Hong Leong Industries Berhad

A Member of the Hong Leong Group

ANNUAL REPORT 2016

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COMPANY PROFILE

Hong Leong Industries Berhad ("HLI")

is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

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

- Consumer Products - manufacture, assembly and distribution of motorcycles, scooters and related parts and products, as well as manufacturing and sale of ceramic tiles.
- Industrial Products - manufacturing and sale of fibre cement and concrete roofing products.

HLI also has associated companies which are involved in the manufacture, assembly and distribution of motorcycles, motorcycle engines and spare parts, as well as manufacture and sale of newsprint and related paper products.

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

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

YBhg Dato' Ahmad Johari bin Tun Abdul Razak

Mr Chuah Chuan Thye

YBhg Dato' Dr Zaha Rina binti Zahari

Mr Peter Ho Kok Wai

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin

Ms Valerie Mak Mew Chan

AUDITORS

KPMG
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 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel: 03-2164 1818
Fax: 03-2164 3703

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-third Annual General Meeting of Hong Leong Industries Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 24 October 2016 at 11.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2016.

2. To approve the payment of Director fees of RM400,000/- for the financial year ended 30 June 2016 (2015: RM332,548/-), to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 1**

3. To pass the following motions as ordinary resolutions:

   (a) "**THAT** Mr Chuah Chuan Thye who retires by rotation pursuant to Article 115 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company." **Resolution 2**

   (b) "**THAT** YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company, and having served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **Resolution 3**

   (c) "**THAT** YBhg Dato' Ahmad Johari bin Tun Abdul Razak who retires by rotation pursuant to Article 115 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company, and having served as an Independent Non-Executive Director of the Company for more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting." **Resolution 4**

4. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

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

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and 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 pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being; **AND THAT** the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

Notice of Annual General Meeting (cont'd)

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 30 September 2016 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

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

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

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

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 30 September 2016 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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

Notice of Annual General Meeting
(cont'd)

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

whichever is the earlier;

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

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 30 September 2016 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 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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

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

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

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 30 September 2016 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 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;

Notice of Annual General Meeting
(cont'd)

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 143(1) of the Companies Act, 1965 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 10**

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

By Order of the Board

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
30 September 2016

Notes:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

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

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.

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

Notice of Annual General Meeting
(cont'd)

Explanatory Notes:

1. Resolutions 3 and 4 – Approval To Continue In Office As Independent Non-Executive Directors

The proposed Ordinary Resolutions 3 and 4, if passed, will enable YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak to continue in office as Independent Non-Executive Directors of the Company.

Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") provides that approval of shareholders be sought in the event that the Company would like an independent director who has served in that capacity for more than 9 years to continue in office as an independent director.

The Company has in place an Independence of Directors Policy ("ID Policy") as set out in the Statement of Corporate Governance, Risk Management and Internal Control, and an annual assessment is conducted on the independence of independent directors by the Nominating Committee ("NC") and the Board of Directors ("Board") in accordance with the criteria set out in the MMLR and the ID Policy.

Pursuant to the MCCG 2012, the NC and the Board have assessed the performance and independence of YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak who have served on the Board for more than 9 years and determined that they remain objective and continue to bring independent and objective judgment, based on the following justifications:

- They meet the criteria of "independent director" in accordance with the MMLR and continue to exercise independent judgment in expressing their views and deliberating issues objectively on the conduct of the Group's business and other issues raised at the Board and Board Committee meetings.
- They are free from any conflict of interest with the Company.
- The Company benefits from the experience of YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak who have, over time, gained valuable insight into the Group, its market and the industry.
- Their knowledge of the Group's various core business operations during their tenure of office will enable them to discharge their duties effectively.
- They exercise due care and diligence as Independent Non-Executive Directors of the Company and carry out their professional duties in the best interest of the Company and its shareholders.

The Board recognises that independence should not be determined solely based on tenure of service and that the continued tenure of service brings considerable stability to the Board. The Company benefits from the mix of skills, experience and competencies for informed and balanced decision-making by the Board.

Accordingly, the NC and the Board recommend that YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak continue in office as Independent Non-Executive Directors of the Company.

2. Resolution 6 - Authority To Directors To Issue Shares

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29 October 2015 and which will lapse at the conclusion of the Fifty-third Annual General Meeting.

The Renewed 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 issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

3. Resolutions 7 to 10 - Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature

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

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 30 September 2016 which is despatched together with the Company's Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

   No individual is seeking election as a Director at the Fifty-third 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 issue securities in the Company pursuant to Section 132D of the Companies Act, 1965 are set out in Explanatory Note 2 of the Notice of the Fifty-third Annual General Meeting.

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/Non-Independent
Age 61, Male, Singaporean

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

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

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

YAM TUNKU DARA TUNKU TAN SRI NAQUIAH BT ALMARHUM TUANKU JA'AFAR

Non-Executive Director/Independent
Age 71, Female, Malaysian

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

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

YBHG DATO' AHMAD JOHARI BIN TUN ABDUL RAZAK

Non-Executive Director/Independent
Age 61, Male, Malaysian

Dato' Ahmad Johari bin Tun Abdul Razak graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in Law and qualified as a Barrister-at-Law from Lincoln's Inn. Presently, he is a Partner of a law firm in Kuala Lumpur. He was previously the Executive Chairman of Ancom Berhad ("Ancom").

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

He is the Non-Executive Chairman of Ancom and Daiman Development Berhad, and a Director of Sumatec Resources Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of Daiman Golf Berhad.

Board of Directors
(cont'd)

MR CHUAH CHUAN THYE

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

Mr Chuah Chuan Thye graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree. He has more than 30 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Company, Sdn Berhad ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

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

YBHG DATO' DR ZAHA RINA BINTI ZAHARI

Non-Executive Director/Independent
Age 54, Female, Malaysian

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

Dato' Dr Zaha Rina was Consultant to Financial Technologies Middle East based in Bahrain for the set up of Bahrain Financial Exchange launched in January 2009. Prior to this, she was with Royal Bank of Scotland Group in Singapore from August 2007 to May 2008. Dato' Dr Zaha Rina has more than 20 years experience in the financial, commodities and securities industry and the development of the Malaysian Capital Market which includes managing a futures broking company. She was the Chief Executive Officer of RHB Securities Sdn Bhd from 2004 to 2006. She has previous Board appointments at the Commodity and Monetary Exchange of Malaysia ("COMMEX") from 1993 to 1996, and then as the Chief Operating Officer ("COO") of Kuala Lumpur and Financial Futures Exchange ("KLOFFE") in 2001.

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

Dato' Dr Zaha Rina was appointed to the Board of HLI on 9 February 2012. She is the Chairman of the Nominating Committee of HLI.

She is a Director of Pacific & Orient Berhad, Manulife Holdings Berhad and Tanah Makmur Berhad, companies listed on the Main Market of Bursa Securities. She is also a Director of MAAKL Mutual Berhad and Pacific & Orient Insurance Co Berhad.

Board of Directors
(cont'd)

MR PETER HO KOK WAI

Non-Executive Director/Independent
Age 57, 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 (ICAEW) 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 Technical Committee, Audit Function And Marketing Department. He has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Mr Peter Ho retired from KPMG, KL in December 2014.

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

He is also a Director of GuocoLand (Malaysia) Berhad, Sapura Resources Berhad and Malaysia Smelting Corporation Berhad, companies listed on the Main Market of Bursa Securities.

Notes:

1. **Family Relationship with Director and/or Major Shareholder**
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders of HLI. 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 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.

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

KEY SENIOR MANAGEMENT

MS CHEE SOO YUEN

Group Financial Controller, Hong Leong Industries Berhad
Age 46, Female, Malaysian

Ms Chee Soo Yuen is a Member of the Malaysian Institute of Accountants ("MIA") and Fellow of the Chartered Institute of Management Accountants ("CIMA").

Ms Chee started her career in Arthur Andersen and over a period of 7 years, she gained experience in various industries and diverse assignments including turnaround and receivership engagements, financial and corporate restructuring exercises as well as merger and acquisition transactions. She moved on to PETRONAS ICT Sdn Bhd, the information technology arm of the PETRONAS Group and progressed to Chief Financial Officer in 2009 and was in charge of various functions including finance, accounting, procurement, contract management and administration until September 2013. She served an internationally recognised non-profit organisation for a period of one year where she led the restructuring of the finance function.

Ms Chee joined Hong Leong Industries Berhad ("HLI") on 1 December 2014 as Group Financial Controller.

MR DANILO DE GUZMAN

Managing Director, Hume Cemboard Industries Sdn Bhd
Age 44, Male, Australian

Mr Danilo De Guzman graduated from University of Sydney, Australia with a Bachelor of Mechanical Engineering degree and holds a Master in Business Administration from University of Florida, the United States of America ("USA").

Mr De Guzman forged his career in the building products industry when he was with James Hardie Building Products ("James Hardie"), overseeing various roles from manufacturing management, general management and technical leadership. His career in James Hardie spanned across numerous locations including USA, the Philippines and Australia. He has extensive background in Profit and Loss accountabilities, product marketing, manufacturing operations and product leadership management.

Mr De Guzman joined Hume Cemboard Industries Sdn Bhd ("HCI") on 21 January 2015 as Managing Director. Prior to joining HCI, he was the Executive Vice President of SN Aboitiz Power, a power generation and marketing business in Manila, the Philippines.

YBHG DATO'JIM KHOR MUN WEI

Managing Director, Hong Leong Yamaha Motor Sdn Bhd
Age 52, Male, Malaysian

Dato' Jim Khor Mun Wei graduated with a Bachelor of Engineering (Mechanical) degree from Glamorgan University, United Kingdom. He further obtained his Master in Business Administration from University of South Australia in 2009. Dato' Jim Khor is a Committee Member of the Federation of Malaysian Manufacturers, Selangor Branch.

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

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

Key Senior Management
(cont'd)

MR LAI YUN YIN

General Manager, Hume Marketing Co Sdn Bhd
Age 55, Male, Malaysian

Mr Lai Yun Yin is a Member of the MIA and an Associate Member of CIMA.

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

In 1994, Mr Lai was transferred to head the Sales and Marketing department of Hume Marketing Co Sdn Bhd and subsequently promoted to his current position as General Manager in 1996. He has acquired over 20 years of working experience in the trading and distribution of building materials.

MR NATHAN KANDAPPER

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

Mr Nathan Kandapper graduated from University of Birmingham with a Bachelor of Science degree in Production Engineering.

Mr Kandapper started his career as an engineer in the United Kingdom and held various manufacturing, sales and marketing, regional and general management roles in Scott Paper (M) Sdn Bhd and Kimberly-Clark Corporation, before being appointed as Managing Director of Kimberly-Clark Corporation Malaysia and Singapore in 2007.

Mr Kandapper joined HLI in November 2011 as Chief Executive Officer of Malaysian Newsprint Industries Sdn Bhd and in April 2013, he was appointed to his current position of Managing Director, Guocera Holdings Sdn Bhd.

