for usage of the Yamaha trademark and technical support	YMC	37,026	31,606
(g) Receipt of research and development services	YMC	4,383	3,542
(h) Receipt of logistics related services	Subsidiary companies of HLCM	4	2,361

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

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

### 32.2 Key management personnel

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

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

	G	iroup	Company		
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	
Executive Directors					
Fees	18	-	-	-	
Remuneration and other benefits	3,605	-	-	-	
Non-Executive Directors					
Fees*	459	452	389	382	

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

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## NOTES TO THE FINANCIAL STATEMENTS (cont'd.)

### 33. FINANCIAL INSTRUMENTS

### 33.1 Categories of financial instruments

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

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

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	FVTPL- DUIR RM'000	Derivatives used for hedging RM'000
2021					
Financial assets					
Group					
Other investments	93,395	-	89,821	3,574	-
Trade and other receivables, including derivatives (excluding prepayments)	193,943	193,360			583
Short-term money market fund		193,300	-	222 200	303
•	233,308	011 110	-	233,308	-
Cash and cash equivalents	1,029,139	811,119	- 00.034	218,020	-
_	1,549,785	1,004,479	89,821	454,902	583
Company					
Other investments	89,925	-	87,552	2,373	-
Trade and other receivables, including derivatives (excluding prepayments)	110	110	-	-	-
Short-term money market fund	209,156	-	-	209,156	-
Cash and cash equivalents	701,023	701,023	-	-	-
	1,000,214	701,933	87,552	211,529	-
Financial liabilities					
Group					
Loans and borrowings	12,600	12,600	-	-	-
Trade and other payables, including					
derivatives	277,418	277,418	-	-	-
	290,018	290,018	-	-	-
Company					
Trade and other payables, including derivatives	1,548	1,938	-	-	-

## 33. FINANCIAL INSTRUMENTS (cont'd.)

## 33.1 Categories of financial instruments (cont'd.)

	Carrying amount RM'000	FAAC/ FLAC RM'000	FVOCI- EIDUIR RM'000	FVTPL- DUIR RM'000	Derivatives used for hedging RM'000
2020					
Financial assets					
Group					
Other investments	32,282	-	28,254	4,038	-
Trade and other receivables, including derivatives (excluding prepayments)	227,412	227,412	-	-	-
Cash and cash equivalents	1,211,109	1,211,109	-	-	-
	1,470,803	1,438,521	28,254	4,028	-
Company					
Other investments	28,640	-	25,964	2,676	-
Trade and other receivables, including derivatives (excluding prepayments)	200	200	-	-	-
Cash and cash equivalents	765,171	765,171	-	-	-
	794,011	765,371	25,964	2,676	-
Financial liabilities					
Group					
Loans and borrowings	16,980	16,980	-	-	-
Trade and other payables, including derivatives	274,665	274,661	-	-	4
	291,645	291,641	-	-	4
Company				'	
Trade and other payables, including derivatives	1,938	1,938	-	-	-

## 33.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net gains/(losses) on financial instruments carried at:				
Amortised cost				
- Interest income	1,770	4,293	441	1,391
- Unrealised forex loss	(2,256)	(110)	-	-
- Finance costs	(2,063)	(2,540)	-	-
Fair value through profit or loss:				
- Dividend income from short term investments	22,309	32,387	13,109	20,382
- Fair value (loss)/gain on loan stock investment	(454)	291	(303)	177
- Others	49	176	38	138
Fair value through other comprehensive income:				
- Fair value gain on equity investments	61,657	4,412	61,588	4,370
- Dividend income	665	658	665	658
	81,677	39,567	75,538	27,116

### 33. FINANCIAL INSTRUMENTS (cont'd.)

### 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

### (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		
	2021 RM'000	2020 RM'000	
Domestic	157,969	185,538	
Asia	12,013	6,908	
Europe	415	1,177	
Others	1,984	7,347	
	172,381	200,970	

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

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

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

## 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 following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2021 and 30 June 2020.