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 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2016.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Hong Leong Industries Berhad ("HLI" or "the Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2016 ("FY2016").

OPERATING ENVIRONMENT

The Malaysian economy grew by 5% in year 2015 and followed by slight moderation in growth beginning of 2016 against the backdrop of a challenging external environment. In the first half of 2016, the manufacturing sector saw a higher demand in the export markets partially due to the Ringgit depreciation. Malaysia's economy is expected to maintain its growth with mega infrastructure capital spendings and the government's growth stabilisation measures. The growth outlook of the manufacturing sector is likely to be moderate due to the weaker domestic demand environment on construction related materials. Further escalating energy cost and weakness in Ringgit continue to be the key challenges in sustaining production cost.

FINANCIAL REVIEW

In FY2016, the Group achieved a revenue of RM2,191 million against the previous financial year ended 30 June 2015 ("FY2015") of RM2,139 million. Operating profit declined by 9% to RM244 million as compared with FY2015 due to the hike in energy cost as well as higher imported parts and material cost as a result of the weakened Ringgit against the US Dollar. The industrial products segment continued to operate under a difficult operating environment. Profit before tax increased by 14% to RM343 million from RM301 million in FY2015, contributed by an improved performance achieved by an associated company.

PROSPECTS

The uncertainties, downside risks and issues prevailing in the global business environment are expected to affect the Malaysian economy. However, with our productivity gains and cost down measures, barring any unforeseen circumstances, the Board expects the Group's performance in both the consumer and industrial products segments to be satisfactory in the financial year ending 30 June 2017.

DIVIDEND

The Company declared and paid a first and second interim single tier dividends, and a special single tier dividend, totaling 42 sen per share for FY2016. The Board does not recommend a final dividend for FY2016.

APPRECIATION

I would like to extend my sincere appreciation to the Board of Directors, our management team and all our employees for their contribution, dedication and commitment to the Group. My sincere appreciation goes also to our valued customers, business associates, shareholders, financiers and the authorities for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

REVIEW OF BUSINESS OPERATIONS

The Group continued to perform well in the financial year ended 30 June 2016 ("FY2016") despite the weaker domestic economic activity. The consumer products benefited from resilient domestic private consumption while the industrial sector recorded a slight decline in sales in the year under review.

CONSUMER PRODUCTS

MOTORCYCLES

- **Malaysia**

  In FY2016, the total motorcycle industry sales volume recorded 430,000 units, a drop of 11% compared with that in financial year ended 30 June 2015 ("FY2015"). This would be the 3rd consecutive year of declining industry demand. Despite this lackluster demand, Hong Leong Yamaha Motor Sdn Bhd ("HLYM") gained in market share with less decline in its sales volume compared with the industry. This was largely attributed to the continued commitment of HLYM introducing new and exciting products to the delight of its customers. By continuously strengthening the "after-sales service", the Yamaha brand is synonymous with quality and reliability which translates to customer confidence in HLYM as a responsible and committed stakeholder in this industry.

  Road Safety has been the main thrust of HLYM's corporate social responsibility. The annual "Yamaha Balik Kampung Road Safety Campaign" is into its 18th consecutive year, and HLYM remained committed and dedicated to promoting high level of road safety awareness to motorcycle users. Today, this initiative has started bearing fruits as more non-governmental organisations and other businesses are also participating in this effort to promote road safety awareness. HLYM has been one of the pioneers in this effort and will continue to rise to the occasion to meet the road safety challenges of the future.

- **Vietnam**

  The total motorcycles demand in Vietnam improved and increased by 7% as compared with that in FY2015, and this is in line with the stable economic growth. The sales of our associate, Yamaha Motor Vietnam Co. Ltd, outperformed the market with an increase of 16% to 776,182 units as compared with 668,007 units in FY2015, due to a more stable economic environment, good model representation and various active advertising and promotional activities. During the financial year, the company received two prestigious awards from the Vietnam Consumers Newspaper, Vietnam Standard and Consumers Association (VINASTAS) for the "Best lubricant oil" and "Same day and 1 day delivery of spare parts". The long term outlook for the motorcycle industry in Vietnam remains positive.

Review of Business Operations (cont'd)

CERAMIC TILES

Consistent with the domestic market trends in the building materials industry, the ceramic tiles market was affected by slower growth, resulting from a more competitive market environment. Both project and retail markets had began to see signs of slowdown during the year under review.

Export market growth was encouraging despite the continued price competition arising from global overcapacity and the slowdown in the Chinese domestic market. Guocera's products continued to receive good market acceptance in our target markets.

Guocera recorded stronger export sales mainly to Australia, Middle East and key Asian markets. The increased focus on export sales also saw new customers and new markets being added to the sales portfolio. The new products launched during the financial year, particularly porcelain and ceramic wall tiles, received encouraging response from both international and domestic customers.

The biggest challenge for the Malaysian ceramic tile manufacturers is the continued rise in gas prices by 28% during the financial year. Guocera has embarked on several energy conservation and heat recovery projects to maintain its cost competitiveness as gas prices are expected to continue increasing over the next two years.

While the domestic market is expected to remain challenging, Guocera will continue to strategise to increase its market share in the domestic market through new products innovation and stronger distribution network. The primary focus is to increase its international sales through a stronger global brand presence, improved distribution and a product portfolio which is tailored to meet the needs of the target markets. International sales are expected to contribute a higher proportion of Guocera's sales in the coming years.

INDUSTRIAL PRODUCTS

FIBRE CEMENT PRODUCTS

Overall sales volume dropped by 2.8% mainly due to the lower export sales but mitigated by improvement of sales in the domestic market. During the financial year, the various marketing and sales activities carried out have yielded encouraging results, and more efforts will be put in place to further develop the PRIMA brand in the market. While stiff competition in the domestic market had made it difficult to move the selling price upward, the export market had benefited from foreign currency translation and this had helped to improve the net turnover by 3% compared with that in the preceding year.

During the financial year, various cost reduction measures have been initiated to ensure its competitiveness. Moving forward, the fibre cement division will continue to invest in research and development to develop leading edge fibre cement products. Effective marketing and sales initiatives are also in the pipeline to support the growing business.

CONCRETE ROOFING PRODUCTS

FY2016 had been a challenging year for the concrete roof tile manufacturers with the softening of the landed property market and price competition.

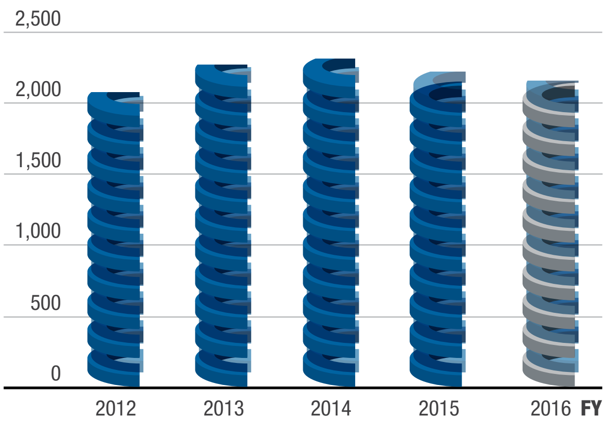
Moving forward into financial year ending 2017, our key focus and strategy are to strengthen and expand our market reach, focusing on key property developers and create new partnerships to widen our retail network. In our drive to penetrate into the middle and high end property segment, plans are underway to add an additional roof profile into our current product range to cater for the needs of these segments, on top of our conventional products.

It is in our culture to continuously drive to achieve operational excellence. We are constantly focused and committed on cost savings measures through improvement in labour and machine efficiency initiatives while constantly improving our strong product quality and reliability as well as our excellent after customer services.

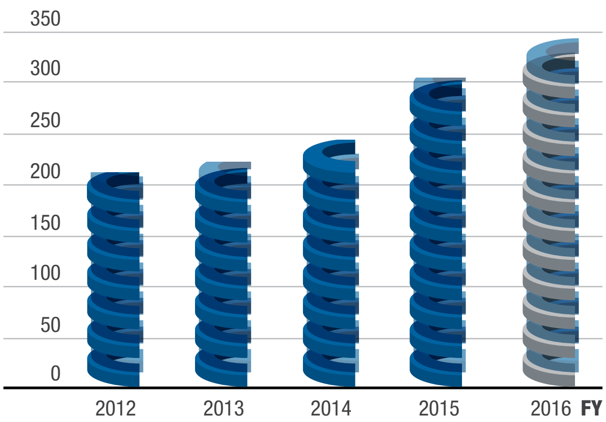
GROUP FINANCIAL HIGHLIGHTS

RM'Million	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenue	2,173	2,261	2,275	2,206	2,191
Profit Before Taxation	213	224	243	302	343
Profit Attributable to Owners of the Company	132	148	168	173	247
Net Earnings Per Share (sen)	43	48	54	56	80
Net Dividend Per Share (sen)	22	22	25	29	42
Total Equity	1,204	1,283	1,377	1,294	1,400
Total Assets	2,141	2,489	2,414	1,780	1,881
Capital Expenditure	34	68	51	56	55

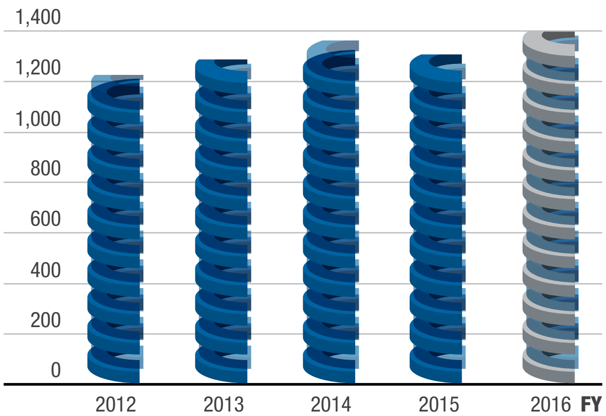
Revenue
(RM' million)



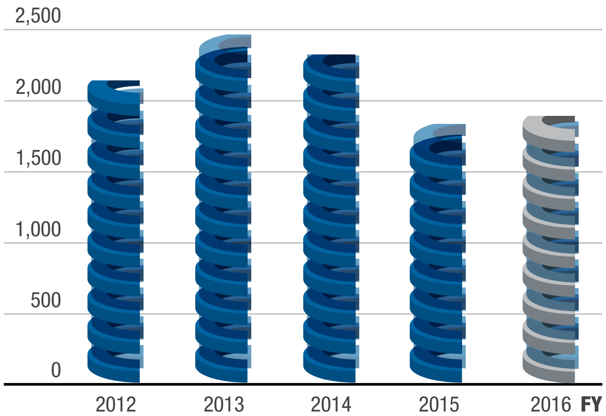
Profit Before Taxation
(RM' million)



Total Equity
(RM' million)



Total Assets
(RM' million)



CORPORATE SOCIAL RESPONSIBILITY

The Hong Leong Group is a leading Malaysian conglomerate with diversified businesses. Over the years, we have grown in size and strength through sound and focused business strategies, aided by strong management and a dedicated workforce against a backdrop of a growing economy.

We are also a group that prioritises the communities that we operate within and we believe that, whilst the bottom line is important, our role is to firstly cater to the business needs of these communities. Be it locally or across the geographies where the Hong Leong Group of companies operates, from individuals, to small, medium enterprises (SMEs) to multinational companies (MNC), we are committed to ensuring that we are guided by the Group's core values and remain cognisant of our social responsibility.

We have over the past two decades made Corporate Social Responsibility ("CSR") an increasingly large part of our identity. We have also taken the necessary steps to integrate sustainable practices into the core of the Group's businesses as we prepare to compete in an increasingly complex environment amidst more stringent regulatory requirements, increasingly sophisticated consumers and rapid technological advancements.

WORKPLACE

As the Group continues to grow and expand regionally, we believe it is vital to put in place a work environment where the rights and well-being of each employee is respected. This helps us attract good talent regardless of background.

To this end, cross-cultural understanding is key and that is why we have a diversity and inclusion philosophy that is upheld by our Best Work Environment practices. We ensure all applicable laws pertaining to non-discrimination and equal opportunity are complied with and upheld.

The Group emphasises on learning and development of its employees. Various learning programmes were provided for employees to enhance their skill and knowledge and develop them to meet the ever demanding and changing needs of the organisation. Continuous improvement programmes such as Kaizen, are in place so that it provides an opportunity for the workforce to engage in creative and innovative projects that are rewarding and beneficial to them and to the company.

ENVIRONMENT

Each year, the Group continues to improve on initiatives to minimise its operational impact on the environment. We have been careful with the consumption of resources such as water and energy, as well as having been conscious of reducing waste generation and carbon emissions.

In line with the belief that sustainable change starts from within, we continue to build on the existing partnership between Hong Leong Foundation and Science of Life Systems 247 Sdn Bhd (SOLS Tech) in the form of a group-wide technology recycling programme called 'Transform It'.

Through 'Transform It', employees are invited to donate old electronic devices as well and given a convenient means to recycle their electronic waste responsibly. Since it began in April 2016, a total of 76 usable electronic items have been re-created out of recycled parts. These items are refurbished and then delivered to underserved communities in Peninsular Malaysia.

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

MARKETPLACE

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies such as:

- Financial Management Disciplines which drive excellence in financial management so that the quality of the business as an ongoing concern is both preserved, enhanced and sustained.
- Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.
- A code of business conduct and ethics of financial reports, which contains disclosures that are true and fair.

Corporate Social Responsibility
(cont'd)

MARKET PLACE *cont'd*

- In choosing its directors, the Group seeks individuals of high integrity, with shareholder orientation and a genuine interest in the respective businesses of the respective companies. The Group also advocates gender equality at work.

COMMUNITY

Concerted efforts that channel direct help to our communities to address their needs are mostly done through Hong Leong Foundation, the philanthropic arm of the Hong Leong Group.

Hong Leong Foundation expended a total of RM6,834,370 for the financial year ended 30 June 2016 and has the following in place with our Community Partners:

- Community Welfare Programme to address the needs of homes, shelters and community centres.
- Education focused initiatives that comprise the following:
  - Tertiary Scholarship
  - Reach Out and Rise Education Development Programme
  - The Hong Leong Masters Scholarship Programme
  - After School Care Programme.
- Community Partner Programmes that further the goal of achieving the Foundation's mission and vision including
  - Employment Development Programme to find good jobs for members of the community
  - Welfare Home Transformation Programme to provide better homes for those in need
  - Hong Leong Foundation NGO Accelerator Programme to provide a platform that eases the process of establishing an non-governmental organisation for different causes.

The Foundation's contributions have benefited 86 organisations and brought positive impact directly to 3,430 individuals nationwide.

The Ceramic Tiles division participated in the Hong Leong Foundation Calorie Trading Pilot Programme 2015 where fund is raised to Feed A Child – Food Programme through donation-matched programme coordinated by One Goal. It is a programme that performed charity and promote healthy lifestyle through exercise.

The Ceramic Tiles division sponsored two orphanage homes, i.e. House of Love and Rita Home in Futsal Tournament organised by Hong Leong Foundation. The winning homes received donation and the winning members also received saving accounts from the Hong Leong Foundation.

Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a subsidiary company which is the franchise holder for CKD and CBU Yamaha motorcycles in Malaysia since 1978, has consistently reminded motorcyclists on the importance of road safety. HLYM has been organising the annual Balik Kampung Road Safety Campaign consistently for 18 consecutive years. Every year, the campaign focuses on the importance of proper maintenance of motorcycles. The campaign also involved various government departments that are working towards a common goal, i.e. reducing road accidents and fatality on Malaysian roads. This year, the campaign was launched in June 2016 by the Minister of Transport, Yang Berhormat Dato' Sri Liow Tiong Lai in Bentong, Pahang.

Corporate Social Responsibility (cont'd)

COMMUNITY *cont'd*

Yamaha Safety Riding Science is another programme that HLYM has to continuously strive to instill safety consciousness amongst motorcyclists to reduce road accidents. In recent years, HLYM has embarked on the journey to promote this programme within the community by conducting this specialised programme in the secondary schools nearby. A special team of Yamaha-trained instructors are deployed to guide and coach students in learning the skills of safe-riding and good road riding conduct.

Education remains key

The Group sees grassroot initiatives and education as the road to empowering local underserved communities and the key to effecting real change. Recognising that there are gaps of opportunity along the entire spectrum of educational development, Hong Leong Foundation has set up a comprehensive programme to empower their scholars, namely in the following forms: enrichment workshops, internships, mentorships, and other support to help the young excel in their formative university years and beyond.

Since 1997, Hong Leong Foundation has awarded more than RM28.9 million in scholarships to 909 scholars via its scholarship programmes for diplomas, degrees or masters. During the past financial year, Hong Leong Foundation disbursed RM2.5 million in scholarships to benefit 112 underprivileged Malaysian youths.

Apart from these programmes, the Group also provides opportunities for its employees to participate in activities and causes that they are passionate about, whilst channelling aid to various segments of the community.

Along the year, various philanthropic endeavours, big and small, came to life through the concerted efforts of staff from diverse backgrounds across the Group; who wanted to come together for a good cause.

Malaysian Newsprint Industries Sdn Bhd ("MNI")'s recycling programme is to attract school children to convey the message to think twice before throwing trash away.

The KITAR programme has been implemented in offices as well as for charitable organisations. The most encouraging response is from children, particularly at the primary school level. This age group is more effective at employing their powers of persuasion to promote parental participation.

With numerous activities to boost the recycling campaign, recycling competitions proved to be the dangling carrot for children, effectively turning waste collection into an enjoyably challenging activity as the kids compete with one another in good fun to haul in the most waste from home. Since the programme took off, it has been implemented in over 50 schools throughout the country including Sabah and Sarawak.

Corporate Social Responsibility
(cont'd)

COMMUNITY *cont'd*

Education remain key *cont'd*

MNI is also putting this concept to practise in its new business venture in manufacturing as notebooks, notepads, and exercise books from recycled papers. Recycled papers have also been used in workbooks and activity books by publishers such as Dewan Bahasa dan Pustaka and by the Malaysian Book Publishers Association.

MNI's aim is to challenge the prevailing norm and overcome scepticism towards recycled papers. With KITAR, children are expected to be more receptive to the products as they have not been inbuilt with preconceived notions and generally have a more open mind than adults. An added benefit is that they will be able to see for themselves the fruits of their labour. It would be good for the children to use the notebooks and see how the papers they recycled have been transformed into something useful.

It is an important lesson to inspire at a young age so that children grow up learning to appreciate the value in all things. And hopefully it is a message that will stay with them long after a certain anthropomorphic attraction becomes a distant memory from their childhood.

LOOKING FORWARD

We will build upon and learn from our past CSR contributions and activities. This would naturally lead to higher expectations of ourselves as responsible corporate citizens, while we continue to explore new ideas and new ways of increasing actual and tangible improvements to our communities.

This Corporate Social Responsibility Statement is made in accordance with the resolution of the Board of Directors.

CORPORATE GOVERNNACE, RISK MANAGEMENT AND INTERNAL CONTROL

"CORPORATE GOVERNANCE IS THE PROCESS AND STRUCTURE USED TO DIRECT AND MANAGE THE BUSINESS AND AFFAIRS OF THE COMPANY TOWARDS ENHANCING BUSINESS PROSPERITY AND CORPORATE ACCOUNTABILITY WITH THE ULTIMATE OBJECTIVE OF REALISING LONG TERM SHAREHOLDER VALUE, WHILST TAKING INTO ACCOUNT THE INTEREST OF OTHER STAKEHOLDERS."

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 ("Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

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 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 Company's website at www.hli.com.my ("HLI Website"). The key roles and responsibilities broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") 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 assist the Board in the execution of its duties and responsibilities. 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 and the GMD, which are distinct and separate.

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

The GMD is responsible for the vision and strategic direction of the Group, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets for operating companies, overseeing the day-to-day operations and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") 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. INEDs do not participate in the day-to-day management of the Company and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgment or the 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's key corporate social responsibility activities or sustainability plan are set out in the Corporate Social Responsibility Statement in this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which is available on CCM's website at www.ssm.com.my. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees. The Group has in place procedures and rules for employees to raise responsibly, in confidence, concerns about serious misconduct and other improprieties which pose financial, legal, reputational or operational risks to the Group.

Corporate Governance, Risk Management and Internal Control
(cont'd)

B. BOARD COMPOSITION

The Board comprises 6 directors, 4 of whom are non-executive and independent. The profiles of the members of the Board are provided in the Annual Report.

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

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

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to 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.

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 business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

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

I Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC and a summary of its activities are set out in the Board Audit & Risk Management Committee Report in this Annual Report. The TOR of the BARMC are published on the HLI Website.

II Nominating Committee ("NC")

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

The composition of the NC is as follows:

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

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

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

The Company has in place the process and procedure for assessment of new appointment, re-appointment, re-election, retention and removal of directors, and the appointment of Board Committee members and chief executive, and the criteria used for such assessments. All candidates to the Board, Board Committees or chief executive are assessed by the NC prior to their appointments, taking into account the mix of skills, expertise, knowledge and experience in the industry, market and segment, independence and time commitment, before they are recommended to the Board for approval.

Corporate Governance, Risk Management and Internal Control (cont'd)

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

The nomination and approval process for candidates is as follows:

Identification of candidates	→	Meeting with candidates	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

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 the chief financial officer on an annual basis. For newly appointed Director/chief executive, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service. The assessments will take into consideration, amongst others, the appropriate skills, experience, soundness of judgment and competencies, independence, attendance and level of participation and contribution at Board and Board Committee meetings. The results of the assessment formed one of the criteria of the NC's recommendation to the Board for the re-appointment/re-election/retention of directors at the annual general meeting ("AGM").