Group	Gross carrying amount RM'000	Loss allowance RM'000	Net carrying amount RM'000
2021			
Not past due	124,927	(2,359)	122,568
Past due 1 - 30 days	29,097	(994)	28,103
Past due 31 – 60 days	13,226	-	13,226
Past due 61 – 90 days	7,782	(124)	7,658
Past due 91 – 120 days	829	(3)	826
Past due more than 120 days	148	(148)	-
	176,009	(3,628)	172,381
2020			
Not past due	178,144	(2,464)	175,680
Past due 1 - 30 days	4,674	-	4,674
Past due 31 – 60 days	11,720	(738)	10,982
Past due 61 – 90 days	6,718	(12)	6,706
Past due 91 – 120 days	2,802	(86)	2,716
Past due more than 120 days	8,234	(8,022)	212
	212,292	(11,322)	200,970

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

Group	2021 RM'000	2020 RM'000
Balance at 1 July 2020/2019	11,322	11,185
Net measurement of loss allowance	(7,694)	137
Balance at 30 June	3,628	11,322

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.

### 33. FINANCIAL INSTRUMENTS (cont'd.)

### 33.3 Financial risk management (cont'd.)

### (a) Credit risk (cont'd.)

### Receivables (cont'd.)

#### ECL of other receivables

ECL of other receivables is determined individually after considering the financial strength of the other receivable. Based on management's assessment, the probability of the default of these receivables is low and hence, no loss allowance has been made.

#### Cash and cash equivalents

### Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents of the Group and the Company are maintained with licensed financial institutions (of which majority is placed with a related company) as disclosed in Note 16 to the financial statements.

## Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

#### Impairment losses

The Group and the Company consider that their cash and cash equivalents have low credit risk. Accordingly, no impairment allowance is required.

### Short-term money market fund

### Risk management objectives, policies and processes for managing the risk

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

Short-term money market fund of the Group and the Company are managed by a related company, as disclosed in Note 15 and Note 16 to the financial statements.

### Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

### Impairment losses

The Group and the Company consider that their short-term money market fund have low credit risk. Accordingly, no impairment allowance is required.

### 33. FINANCIAL INSTRUMENTS (cont'd.)

### 33.3 Financial risk management (cont'd.)

### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arise principally from their various payables, loans and borrowings, while the Company's exposure to liquidity risk arise from various payables.

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

### Maturity analysis

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

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
2021							
Non-derivative financial liabilities							
Trade and other payables	277,418	-	277,418	277,418	-	-	-
Loans and borrowings	12,600	2.4%-3.0%	12,647	12,647	-	-	-
Lease liabilities	12,163	3.5%-4.0%	12,841	4,173	3,555	5,101	12
	302,181		302,906	294,238	3,555	5,101	12
Derivative financial asset							
Forward exchange contract (gross settled):							
Outflow	-	-	95,640	95,640	-	-	-
Inflow	(583)	-	(96,223)	(96,223)	-	-	-
	301,598		302,323	293,656	3,555	5,101	12

## 33. FINANCIAL INSTRUMENTS (cont'd.)

## 33.3 Financial risk management (cont'd.)

## (b) Liquidity risk (cont'd.)

Maturity analysis (cont'd.)

Group	Carrying amount RM'000	Contractual interest rate %	Contract cash flo RM'	ows	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
2020								
Non-derivative financial liabilities								
Trade and other payables	274,661	-	274,	,661	274,661	-	-	-
Loans and borrowings	16,980	2.9%-3.9%	17,	825	17,825	-	-	-
Lease liabilities	13,952	3.5%-4.0%	15	,713	3,804	3,211	6,588	2,110
	305,593		308,	,199	296,290	3,211	6,588	2,110
Derivative financial liabilities								
Forward exchange contract (gross settled):								
Outflow	4	-	8,	362	8,362	-	-	-
Inflow		-	(8,	.358)	(8,358)	-	-	-
	305,597		308,	.203	296,294	3,211	6,588	2,110
Company			Carrying amount RM'000		ntractual erest rate %	Contrac cash fl RM'		Under 1 year RM'000
2021								
Non-derivative finance	ial liabilitie	s						
Trade and other payable	es		1,548			1	,548	1,548
2020								
Non-derivative finance	ial liabilitie	s						
Trade and other payable	es		1,938			1	,938	1,938

### 33. FINANCIAL INSTRUMENTS (cont'd.)

### 33.3 Financial risk management (cont'd.)

### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group and the Company's financial position or cash flows.

### (i) Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD").

### Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

### Exposure to foreign currency risk

The Group and the Company's exposure to foreign currency (a currency other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period is not material.