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

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

For removal of directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act, 1965 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.

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 financial year and additional meetings may be called at any time as and when necessary.

During the financial year ended 30 June 2016 ("FY 2016"), the NC carried out its duties in accordance with its TOR. The NC considered and reviewed the following:

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

Corporate Governance, Risk Management and Internal Control
(cont'd)

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions.

The NC has also evaluated the performance of the Board, Board Committees, each individual director and each Board Committee member, benchmarking against their respective TOR and Assessment Criteria, and through the annual assessment conducted during FY 2016. 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.

III 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.

The Group's remuneration scheme for executive directors 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 level of responsibilities undertaken by them.

The remuneration packages of executive directors are reviewed by the entire Board, with the presence of a majority of non-executive directors. The executive director concerned shall not participate in the deliberations and shall vacate the meeting room during deliberations of his remuneration package.

The Board, in assessing and reviewing the remuneration packages of executive directors, 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 AGM.

The aggregate remuneration of directors for FY 2016 is as follows:

	Fees (RM)		Salaries & Other Emolument (RM)		Total (RM)	
	Company	Group	Company	Group	Company	Group
Executive Directors	–	–	–	–	–	–
Non-Executive Directors	400,000	470,000	142,000	142,000	542,000	612,000

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

Range Of Remuneration (RM)	Executive		Non-Executive	
	Company	Group	Company	Group
50,000 and below	–	–	–	–
50,001 – 100,000	–	–	2	3
100,001 – 150,000	–	–	3	3

D. INDEPENDENCE

The Board further takes cognisance of Recommendations 3.2 and 3.3 of the Code. Recommendation 3.2 states that the tenure of an ID should not exceed a cumulative term of 9 years and upon completion of the 9 years, an ID may continue to serve on the Board subject to the director's re-designation as a non-independent director. Recommendation 3.3 states that in the event the Company wishes to retain an ID who has served a cumulative term of 9 years and above, shareholders' approval shall be sought at the AGM every year with justifications, in accordance with the Code.

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

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

The IDs have declared their independence and the NC and the Board have determined, at the annual assessment carried out, that they, including YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak who have served on the Board for a period of 9 years continuously or more as IDs, remain objective and have continued to bring independent and objective judgment to Board deliberations and decision-making. At the coming AGM, the Company will seek shareholders' approval to retain YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar and YBhg Dato' Ahmad Johari bin Tun Abdul Razak as IDs. Justifications for their retention are set out in the explanatory notes of the Notice of AGM.

E. 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. Directors provide notifications to the Board for acceptance of any new Board appointment. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an adhoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions.

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

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 139A of the Companies Act, 1965. They are responsible for providing support and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate governance. All directors also have access to the advice and services of the internal auditors and in addition, independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

Corporate Governance, Risk Management and Internal Control
(cont'd)

E. COMMITMENT *cont'd*

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 4 times during FY 2016.

Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	3/4
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	4/4
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	4/4
Mr Chuah Chuan Thye	4/4
YBhg Dato' Dr Zaha Rina binti Zahari	4/4
Mr Peter Ho Kok Wai	4/4

The Board recognises the importance of continuous professional development and training for directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for directors of the Company. The Induction Programme which includes visits to the Group's various business operations and meetings with senior management 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 businesses of the Group, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' continuing training programmes.

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

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

In assessing the training needs of directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/ regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During FY 2016, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its directors and senior management.

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.

Corporate Governance, Risk Management and Internal Control (cont'd)

E. COMMITMENT *cont'd*

During FY 2016, all the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Updates on HK Contracts (Rights of Third Parties) Ordinance and Recent Personal Data Privacy Cases
- New Landscape in Auditors' Reporting
- The Most Innovative Companies – Four Factors that Differentiate Leaders
- Seminar on 'Companies Bill 2015'
- Business Sustainability
- Anti-Money Laundering and Counter Financing of Terrorism – Lesson Learnt from Industry
- FIDE Form (Board Diversity) (1st and 2nd Sessions)
- FIDE Forum (Briefing Session for Directors)
- The Interplay between CG, NFI and Investment Decision – What Boards of Listed Companies Need
- Internal Capital Adequacy Assessment Process
- CG Breakfast Series for Directors: Improving Board Risk Oversight Effectiveness
- 27th Annual Palm, and Lauric Oils Conference & Exhibition
- Focus Group Series: Corporate Governance Disclosures "What Makes Good, Bad and Ugly Corporate Governance Reporting?"
- Estate Planning for Muslim/Non-Muslim and the Benefits of Setting Up Hibah/Trust
- KPMG in Malaysia Tax Summit 2015
- Nominating Committee Programme Part 2: Effective Board Evaluations
- Sustainability Engagement Series for Directors/Chief Executive Officers

F. ACCOUNTABILITY AND AUDIT

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

The BARMC is supported by the Internal Audit Department 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 senior management 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 is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

II Risk Management and Internal Control

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

Corporate Governance, Risk Management and Internal Control
(cont'd)

F. ACCOUNTABILITY AND AUDIT *cont'd*

III Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, Messrs KPMG. The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the performance, suitability, effectiveness and independence 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 Malaysian Institute of Accountants ("MIA"), Messrs KPMG rotate its Engagement Partner and Concurring Partner once every 5 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 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 senior management.

For FY 2016, the BARMC members together with the Group Financial Controller ("GFC") undertook an annual assessment on the performance, suitability, effectiveness and independence 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.

G. 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 HLI Website after release to Bursa.

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

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

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

Shareholders can access for information at the HLI Website, which includes the Board Charter, TOR of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations.

H. SHAREHOLDERS *cont'd*

I Dialogue with Shareholders and Investors *cont'd*

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

Queries may be conveyed to the following person:

Name : Ms Chee Soo Yuen
Tel No. : 03-2164 2631
Fax No. : 03-2715 4808
Email address : IRelations@hli.com.my

II AGM

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

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

I. SORMIC

The 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 Group's Internal Audit Department in this role.

The Risk Management Framework

For FY 2016, management has complied with the risk management framework in accordance with MS ISO 31000: 2010. Based on the framework, management has carried out the following:

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

Corporate Governance, Risk Management and Internal Control
(cont'd)

I. SORMIC *cont'd*

The Risk Management Framework *cont'd*

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

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

The 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 & control assurance framework; provide the breadth in risk and control assurance; and demonstrate management's commitment to effective risk management.
- Risk-based internal audits carried out by the Group's Internal Audit Department 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 cover sales and marketing; production; supply chain management; plant operations; and safety, health and environment.
- 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 the year under review 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 GFC[Note 1] 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.

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

I. SORMIC *cont'd*

Review of the SORMIC by External Auditors

Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised) issued by the MIA for inclusion in the 2016 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. RPG 5 (Revised) 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.

The 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.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2016 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

Note 1
The chief executive officer position is currently vacant.

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

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

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

COMPOSITION

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

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

Mr Peter Ho Kok Wai
Independent Non-Executive Director

SECRETARY

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

AUTHORITY

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

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

MEETINGS

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

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

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

2 members of the Committee, who shall be independent, shall constitute a quorum.

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 and 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 2016 ("FY 2016") 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 Terms of Reference.

During FY 2016, 4 Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
YBhg Dato' Ahmad Johari bin Tun Abdul Razak	4/4
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar	4/4
Mr Peter Ho Kok Wai	4/4

The Committee carried out the following key activities during FY 2016:

- Reviewed the quarterly reports and annual financial statements of the Group prior to submission to the Board for consideration and approval.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held 2 separate sessions with the external auditors without the presence of senior management. During the separate sessions, no critical issues were raised and the external auditors conveyed that they had been maintaining a good professional Auditor-Client working relationship.
- Met with the external auditors and discussed the audit plan 2016 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.
- Reviewed and recommended to the Board for approval the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. It also reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the auditor's independence or objectivity. Details of non-audit fees incurred by the Group for FY 2016 are stated in the Notes to the Financial Statements.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Recommended to the Board the appointment of a new risk manager.
- Reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- Met with the internal auditors and approved the annual audit plan and also reviewed the internal audit ("IA") findings and recommendations.
- Reviewed the Policy and Procedure of Recurrent Related Party Transactions and various recurrent related party transactions ("RRPT") carried out by the Group.
- Reviewed the proposed mandate for RRPT with various related parties prior to Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group, and received the report of the external auditors in respect of their review on the SORMIC prior to Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.

Board Audit and Risk Management Committee Report
(cont'd)

INTERNAL AUDIT

The IA function is carried out in-house by the IA Department of HLMG Management Co Sdn Bhd ("HLMGMC"), 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. The total cost incurred by the IA Department of HLMGMC for FY 2016 amounted to RM1,751,077.

The IA Department, led by the Head of IA, reports to the Committee. The IA function is performed with impartiality, proficiency and due professional care. The IA Department 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 Committee had undertaken an assessment on the performance of the IA Department for FY 2016. The Committee had also reviewed the adequacy of the scope, functions and resources of the IA function and the competency of the IA Department. The Committee is satisfied with the performance and competency of the IA Department and that it had adequate resources to carry out its function.

The IA Department applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance to the established policies and procedures. It also challenges and adds value on the efficiency, effectiveness and economy of operating companies' operations, usage of assets and resources; and the integrity of management information systems.

The annual audit plan prepared by the IA Department 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 this financial year are described in the SORMIC.

The IA Department also facilitates the implementation and maintenance of the risk management framework of the Group on an on-going basis.

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

FINANCIAL STATEMENTS

DIRECTORS' REPORT

for the financial year ended 30 June 2016

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 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	247,223	231,221
Non-controlling interests	43,357	–
	290,580	231,221

RESERVES AND PROVISIONS

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

DIVIDENDS

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

(i) a first interim single tier dividend of 13.0 sen per share amounting to RM41,531,465 in respect of the financial year ended 30 June 2016 on 17 December 2015;

(ii) a second interim single tier dividend of 19.0 sen per share amounting to RM60,699,834 in respect of the financial year ended 30 June 2016 on 24 May 2016; and

(iii) a special interim single tier dividend of 10.0 sen per share amounting to RM31,947,281 in respect of the financial year ended 30 June 2016 on 24 May 2016.

The Directors do not recommend a final dividend for the financial year ended 30 June 2016.