## Currency risk sensitivity analysis

The exposure to currency risk is not material and hence, sensitivity analysis is not presented.

### (ii) Interest rate risk

### Risk management objectives, policies and processes for managing the risk

The Group and the Company manage their interest rate exposure by maintaining available lines of fixed and floating rate borrowings. Investments in deposits with licensed banks are not significantly exposed to interest rate risk.

### Exposure to interest rate risk

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

	G	roup	Cor	npany
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Deposits with licensed banks	743,719	1,150,261	700,000	764,600
Loans and borrowings	(10,600)	(6,280)	-	-
Lease liabilities	(12,163)	(13,952)	-	-
	720,956	1,130,029	700,000	764,600
Floating rate instruments				
Short-term money market fund	451,328	-	209,156	-
Loans and borrowings	(2,000)	(10,700)	-	-
	449,328	(10,700)	209,156	-

### 33. FINANCIAL INSTRUMENTS (cont'd.)

### 33.3 Financial risk management (cont'd.)

- (c) Market risk (cont'd.)
  - (ii) Interest rate risk (cont'd.)

### Interest rate risk sensitivity analysis

### (a) Fair value sensitivity analysis for fixed rate instruments

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

### (b) Cash flow sensitivity analysis for floating rate instruments

No disclosure of sensitivity analysis is presented as a reasonable change in interest rate would not have a material impact.

## (iii) Other price risk

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

### Risk management objectives, policies and processes for managing securities

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

### Equity price risk sensitivity analysis

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

A 10% (2020: 10%) strengthening in FBMKLCI at the end of the reporting period would have increased post-tax profit or loss of the Group and the Company by RM357,400 (2020: RM402,800) and RM237,300 (2020: RM267,600) and would have increased other comprehensive income of the Group and the Company by RM8,982,000 (2020: RM2,825,000) and RM8,755,000 (2020: RM2,596,000), respectively, for investments classified as fair value through profit or loss and investments classified as fair value through other comprehensive income. A 10% (2020: 10%) weakening in FBMKLCI would have had equal but opposite effect on profit or loss and other comprehensive income respectively.

#### 33.4 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair values and fair value hierarchy levels have not been presented for these instruments.

33.4 Fair value information (cont'd.)

	Fair val	Fair value of financial instruments carried at fair value	ue of financial instru carried at fair value	uments	Fair val	ue of final ot carried	Fair value of financial instruments not carried at fair value	uments Ie	Total fair value	Carrying amount
	Level 1 RM′000	Level 2 RM′000	Level 3 RM′000	Total RM'000	Level 1 RM′000	Level 2 RM′000	Level 3 RM′000	Total RM'000	RM′000	RM′000
Group 2021										
Financial assets										
Investment in quoted shares and loan stocks	93,395	1	1	93,395	1	1	1	1	93,395	93,395
Short-term money market fund	ı	451,328	1	451,328	1	1	1	1	451,328	451,328
Forward foreign exchange contracts	ı	583	ı	583	1	1	1	1	583	583
	93,395	451,911	•	545,306	1	1	1	•	545,306	545,306
2020										
Financial assets Investment in quoted shares and loan stocks	32,282	1	1	32,282	'	1	1	1	32,282	32,282
<b>Financial liabilities</b> Forward foreign exchange contracts	1	(4)	1	1	1	'	'	1	(4)	(4)
Company 2021										
Financial assets	L			L C					C	C
Investment in quoted shares and loan stocks	89,925	L	1	526,68	1		1	1	526,68	526,68
Short-term money market tund	1	209,156		709,156		•			209,156	709,156
	89,925	209,156	•	299,081	1	•	1	1	299,081	299,081
2020 Financial assets										
Investment in augted shares and loan stocks	28.640	'	,	78 640		'	,		000000	07700

FINANCIAL INSTRUMENTS (cont'd.)

### 33. FINANCIAL INSTRUMENTS (cont'd.)

### 33.4 Fair value information (cont'd.)

Short-term money market fund

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

Derivatives

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

#### 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 2021 and 30 June 2020 were as follows:-

	G	гоир
	2021 RM'000	2020 RM'000
Loans and borrowings	12,600	16,980
Lease liabilities	12,163	13,952
Less: Cash and cash equivalents	(1,029,139)	(1,211,109)
Net cash	(1,004,376)	(1,180,177)
Total equity	2,014,177	1,838,118
Debt-to-equity ratios	Nil	Nil

### 35. CONTINGENT LIABILITY

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

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

# STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 69 to 142 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 2021 and of their financial performance

and cash flows for the financial year then ended. On behalf of the Board,

Peter Ho Kok Wai

Dato' Khor Mun Wei

20 September 2021

# 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 69 to 142 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed, Goh Eng Tatt (MIA Number: 17152) at Kuala Lumpur in the Federal Territory on 20 September 2021.

**Goh Eng Tatt** 

Before me

Samugam Vassoo Kuala Lumpur

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# INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Industries Berhad

#### 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 2021 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 69 to 142.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2021, 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 Standards) ("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 financial 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 estimate and judgements, Note 2.2(h) - Inventories and Note 13 - Inventories, to the financial statements

#### The key audit matters

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.

Management applied significant judgement to identify and determine the required quantum of allowances for slow moving and obsolete inventories to derive net realisable values.

This is a key audit matter because tiles and motorcycles net inventories represent 14% and 78% of the Group's inventory balance respectively, and it required us to evaluate management's assessment whereby significant judgement has been exercised.

#### How the matter was addressed in our audit

Our audit procedures, amongst other include:

- Challenged management's process in identifying inventories that were having risk of obsolescence and also considered whether there were elements of biasness in the identification process;
- Challenged management's process in determining the net realisable value of these inventories by considering whether the process considered sufficient latest and reliable information of net realisable value; and
- Selected sample items of inventories and tested these against unit sales price close to the year-end to determine that these are stated at the lower of cost and net realisable value.

### INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Industries Berhad *(cont'd.)* 

#### Key Audit Matters (cont'.d)

#### Impairement 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) - Impairement of other assets and Note 7 - Investments in subsidiary companies, to the financial statements.

### The key audit matters

As disclosed in Note 7 to the financial statements, the Company has material interests in subsidiaries. It is approximately 18% of the total assets of the Company.

Where there are indicators of impairment assessed for any of the subsidiaries, management will perform impairment tests which will require management to estimate their recoverable amounts and to provide impairment loss when required.

This is a key audit matter because it required us to evaluate management's assessment whereby significant judgement has been exercised.

#### How the matter was addressed in our audit

Our audit procedures, amongst other include:

- In management's assessment of impairment indicators, we challenged whether internal and external factors were considered;
- Assessed the appropriateness of the impairment test carried out by the Company by comparing these with the requirements of the relevant accounting standards;
- Read the financial information of the subsidiaries and challenged that the derived recoverable amounts supporting the costs of investments were reflective of the values of the underlying assets and liabilities of the subsidiaries; and
- Determined the adequacy of disclosures in the financial statements.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of the auditors' report, and the remaining relevant sections of the annual report, which are expected to be made available to us after the audit report date.

Our opinion on the financial statements of the Group and of the company does not cover annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibilities is to read the annual report and, in doing so, considered whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we are required to the report that fact. We have nothing to report in this regards.

When we read the remaining relevant sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

#### 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 r the Company or to cease operations, or have no realistic alternative but to do so.

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## INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Industries Berhad *(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 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 materials if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether
  due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient
  and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is
  higher than for one resulting from error, as a fraud may involved 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 t 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 caused 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 manners 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 tat we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirement sregarding 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 safeguard applied.

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## INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Industries Berhad *(cont'd.)* 

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financials 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 of regulation precludes public disclosure about the matter or when, in extremely rare circumstance, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have no acted as auditors are disclosed in Note 3 to the financial statements.

#### Other Matters

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

**KPMG PLT** 

(LLP0010081-LCA & AF 0758) Chartered Accountants

Petaling Jaya, Selangor

20 September 2021

Thong Foo Vung

Approval Number: 02867/08/2022 J Chartered Accountant

# Other Information

#### 1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021

T KOT EKTILS HELD DT THE GROV	, , , , , , , , , , , , , , , , , , ,					Net Book
Location	Tenure	Existing use	Year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Value as at 30 June 2021 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	25	48,694
5 ¼ miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	39	677
5 ½ miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	30-40	19,951
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	36	4,780
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	31	3,921
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	28	13,241
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	12	33,665
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	26	11,836
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	25	8,487
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	30	7,265
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	61	16,623