Directors' Report
for the financial year ended 30 June 2016
(cont'd)

DIRECTORS OF THE COMPANY

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

YBhg Datuk Kwek Leng San, Chairman
YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar
YBhg Dato' Ahmad Johari bin Tun Abdul Razak
Mr Chuah Chuan Thye
YBhg Dato' Dr Zaha Rina binti Zahari
Mr Peter Ho Kok Wai

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share	Number of ordinary shares/ordinary shares received# or to be received* arising from vesting of share grant/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks@			
	RM	At 1.7.2015	Acquired	Sold	At 30.6.2016
Shareholdings in which Directors have direct interests:					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	43,395	–	**160,895**
Hong Leong Industries Berhad	0.50	2,520,000	–	220,000	**2,300,000**
Malaysian Pacific Industries Berhad	0.50	1,260,000	–	–	**1,260,000**
Hong Leong Bank Berhad	1.00	462,000	74,000 (1)	–	**536,000**
Hong Leong Financial Group Berhad	1.00	600,000	54,000 (1)	–	**654,000**
Guoco Group Limited	US$0.50	209,120	–	–	**209,120**
The Rank Group Plc	GBP13 8/9p	45,800	–	–	**45,800**
Hume Industries Berhad	1.00	3,118,951	382,649 #	–	**3,501,600**
		802,649 *	–	382,649 (2)	**420,000** *
Interests of YBhg Dato' Ahmad Johari bin Tun Abdul Razak in:					
Hong Leong Industries Berhad	0.50	17,600	–	–	**17,600**
Malaysian Pacific Industries Berhad	0.50	6,600	–	–	**6,600**
Hume Industries Berhad	1.00	19,008	–	–	**19,008**
Interest of Mr Chuah Chuan Thye in:					
Southern Steel Berhad	1.00	14,854	–	–	**14,854**
		7,073 @	–	–	**7,073** @

Directors' Report

for the financial year ended 30 June 2016

(cont'd)

DIRECTORS' INTERESTS

	Nominal value per share	Number of ordinary shares/ordinary shares received# or to be received* arising from vesting of share grant/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks@			
	RM	At 1.7.2015	Acquired	Sold	At 30.6.2016
Shareholdings in which Directors have indirect interests					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 8/9p	10,661 (3)	–	–	**10,661** (3)
Interests of Mr Chuah Chuan Thye in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	–	–	**154,650**
Hong Leong Financial Group Berhad	1.00	9,337,949	360,506 (1)	–	**9,698,455**
Hong Leong Industries Berhad	0.50	2,298,036	–	–	**2,298,036**
Hume Industries Berhad	1.00	2,486,878	–	–	**2,486,878**
Hong Leong Bank Berhad	1.00	48,000	7,000 (1)	–	**55,000**
GuocoLand (Malaysia) Berhad	0.50	1,928,465	–	–	**1,928,465**
GL Limited (formerly known as GuocoLeisure Limited)	US$0.20	2,036,775	–	–	**2,036,775**
Malaysian Pacific Industries Berhad	0.50	861,764	–	–	**861,764**
Southern Steel Berhad	1.00	8,293,288	–	–	**8,293,288**
		1,836,673 @	–	–	**1,836,673** @
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	1,120,280	–	–	**1,120,280**

Legend:

(1) Shares acquired from rights issue.

(2) Shares vested.

(3) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for (a) Mr Chuah Chuan Thye who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between related corporations and corporations in which Mr Chuah Chuan Thye is deemed to have interests; and (b) YBhg Dato' Ahmad Johari bin Tun Abdul Razak who may be deemed to derive a benefit in respect of those transactions for the provision of legal services between the Company or its related corporations and a firm in which YBhg Dato' Ahmad Johari bin Tun Abdul Razak has interests.

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 changes in the issued and paid-up capital of the Company and the Company has not issued any debentures 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.

EXECUTIVE SHARE SCHEME ("ESS")

The Company has, on 28 February 2014, implemented an executive share grant scheme ("ESGS") of up to 10% of the issued and paid-up ordinary share capital (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") have been renamed as 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:

1. 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.

2. The aggregate number of shares comprised in:

   (i) exercised options;
   (ii) unexercised options;
   (iii) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
   (iv) outstanding grants;
   (v) completed grants; and
   (vi) 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 issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

3. 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 the par value of the shares of the Company.

4. 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 of RM0.50 each in the Company (unless otherwise adjusted); transfer of existing shares, or a combination of both new shares and existing shares.

5. 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 issued and paid-up ordinary share capital (excluding treasury shares) of the Company, must not exceed 10% of the Maximum Aggregate.

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

Directors' Report
for the financial year ended 30 June 2016
(cont'd)

EXECUTIVE SHARE SCHEME ("ESS") *cont'd*

ESOS

In the preceding financial year ended 30 June 2015 ("FY 2015"), Guocera Holdings Sdn Bhd ("GHSB"), a wholly-owned subsidiary of the Company, together with its subsidiaries, namely Guocera Tile Industries Sdn Bhd ("GTI"), Guocera Sdn Bhd (formerly known as Guocera Marketing Sdn Bhd) ("GSB") and Guocera Marketing (International) Sdn Bhd ("GMI"), granted conditional incentive share options ("Options") over a total of 3,820,000 ordinary shares of RM0.50 each in the Company ("HLI Shares") at an exercise price of RM4.23 per share to certain eligible executives of the Group under the ESOS. The Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period and the exercise period of the vested options will be up to the 30th month from the vesting date to be determined.

During the financial year ended 30 June 2016 ("FY 2016"), GHSB has assigned, transferred and novated to Guocera Tile Industries (Meru) Sdn Bhd ("GTI (Meru)"), absolutely all the rights, interest, title and obligations in and under the letter of offer and Options certificate issued by GHSB to GTI (Meru). Following the completion of the streamlining exercises involving GTI, GMI and GSB during FY 2016, GTI and GMI have assigned, transferred and novated to GSB, absolutely all the rights, interest, title and obligations in and under the letters of offer and Options certificates issued by GTI and GMI to GSB.

Since the commencement of the ESS, a total of 3,820,000 Options have been granted, out of which, 3,580,000 Options remained outstanding. None of the Options granted has been vested. The aggregate Options granted to a director/chief executive of the Group was 1,850,000. The actual percentage of total Options granted to a director/senior management of the Group was 0.579% based on the issued and paid-up ordinary share capital (excluding treasury shares) of the Company as at 30 June 2016. There were no grant or vesting of Options to directors, chief executive nor senior management of the Group during FY 2016.

The aggregate allocation of options to directors/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.

ESGS

In the financial year ended 30 June 2014, GTI and Ceramic Research Company Sdn Bhd, another subsidiary of GHSB, granted a total of 195,000 HLI Shares, free of consideration, to certain eligible executives of the Group under the ESGS. There were no grant of HLI Shares under the ESGS during FY 2016.

Following the completion of the streamlining exercise involving GTI and GSB during FY 2016, GTI has assigned, transferred and novated to GSB, absolutely all the rights, interest, title and obligations in and under the letters of grant offer and grant certificates issued by GTI to GSB.

Since the commencement of the ESGS, a total of 195,000 HLI Shares have been granted, out of which 58,500 HLI Shares and 68,250 HLI Shares have been vested during FY 2015 and FY 2016 respectively, and 68,250 HLI Shares remained outstanding. There were no grant or vesting of HLI Shares to directors, chief executive nor senior management of the Group during FY 2016.

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

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; or

(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 or of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

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

On behalf of the Board,

Datuk Kwek Leng San

Dato' Ahmad Johari bin Tun Abdul Razak

18 August 2016

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	4	**375,029**	381,079	**133**	596
Investment property	5	**4,000**	4,000	**–**	–
Intangible assets	9	**15,585**	16,213	**–**	–
Investments in subsidiary companies	6	**–**	–	**288,746**	309,772
Investments in associated companies	7	**385,310**	383,089	**176,749**	176,749
Other investments	8	**61,278**	71,064	**54,475**	62,468
Deferred tax assets	10	**3,083**	1,586	**–**	–
Tax credit receivable	11	**5,646**	5,646	**–**	–
Total non-current assets		**849,931**	862,677	**520,103**	549,585
Inventories	12	**205,600**	209,131	**–**	–
Trade and other receivables, including derivatives	13	**411,657**	387,259	**82**	254
Current tax assets		**14,032**	14,322	**10,415**	10,415
Cash and cash equivalents	14	**399,503**	307,043	**178,480**	57,886
Total current assets		**1,030,792**	917,755	**188,977**	68,555
Total assets		**1,880,723**	1,780,432	**709,080**	618,140

Statement of Financial Position
as at 30 June 2016
(cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Equity					
Share capital	15	**163,953**	163,953	**163,953**	163,953
Reserves	16	**1,202,151**	1,087,186	**606,124**	514,614
Treasury shares - at cost	17	**(63,318)**	(63,318)	**(63,318)**	(63,318)
Total equity attributable to owners of the Company		**1,302,786**	1,187,821	**706,759**	615,249
Non-controlling interests		**97,163**	106,656	**–**	–
Total equity		**1,399,949**	1,294,477	**706,759**	615,249
Liabilities					
Deferred tax liabilities	10	**12,736**	10,443	**–**	–
Deferred income	19	**4,996**	5,598	**–**	–
Employee benefits	20(a)	**24,042**	22,667	**341**	340
Total non-current liabilities		**41,774**	38,708	**341**	340
Loans and borrowings	18	**127,965**	137,609	**–**	–
Trade and other payables, including derivatives	21	**295,273**	285,939	**1,980**	2,551
Tax payable		**15,762**	23,699	**–**	–
Total current liabilities		**439,000**	447,247	**1,980**	2,551
Total liabilities		**480,774**	485,955	**2,321**	2,891
Total equity and liabilities		**1,880,723**	1,780,432	**709,080**	618,140

The notes on pages 53 to 120 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations					
Revenue					
Sales of goods and services		**2,184,555**	2,130,868	**–**	–
Dividend income		**6,074**	8,030	**255,504**	379,227
		2,190,629	2,138,898	**255,504**	379,227
Cost of sales		**(1,781,586)**	(1,717,706)	**–**	–
Gross profit		**409,043**	421,192	**255,504**	379,227
Distribution expenses		**(118,749)**	(119,428)	**–**	–
Administration expenses		**(67,526)**	(71,275)	**(7,869)**	(11,061)
Other operating expenses		**(9,779)**	(10,068)	**(22,398)**	–
Other operating income		**30,956**	46,219	**6,023**	9,625
Results from operations		**243,945**	266,640	**231,260**	377,791
Interest income		**2,978**	2,712	**219**	317
Finance costs		**(6,314)**	(10,179)	**(155)**	(5,637)
Share of profit in associated companies, net of tax		**102,535**	41,327	**–**	–
Profit before taxation	22	**343,144**	300,500	**231,324**	372,471
Taxation	23	**(52,564)**	(82,991)	**(103)**	(24,121)
Profit from continuing operations		**290,580**	217,509	**231,221**	348,350
Discontinued operation					
Profit from discontinued operation, net of tax		**–**	1,013	**–**	–
Profit for the year		**290,580**	218,522	**231,221**	348,350
Profit attributable to:					
Owners of the Company		**247,223**	173,232	**231,221**	348,350
Non-controlling interests		**43,357**	45,290	**–**	–
		290,580	218,522	**231,221**	348,350
Basic earnings per ordinary share (sen)					
Continuing operations		**80.16**	55.85		
Discontinued operation		–	0.33		
	24	**80.16**	**56.18**		