## OTHER INFORMATION (cont'd.)

### PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021 (cont'd.)

PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021 (cont'd.)  Year of last  Approximate					Net Book Value as at	
Location	Tenure	Existing use	Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	30 June 2021 (RM'000)
Lot 52, Kawasan Perusahaan Bakar Arang, Sungei Petani, Kedah Darul Aman	Lease expiring 2042	Industrial land with office, store and factory buildings	2000	510,000	39	2,050
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara, Kulai, Johor Darul Takzim	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	19	1,517
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	24	108
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

# OTHER INFORMATION (cont'd.)

#### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021

Class of Shares : Ordinary shares

Voting Rights : 1 vote for each share held

### Distribution Schedule Of Shareholders As At 30 September 2021

	No. of			
Size of Holdings	Shareholders	0/0	No. of Shares*	%
Less than 100	453	10.05	8,778	0.00
100 - 1,000	1,707	37.87	1,112,556	0.35
1,001 - 10,000	1,815	40.26	6,735,771	2.11
10,001 - 100,000	444	9.85	12,997,501	4.07
100,001 – less than 5% of issued shares	88	1.95	60,401,169	18.90
5% and above of issued shares	1	0.02	238,217,035	74.57
	4,508	100.00	319,472,810	100.00

<sup>\*</sup> Excluding 8,432,500 shares bought back and retained by the Company as treasury shares.

### List Of Thirty Largest Shareholders As At 30 September 2021

	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)	3,856,400	1.21
4.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	3,745,416	1.17
5.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	2,891,100	0.90
6.	Woo Khai Yoon	2,800,000	0.88
7.	Soft Portfolio Sdn. Bhd.	2,512,000	0.79
8.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	1,993,833	0.62
9.	Hong Bee Hardware Company, Sdn. Berhad	1,971,333	0.62
10.	Citigroup Nominees (Asing) Sdn Bhd - CBNY for Norges Bank (FI 17)	1,878,100	0.59
11.	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Manulife Investment Shariah Progress Fund	1,834,800	0.57
12.	Cartaban Nominees (Asing) Sdn Bhd - Exempt AN for Union Bancaire Privee, UBP SA, Hong Kong Branch	1,800,000	0.56
13.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Prulink Equity Income Fund	1,416,500	0.44

# OTHER INFORMATION

(cont'd.)

### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021 (cont'd.)

List Of Thirty Largest Shareholders As At 30 September 2021 (cont'd.)

	Name of Shareholders	No. of Shares	%
14.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,371,210	0.43
15.	HLIB Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (GSB-ESOS)	1,347,500	0.42
16.	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (Affin ABSR EQ)	1,223,667	0.38
17.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (F Templeton)	1,035,700	0.32
18.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,000,000	0.31
19.	Cartaban Nominees (Asing) Sdn Bhd - BBH (Lux) SCA for Fidelity Funds Asean	999,300	0.31
20.	Maybank Nominees (Tempatan) Sdn Bhd - MTrustee Bhd for Aiiman TNB RBTF (EQ) (433139)	920,500	0.29
21.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	883,400	0.28
22.	Cartaban Nominees (Tempatan) Sdn Bhd - PAMB for Participating Fund	858,600	0.27
23.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Equity Income Fund	825,600	0.26
24.	YBhg Datuk Kwek Leng San	788,334	0.25
25.	Maybank Nominees (Tempatan) Sdn Bhd - National Trust Fund (IFM AffinHwang) (410195)	771,900	0.24
26.	AmanahRaya Trustees Berhad - Public Index Fund	744,600	0.23
27.	Tung Seok Hooi	700,000	0.22
28.	AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Swap)	687,400	0.22
29.	CIMB Group Nominees (Tempatan) Sdn Bhd - Exempt AN for Petroliam Nasional Berhad (Affin)	538,800	0.17
30.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund	530,000	0.17
		285,056,361	89.23

# OTHER INFORMATION

(cont'd.)