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016

(cont'd)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year		**290,580**	218,522	**231,221**	348,350
Other comprehensive (expenses)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
(Loss)/Gain on fair value of available-for-sale financial assets		**(9,433)**	41,736	**(7,690)**	34,677
Realisation of fair value reserve upon disposal of available-for-sale financial assets		**–**	(14)	**–**	–
Foreign currency translation differences for foreign operations		**5,009**	27,066	**–**	–
Cash flow hedge		**146**	–	**–**	–
Total other comprehensive (expenses)/income for the year	25	**(4,278)**	68,788	**(7,690)**	34,677
Total comprehensive income for the year		**286,302**	287,310	**223,531**	383,027
Total comprehensive income attributable to:					
Owners of the Company		**242,945**	242,020	**223,531**	383,027
Non-controlling interests		**43,357**	45,290	**–**	–
		286,302	287,310	**223,531**	383,027

The notes on pages 53 to 120 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Attributable to owners of the Company											
	Non-distributable							Distributable				
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Exchange equalisation reserve RM'000	Other reserves RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group												
At 1 July 2014	163,953	387,038	(63,318)	2,998	21,468	(41,459)	293	14	790,602	1,261,589	114,929	1,376,518
Profit for the year	–	–	–	–	–	–	–	–	173,232	173,232	45,290	218,522
Other comprehensive income												
Gain on fair value of available for-sale financial assets	–	–	–	–	–	–	–	41,736	–	41,736	–	41,736
Realisation of fair value upon disposal of available-for-sale financial asset	–	–	–	–	–	–	–	(14)	–	(14)	–	(14)
Foreign currency translation differences	–	–	–	27,066	–	–	–	–	–	27,066	–	27,066
Total comprehensive income for the year	–	–	–	27,066	–	–	–	41,722	173,232	242,020	45,290	287,310
Contributions by and distribution to owners of the Company												
Share-based payments/ transactions	–	–	–	–	–	–	1,034	–	297	1,331	–	1,331
ESS shares vested	–	–	–	–	–	173	–	–	(216)	(43)	–	(43)
Capital distribution	–	(234,085)	–	–	–	8,146	–	–	–	(225,939)	–	(225,939)
Disposal of subsidiary companies	–	–	–	–	–	–	–	–	(1,713)	(1,713)	–	(1,713)
Redemption of redeemable preference shares in a subsidiary company	–	–	–	–	–	–	–	–	–	–	(3)	(3)
Dividends (Note 26)	–	–	–	–	–	–	–	–	(89,424)	(89,424)	(53,560)	(142,984)
Total transactions with owners of the Company	–	(234,085)	–	–	–	8,319	1,034	–	(91,056)	(315,788)	(53,563)	(369,351)
Transfer to capital reserve	–	–	–	–	446	–	–	–	(446)	–	–	–
At 30 June 2015	163,953	152,953	(63,318)	30,064	21,914	(33,140)	1,327	41,736	872,332	1,187,821	106,656	1,294,477

Statements of Changes in Equity
for the year ended 30 June 2016
(cont'd)

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Exchange equalisation reserve RM'000	Other reserves RM'000	Hedging reserves RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
	Attributable to owners of the Company												
	Non-distributable									*Distributable*			
Group													
1 July 2015	163,953	152,953	(63,318)	30,064	21,914	–	(33,140)	1,327	41,736	872,332	1,187,821	106,656	1,294,477
Profit for the year	–	–	–	–	–	–	–	–	–	247,223	247,223	43,357	290,580
Other comprehensive income													
Loss on fair value of available for-sale financial assets	–	–	–	–	–	–	–	–	(9,433)	–	(9,433)	–	(9,433)
Foreign currency translation differences	–	–	–	5,009	–	–	–	–	–	–	5,009	–	5,009
Cash flow hedge	–	–	–	–	–	146	–	–	–	–	146	–	146
Total comprehensive income / (expense) for the year	–	–	–	5,009	–	146	–	–	(9,433)	247,223	242,945	43,357	286,302
Contributions by and distribution to owners of the Company													
Share-based payments/ transactions	–	–	–	–	–	–	–	1,210	–	344	1,554	19	1,573
ESS shares vested	–	–	–	–	–	–	202	–	–	(202)	–	–	–
Cash distribution from a subsidiary company	–	–	–	–	–	–	–	–	–	–	–	(180)	(180)
Dividends (Note 26)	–	–	–	–	–	–	–	–	–	(129,534)	(129,534)	(52,689)	(182,223)
Total transactions with owners of the Company	–	–	–	–	–	–	202	1,210	–	(129,392)	(127,980)	(52,850)	(180,830)
At 30 June 2016	**163,953**	**152,953**	**(63,318)**	**35,073**	**21,914**	**146**	**(32,938)**	**2,537**	**32,303**	**990,163**	**1,302,786**	**97,163**	**1,399,949**

The notes on pages 53 to 120 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 30 June 2016
(cont'd)

	Attributable to owners of the Company							
	Non-distributable						Distributable	
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Reserve for own shares RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
Company								
At 1 July 2014	163,953	387,038	(63,318)	3,943	(33,995)	–	76,399	534,020
Profit for the year	–	–	–	–	–	–	348,350	348,350
Other comprehensive income								
Gain on fair value of available-for-sale financial assets	–	–	–	–	–	34,677	–	34,677
Total comprehensive income for the year	–	–	–	–	–	34,677	348,350	383,027
Distributions to owners of the Company								
Disposal of trust shares	–	4,311	–	–	12,111	–	–	16,422
Capital distribution	–	(234,085)	–	–	6,564	–	–	(227,521)
Dividends (Note 26)	–	–	–	–	–	–	(90,699)	(90,699)
Total transactions with owners of the Company	–	(229,774)	–	–	18,675	–	(90,699)	(301,798)
At 30 June 2015 /1 July 2015	163,953	157,264	(63,318)	3,943	(15,320)	34,677	334,050	615,249
Profit for the year	–	–	–	–	–	–	231,221	231,221
Other comprehensive expenses								
Loss on fair value of available-for-sale financial assets	–	–	–	–	–	(7,690)	–	(7,690)
Total comprehensive expenses for the year	–	–	–	–	–	(7,690)	231,221	223,531
Distributions to owners of the Company								
Dividends (Note 26)	–	–	–	–	–	–	(132,021)	(132,021)
Total transactions with owners of the Company	–	–	–	–	–	–	(132,021)	(132,021)
At 30 June 2016	**163,953**	**157,264**	**(63,318)**	**3,943**	**(15,320)**	**26,987**	**433,250**	**706,759**

The notes on pages 53 to 120 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before taxation from:				
- continuing operations	**343,144**	300,500	**231,324**	372,471
- discontinued operation	**–**	1,351	**–**	–
	343,144	301,851	**231,324**	372,471
Adjustments for:				
Amortisation of deferred income	**(602)**	(273)	**–**	–
Amortisation of intangible assets				
- Computer software	**669**	621	**–**	–
- Development expenditure	**3,769**	3,524	**–**	–
Depreciation of property, plant and equipment	**55,516**	52,689	**191**	192
Dividend income	**(10,834)**	(12,800)	**(255,504)**	(379,227)
Interest income	**(2,978)**	(2,741)	**(219)**	(317)
Finance costs	**6,314**	10,583	**155**	5,637
Fair value (gain)/loss on derivative instruments	**(948)**	425	**(208)**	(49)
Fair value gain on financial instrument designated as hedge instrument	**(107)**	–	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(5,063)**	(1,104)	**36**	–
Gain on liquidation of a subsidiary companies	**–**	–	**(1,355)**	(9)
Gain on disposal of other investments	**–**	(12,627)	**–**	–
Gain on disposal of quoted investments	**–**	(14)	**–**	–
Gain on fair value of financial assets at fair value through profit or loss	**(1,376)**	(8,448)	**(1,376)**	(8,448)
Impairment loss on property, plant and equipment	**37**	–	**–**	–
Loss on liquidation of an associated company	**–**	–	**–**	26
Property, plant and equipment written off	**410**	826	**–**	–
Provision/(Reversal) of retirement benefits	**1,488**	1,622	**1**	(5)
Impairment loss on investment in a subsidiary company	**–**	–	**21,526**	–
Share-based payments	**3,268**	4,315	**1,644**	2,984
Share of profit in associated companies	**(102,535)**	(41,327)	**–**	–
Unrealised gain on foreign exchange	**(782)**	(734)	**–**	–
Operating profit/(loss) before working capital changes	**289,390**	296,388	**(3,785)**	(6,745)
Inventories	**3,531**	(31,824)	**–**	–
Trade and other receivables	**(23,506)**	(4,687)	**172**	164
Trade and other payables	**10,504**	(9,458)	**(328)**	(1,783)
Cash generated from/(used in) operations	**279,919**	250,419	**(3,941)**	(8,364)
Dividends received from				
- Subsidiary companies	**–**	–	**147,371**	351,306
- Associated companies	**103,781**	22,812	**103,781**	22,812
- Other investments	**10,834**	19,800	**4,352**	5,110
Interest income received	**2,978**	2,741	**219**	317
Finance costs paid	**(6,314)**	(10,583)	**(155)**	(5,637)
Retirement benefits paid	**(113)**	(81)	**–**	–
Tax paid	**(59,475)**	(50,912)	**(103)**	(14)
Net cash generated from operating activities	**331,610**	234,196	**251,524**	365,530
Cash flows from investing activities				
Addition of development expenditure	**(3,423)**	(3,372)	**–**	–
Addition of computer software	**(387)**	(485)	**–**	–
Addition of investment in a subsidiary company	**–**	–	**(500)**	–

Statements of Cash Flows
for the year ended 30 June 2016
(cont'd)

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from investing activities *cont'd*				
Cash distribution to non-controlling shareholder of a subsidiary company	**(180)**	–	**–**	–
Cash distribution from subsidiary companies	**–**	–	**1,355**	–
Cash distribution from an associated company	**–**	78	**–**	78
Purchase of property, plant and equipment	**(51,638)**	(52,437)	**–**	(171)
Proceeds from disposal of property, plant and equipment	**6,795**	1,725	**236**	–
Proceeds from disposal of trust shares	**–**	–	**–**	16,422
Proceeds from disposal of quoted investment	**–**	17	**–**	–
Proceeds from disposal of other investments	**–**	548,175	**–**	–
Proceeds from redemption of redeemable preference shares in subsidiary companies	**–**	(3)	**–**	494,280
Redemption of redeemable preference shares in an associated company	**–**	5,360	**–**	5,360
Repayment to related companies	**–**	–	**–**	(240,866)
Net cash (used in)/generated from investing activities	**(48,833)**	499,058	**1,091**	275,103
Cash flows from financing activities				
Dividends paid to				
- Owners of the Company	**(129,534)**	(89,424)	**(132,021)**	(90,699)
- Non-controlling shareholders of subsidiary companies	**(52,689)**	(53,560)	**–**	–
Drawdown of borrowings	**187,180**	511,036	**–**	–
Repayment of borrowings	**(196,824)**	(994,169)	**–**	(499,000)
Net cash used in financing activities	**(191,867)**	(626,117)	**(132,021)**	(589,699)
Net change in cash and cash equivalents	**90,910**	107,137	**120,594**	50,934
Effect of exchange rate fluctuations on cash held	**1,550**	3,496	**–**	–
Cash and cash equivalents at 1 July	**307,043**	196,410	**57,886**	6,952
Cash and cash equivalents at 30 June	**399,503**	307,043	**178,480**	57,886

Cash and cash equivalents

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits with licensed banks	**337,128**	224,020	**178,200**	57,450
Cash and bank balances	**62,375**	83,023	**280**	436
	399,503	307,043	**178,480**	57,886

The notes on pages 53 to 120 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

Level 9, Wisma Hong Leong
18, Jalan Perak
50450 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 2016 comprise the Company, its subsidiaries, special purpose entities (together referred to as "the Group") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 30 June 2016 do not include other entities.

The Company is an investment holding company whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 18 August 2016.

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 Companies Act, 1965 in Malaysia.

The preparation of the financial statements 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 judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

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 and, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(iii) Acquisitions of non-controlling interests

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

(iv) Special purpose entities

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

(vi) Associates

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

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(vi) Associates *cont'd*

When the Group 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 profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

(vii) Non-controlling interests

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

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

(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 available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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

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

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, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which reported using the exchange rates at the date of acquisition. 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 foreign currency translation reserve ("FCTR") 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 FCTR 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 or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments

(i) Initial recognition and measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

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

Financial assets *cont'd*

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see note 2.2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial asset is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Financial instruments *cont'd*

(iv) Hedge accounting

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 from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

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 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 the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. 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 the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into 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

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 the control of the asset is not retained or substantially all of the risks and rewards of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. 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.

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

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

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

(e) Leased assets

(i) Finance lease

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Leased assets *cont'd*

(ii) Operating leases

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

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

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

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

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

(iii) Computer software

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(f) Intangible assets *cont'd*

(iv) Amortisation

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

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

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

Development costs	3 years
Computer software	5 years

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

(g) Investment property

(i) Investment property carried at fair value

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

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

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

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

(ii) Reclassification to/from investment property

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

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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(g) Investment property *cont'd*

(iii) Determination of fair value

The Directors estimate the fair values of the Company'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.

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Impairment *cont'd*

(i) Financial assets *cont'd*

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(j) Impairment *cont'd*

(ii) Other assets *cont'd*

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 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 the share premium account or distributable reserves, or both.

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 equity, and the resulting surplus or deficit on the transaction is presented in share premium.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(l) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Defined benefit plan

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

(iii) Share-based payments

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

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

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 share 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*

(m) Provisions

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

Warranties

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

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in the profit or loss when services are performed.

(iii) Rental income

Rental income is recognised in profit or loss on accrual basis.

(iv) 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.

(v) 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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(p) Taxation *cont'd*

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 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 the unutilised reinvestment allowance as investment tax credits ("ITCs") and these ITCs are recognised using accounting treatment similar to that of a government grant. Unutilised reinvestment allowance to the extent that it is probable that the future taxable profit will be available against the unutilised reinvestment allowance can be utilised are recognised as a tax credit receivable and correspondingly deferred income.

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.

(q) Discontinued operation

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.

(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.

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(t) Contingencies

(i) 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.

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

(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 uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

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

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

Notes to the Financial Statements
(cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

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

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for 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 plans to apply the abovementioned accounting standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016;
- from the annual period beginning on 1 July 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 July 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018;
- from the annual period beginning on 1 July 2019 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the financial impact that may arise from the initial application of the abovementioned accounting standards, amendments or interpretations.

Notes to the Financial Statements
(cont'd)

3. COMPANIES IN THE GROUP

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

Name of Company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Subsidiary Companies				
Guocera Holdings Sdn Bhd	Malaysia	**100**	100	Investment holding.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	**70**	70	Manufacture of ceramic tiles.
• Guocera Sdn Bhd (formerly known as Guocera Marketing Sdn Bhd)	Malaysia	**100**	100	Manufacture and general trading in ceramic tiles and investment holding.
• Guocera Marketing Singapore Pte Ltd	Singapore	**100**	100	General trading in ceramic tiles.
• Ceramic Research Company Sdn Bhd	Malaysia	**100**	100	Research and development of ceramic tiles and related products.
• Guocera Tile Industries Sdn Bhd	Malaysia	**100**	100	Rental of properties.
• Guocera Marketing (International) Sdn Bhd	Malaysia	**100**	100	Ceased operation during the financial year.
• Century Touch Sdn Bhd #	Malaysia	**70**	70	In members' voluntary liquidation.

Notes to the Financial Statements
(cont'd)

3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
***Subsidiary Companies** cont'd*				
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	**69.4**	69.4	Manufacture and distribution of motorcycles and other components, assembly of motorcycles and investment holding.
Hume Cemboard Industries Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of fibre cement products.
Malex Industrial Products Sdn Bhd	Malaysia	**100**	100	Sale and distribution of fibre cement products and investment holding.
• Hume Cemboard Marketing Sdn Bhd	Malaysia	**100**	100	Ceased operation during the financial year.
Hume Roofing Products Sdn Bhd	Malaysia	**100**	100	Manufacture and sale of concrete roofing tiles.
Hume Fibreboard Sdn Bhd *	Malaysia	**100**	100	Investment holding.
Hume Marketing Co Sdn Bhd	Malaysia	**100**	100	Distribution of building materials.
Hume Marketing (EM) Sdn Bhd	Malaysia	**100**	100	Distribution of building materials.
Stableview Sdn Bhd *	Malaysia	**100**	100	Investment holding.
Maxider Sdn Bhd *	Malaysia	**100**	100	Investment holding.
Megah Court Condominium Development Sdn Bhd *	Malaysia	**100**	100	Property management.
HLI Trading Limited *	Hong Kong	**100**	100	Investment holding.
• Avenues Zone Inc *	Malaysia	**100**	100	Investment holding.
HLI Overseas Limited ♦	Jersey, Channel Islands	**100**	100	Dormant.
Varinet Sdn Bhd #	Malaysia	**60**	60	In members' voluntary liquidation.
Taman Terang Sdn Bhd #	Malaysia	**100**	100	In member's voluntary liquidation.
Hong Leong Maruken Sdn Bhd #	Malaysia	**70**	70	Dissolved on 3 July 2016.

Notes to the Financial Statements
(cont'd)

3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Effective interest 2016 %	Effective interest 2015 %	Principal activities
Associated Companies				
HICOM-Yamaha Manufacturing Malaysia Sdn Bhd *	Malaysia	**30**	30	Manufacture and assembly of motorcycle engines and parts.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	**34**	34	Provision of research and development services.
Yamaha Motor Vietnam Co., Ltd	Vietnam	**24**	24	Procure and assemble motorcycles, motorcycle spare parts and components and provision of maintenance and repair service for motorcycles.
Malaysian Newsprint Industries Sdn Bhd	Malaysia	**33.7**	33.7	Manufacture and sale of newsprint and related paper products.

The financial year end of the associated companies are co-terminous with the Company except for the following:-

Name of Company	**Financial Year End**
HICOM-Yamaha Manufacturing Malaysia Sdn Bhd +	31 March
Yamaha Motor Vietnam Co., Ltd +	31 December

Notes:
- • Sub-subsidiary companies.
- * The financial statements of these subsidiary and associated companies are not audited by member firms of KPMG International.
- ♦ These subsidiary companies are consolidated based on unaudited financial statements. These financial statements are not required to be audited in their respective countries of incorporation.
- + The Group's share of profit is based on the latest audited financial statements and latest management financial statements available.
- # These subsidiaries are in members' voluntary liquidation and have been consolidated based on unaudited financial statements.

Notes to the Financial Statements
(cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost							
At 1 July 2014	45,356	187,491	25,795	4,796	704,701	13,957	982,096
Additions	–	963	–	197	20,767	30,173	52,100
Reclassification	–	3,429	–	23	29,939	(33,391)	–
Disposals	–	–	(100)	(100)	(11,551)	–	(11,751)
Write off	–	–	–	–	(7,007)	(17)	(7,024)
Effect of movements in exchange rates	–	–	–	–	36	–	36
At 30 June 2015/ 1 July 2015	45,356	191,883	25,695	4,916	736,885	10,722	1,015,457
Additions	–	872	–	142	27,335	23,289	51,638
Reclassification	–	892	–	–	17,252	(18,144)	–
Disposals	–	–	(1,425)	–	(5,122)	–	(6,547)
Write off	–	–	–	–	(695)	–	(695)
Effect of movements in exchange rates	–	–	–	–	16	–	16
At 30 June 2016	**45,356**	**193,647**	**24,270**	**5,058**	**775,671**	**15,867**	**1,059,869**

Notes to the Financial Statements
(cont'd)

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

Group *cont'd*

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Plant & equipment & motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Accumulated depreciation							
At 1 July 2014	–	55,640	1,877	1,183	541,238	–	599,938
Charge for the year	–	5,251	576	355	45,572	–	51,754
Disposals	–	–	(24)	–	(11,106)	–	(11,130)
Write off	–	–	–	–	(6,198)	–	(6,198)
Effect of movements in exchange rates	–	–	–	–	14	–	14
At 30 June 2015/ 1 July 2015	–	60,891	2,429	1,538	569,520	–	634,378
Charge for the year	–	5,596	563	517	48,840	–	55,516
Impairment	–	–	–	–	37	–	37
Disposals	–	–	(459)	–	(4,356)	–	(4,815)
Write off	–	–	–	–	(285)	–	(285)
Effect of movements in exchange rates	–	–	–	–	9	–	9
At 30 June 2016	**–**	**66,487**	**2,533**	**2,055**	**613,765**	**–**	**684,840**
Carrying amounts							
At 1 July 2014	45,356	131,851	23,918	3,613	163,463	13,957	382,158
At 30 June 2015/ 1 July 2015	45,356	130,992	23,266	3,378	167,365	10,722	381,079
At 30 June 2016	**45,356**	**127,160**	**21,737**	**3,003**	**161,906**	**15,867**	**375,029**

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 2014	907
Additions	171
At 30 June 2015/ 1 July 2015	1,078
Additions	–
Disposal	(473)
At 30 June 2016	**605**
Depreciation and impairment loss	
At 1 July 2014	290
Charge for the year	192
At 30 June 2015/ 1 July 2015	482
Charge for the year	191
Disposal	(201)
At 30 June 2016	**472**
Carrying amounts	
At 1 July 2014	617
At 30 June 2015/1 July 2015	596
At 30 June 2016	**133**

Land

Included in the total carrying amount of land are:

	Group	
	2016 RM'000	**2015 RM'000**
Leasehold land with unexpired lease period more than 50 years	**18,035**	19,367
Leasehold land with unexpired lease period less than 50 years	**3,702**	3,899
	21,737	23,266

Notes to the Financial Statements
(cont'd)

5. INVESTMENT PROPERTY

	Group 2016 RM'000	Group 2015 RM'000
At 1 July / 30 June	**4,000**	4,000

Included in the above are:

	Group 2016 RM'000	Group 2015 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 values of the leasehold land have been determined by Directors' valuation using sales comparison approach. Sales price of comparable properties are adjusted for differences in key attributes such as property size. The significant unobservable input into the Directors' valuation is price per square feet of comparable properties. The estimated fair value would increase/(decrease) if the price per square feet is higher/(lower).