#### 2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021 (cont'd.)

#### **Substantial Shareholders**

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2021 are as follows:

		Direct Interes	t	Indirect Inter	est
Nan	ne of Shareholders	No. of Shares	%	No. of Shares	0/0
1.	Hong Leong Manufacturing Group Sdn Bhd	238,217,035	74.57	44,166#	0.01#
2.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	240,197,836#	75.19#
3.	YBhg Tan Sri Quek Leng Chan	-	-	242,744,636**	75.98**
4.	HL Holdings Sdn Bhd	-	-	240,197,836*	75.19*
5.	Hong Realty (Private) Limited	-	-	242,169,169^	75.80^
6.	Hong Leong Investment Holdings Pte. Ltd.	-	-	242,169,169^	75.80^
7.	Kwek Holdings Pte Ltd	-	-	242,169,169^	75.80^
8.	Mr Kwek Leng Beng	-	-	242,169,169^	75.80^
9.	Mr Kwek Leng Kee	-	-	242,169,169^	75.80^
10.	Davos Investment Holdings Private Limited	-	-	242,169,169^	75.80^

#### **Notes:**

- # Held through subsidiary(ies).
- \* 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 SEPTEMBER 2021

Subsequent to the financial year end, there was no change, as at 30 September 2021, 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 66 to 67 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.

Registration No. 196401000167 (5486-P) A Member of the Hong Leong Group

I/We	2			
NRIC	/Passport/Company NoTel No			
of _				
	Email address			
hein	g a member of <b>HONG LEONG INDUSTRIES BERHAD</b> ("the Company"), hereby appoint			
DCIII	NRIC/Passpor			
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or fa	iling him/her NRIC/Passp	ort No		
of _				
Tel N	loEmail address			
Mee No.	calling him/her, the Chairman of the meeting as my/our proxy/proxies to vote for ting of the Company to be held virtually through live streaming from the broadcast 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Thursday, 2 Dur proxy/proxies is/are to vote on a poll as indicated below with an "X":	t venue at the Auditorium, Groun	nd Floor, Menar	a Hong Leong,
	RESOLUTIONS		FOR	AGAINST
1	To approve the payment of Director Fees and Directors' Other Benefits			
2	To re-elect YBhg Datuk Kwek Leng San as a Director			
3	To re-elect Ms Quek Sue Yian as a Director			
4	To re-elect YBhq Datuk Noharuddin Bin Nordin @ Harun as a Director			
5	To re-elect Mr Edward Chin Fook Ling as a Director			
6	To re-elect Ms Cheryl Khor Hui Peng as a Director			
7	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remunera	ation		
	Special Business			
8	To approve the ordinary resolution on authority to Directors to allot shares			
9	To approve the ordinary resolution on the proposed renewal of shareholders' man transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berha and persons connected with them			
10	To approve the ordinary resolution on the proposed renewal of shareholders' man transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berh			
11	To approve the ordinary resolution on the proposed renewal of shareholders' man transactions of a revenue or trading nature with Yamaha Motor Co., Ltd and its subsidia	date for recurrent related party aries		
12	To approve the ordinary resolution on the proposed renewal of shareholders' man transactions of a revenue or trading nature with Hong Leong Investment Holdings connected with HLIH			
13	To approve the proposed establishment of a new executive share scheme			
14	To approve the proposed allocation of options and/or grants to the Group Managing Di	irector of HLI		
Date	ed this day of 2021			
	nber of shares held:	-		
CDS	Account No.:		Signature(	s) of Member
<b>Note:</b> 1. Ti	s: the broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 whic	ch stipulates that the main venue of the An	nual General Meetir	ng ("AGM") shall be

- 1. The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be in Malaysia and the Chairman shall be present at the main venue of the AGM. No shareholders/proxies will be allowed to be physically present at the broadcast venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.
- 2. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 25 November 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- 3. 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.
- 4. 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.
- 5. A proxy may but need not be a member of the Company.
- 6. 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 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.
- 7. 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 10 below).
- 8. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- 9. 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 <a href="mailto:cosec-hlmg@hongleong.com.my">cosec-hlmg@hongleong.com.my</a>, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.

10. In the event two (2) or more proxies are appointed, please fill in the ensuing section:

Name of proxies	% of shareholdings to be represented

<sup>11.</sup> Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Fifty-eighth Annual General Meeting will be put to a vote by way of a poll.



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AFFIX STAMP

The Company Secretaries

### HONG LEONG INDUSTRIES BERHAD

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

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# **Hong Leong Industries Berhad** Registration No. 196401000167 (5486-P)

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