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company 2016 RM'000	Company 2015 RM'000
At cost:		
Unquoted shares	**441,710**	441,210
Less: Impairment loss	**(152,964)**	(131,438)
	288,746	309,772

Impairment losses are recognised based on the excess of carrying amount over its recoverable amounts, which is determined based on either the fair value of the net assets of the subsidiary companies or the recoverable amount of the cash generating unit based on value in use and the fair value less costs to sell whichever is higher.

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

7. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost:				
- Unquoted shares	**266,940**	266,940	**111,969**	111,969
- Unquoted redeemable preference shares	**31,069**	31,069	**64,780**	64,780
	298,009	298,009	**176,749**	176,749
Share of capital reserves	**(19,723)**	(23,190)	**–**	–
Share of post-acquisition reserves	**107,024**	108,270	**–**	–
	385,310	383,089	**176,749**	176,749

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

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

	2016 RM'000	2015 RM'000
Summarised financial information		
As at 30 June		
Non-current assets	**1,078,483**	1,150,346
Current assets	**1,041,393**	911,113
Non-current liabilities	**(45,744)**	(90,700)
Current liabilities	**(658,259)**	(570,729)
Net assets	**1,415,873**	1,400,030
Year ended 30 June		
Total comprehensive income	**432,323**	173,162
Included in the total comprehensive income is:		
Revenue	**4,613,632**	3,772,956
Reconciliation of net assets to carrying amount:		
As at 30 June		
Group's share of net assets other than goodwill of the associated companies	**385,029**	382,808
Premium on acquisition	**281**	281
Carrying amount in the statement of financial position	**385,310**	383,089
Group's share of results		
Year ended 30 June		
Group's share of total comprehensive income	**102,535**	41,327

Notes to the Financial Statements
(cont'd)

8. OTHER INVESTMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Available-for-sale financial assets				
- Unquoted shares	**10**	10	**10**	10
- Shares quoted in Malaysia	**41,352**	50,834	**34,549**	42,238
	41,362	50,844	**34,559**	42,248
Financial assets at fair value through profit or loss				
- Shares quoted in Malaysia	**19,916**	20,220	**19,916**	20,220
	19,916	20,220	**19,916**	20,220
	61,278	71,064	**54,475**	62,468

9. INTANGIBLE ASSETS

Group	Goodwill RM'000	Development costs RM'000	Computer software RM'000	Total RM'000
Cost				
At 1 July 2014	66,975	15,184	3,586	85,745
Additions	–	3,372	485	3,857
At 30 June 2015/ 1 July 2015	66,975	18,556	4,071	89,602
Additions	–	3,423	387	3,810
At 30 June 2016	**66,975**	**21,979**	**4,458**	**93,412**
Amortisation and impairment loss				
At 1 July 2014				
Accumulated amortisation	–	9,114	1,407	10,521
Accumulated impairment loss	58,723	–	–	58,723
	58,723	9,114	1,407	69,244
Amortisation for the year	–	3,524	621	4,145
At 30 June 2015/ 1 July 2015				
Accumulated amortisation	–	12,638	2,028	14,666
Accumulated impairment loss	58,723	–	–	58,723
	58,723	12,638	2,028	73,389
Amortisation for the year	–	3,769	669	4,438
Accumulated amortisation	–	16,407	2,697	19,104
Accumulated impairment loss	58,723	–	–	58,723
At 30 June 2016	**58,723**	**16,407**	**2,697**	**77,827**

Notes to the Financial Statements
(cont'd)

9. INTANGIBLE ASSETS *cont'd*

Group *cont'd*	**Goodwill RM'000**	**Development costs RM'000**	**Computer software RM'000**	**Total RM'000**
Carrying amounts				
At 1 July 2014	8,252	6,070	2,179	16,501
At 30 June 2015/1 July 2015	8,252	5,918	2,043	16,213
At 30 June 2016	**8,252**	**5,572**	**1,761**	**15,585**

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The recoverable amount of the cash-generating units was based on its value in use. The carrying amount of the unit was determined to be higher than its recoverable amount.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was based on the recent financial projections approved by the management. The discount rate was estimated based on the Group's weighted average cost of capital of 8.0% (2015: 9.5%) The gross margins used in the projections were based on past experience and expectations of market developments.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
Group	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Property, plant and equipment	**–**	–	**(4,071)**	(25,952)	**(4,071)**	(25,952)
Provisions	**3,083**	17,095	**(8,665)**	–	**(5,582)**	17,095
Deferred tax asset/ (liabilities)	**3,083**	17,095	**(12,736)**	(25,952)	**(9,653)**	(8,857)
Set off of tax	**–**	(15,509)	**–**	15,509	**–**	–
Net tax assets/ (liabilities)	**3,083**	1,586	**(12,736)**	(10,443)	**(9,653)**	(8,857)

Notes to the Financial Statements
(cont'd)

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

Unrecognised deferred tax assets

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

	Group	
	2016 RM'000	**2015 RM'000**
Property, plant and equipment	**(1,838)**	(1,863)
Provisions	**6,781**	6,733
Unabsorbed capital allowances	**39,110**	39,179
Unabsorbed tax losses	**47,269**	47,229
	91,322	91,278

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

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

	At 1.7.2014 RM'000	Recognised in profit or loss (Note 23) RM'000	At 30.6.2015/ 1.7.2015 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognised in other comprehensive income (Note 25) RM'000	At 30.6.2016 RM'000
Group						
Property, plant and equipment	(22,303)	(3,649)	(25,952)	1,497	–	**(24,455)**
Provisions	14,687	2,408	17,095	(2,247)	–	**14,848**
Others	–	–	–	–	(46)	**(46)**
	(7,616)	(1,241)	(8,857)	(750)	(46)	**(9,653)**

11. TAX CREDIT RECEIVABLE

This represents unutilised reinvestment allowance recognised.

12. INVENTORIES

	Group	
	2016 RM'000	**2015 RM'000**
Raw materials and consumables	**79,522**	77,652
Work-in-progress	**17,125**	11,015
Finished goods	**108,953**	120,464
	205,600	209,131

Notes to the Financial Statements (cont'd)

12. INVENTORIES *cont'd*

	Group 2016 RM'000	Group 2015 RM'000
Recognised in profit or loss:		
Inventories recognised as cost of sales	**1,787,490**	1,698,216

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current					
Trade					
Trade receivables		**376,176**	357,443	**–**	–
Amount due from related companies	13.1	**21,179**	17,599	**–**	–
Amount due from associated companies		**2**	37	**–**	–
		397,357	375,079	**–**	–
Less: Allowance for impairment losses		**(12,427)**	(12,923)	**–**	–
		384,930	362,156	**–**	–
Non-trade					
Amount due from a subsidiary company	13.2	**–**	–	**–**	165
Amount due from related companies	13.2	**54**	125	**–**	–
Other receivables and deposits		**12,027**	13,619	**50**	54
Prepayments		**14,347**	11,171	**32**	35
Derivative financial assets					
- Forward exchange contract		**–**	188	**–**	–
- Forward exchange contract designated as hedge instruments		**299**	–	**–**	–
		411,657	387,259	**82**	254

Note 13.1

The amounts due from related companies are subject to the normal trade terms.

Note 13.2

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

Notes to the Financial Statements
(cont'd)

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	**337,128**	224,020	**178,200**	57,450
Cash and bank balances	**62,375**	83,023	**280**	436
	399,503	307,043	**178,480**	57,886

Included in the cash and cash equivalents are the following balances with related companies arising from normal business transactions:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits with licensed banks	**304,844**	177,383	**178,200**	57,150
Cash and bank balances	**17,740**	37,498	**220**	379
	322,584	214,881	**178,420**	57,529

Cash and bank balances of the Group amounting to RM5,395,000 (2015: RM25,588,000) and RM604,000 (2015: RM374,000) are denominated in US Dollar and Euro respectively.

15. SHARE CAPITAL

	Group and Company			
	Number of shares 2016 '000	Amount 2016 RM'000	Number of shares 2015 '000	Amount 2015 RM'000
Ordinary shares of RM0.50 each				
Authorised				
At 1 July/30 June	**600,000**	**300,000**	600,000	300,000
Issued and fully paid:				
At 1 July/30 June	**327,905**	**163,953**	327,905	163,953

The issued and paid-up share capital of the Company, before adjusting for the treasury shares of 8,432,500 held, is RM163,952,655 comprising 327,905,310 ordinary shares of RM0.50 each. The treasury shares are held in accordance with the requirement of Section 67A of the Companies Act, 1965.

16. RESERVES

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Reserves consist of:-					
Share premium		**152,953**	152,953	**157,264**	157,264
Exchange equalisation reserve	16.1	**35,073**	30,064	**–**	–
Fair value reserve		**32,303**	41,736	**26,987**	34,677
Other reserves	16.2	**21,914**	21,914	**3,943**	3,943
Reserve for own shares	16.3	**(32,938)**	(33,140)	**(15,320)**	(15,320)
Executive share scheme reserve	16.4	**2,537**	1,327	**–**	–
Hedging reserve	16.5	**146**	–	**–**	–
Retained earnings		**990,163**	872,332	**433,250**	334,050
		1,202,151	1,087,186	**606,124**	514,614

Note 16.1

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

Note 16.2

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

Note 16.3

Reserve for own shares represents Trust Shares purchased by the ESS Trust as disclosed in Note 2.2 (l)(iii). As at 30 June 2016, the total number of HLI Shares held by the ESS Trusts was 10,990,383 (2015: 11,058,633) HLI Shares.

Note 16.4

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

Note 16.5

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

Notes to the Financial Statements
(cont'd)

17. TREASURY SHARES – AT COST

	Group and Company			
	Number of shares 2016 '000	Amount 2016 RM'000	Number of shares 2015 '000	Amount 2015 RM'000
At cost:				
Ordinary shares of RM0.50 each	**8,432**	**63,318**	8,432	63,318

The total number of shares bought back were 8,432,500 ordinary shares of RM0.50 each which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

18. LOANS AND BORROWINGS

	Group	
	2016 RM'000	2015 RM'000
Current (unsecured)		
Bankers acceptances	**50,565**	66,323
Revolving credit	**77,400**	71,286
	127,965	137,609

The interest rates for the following facilities are:

	Group	
	2016 %	2015 %
Terms loans	**–**	4.1 to 4.2
Bankers acceptances	**3.8 to 4.1**	3.6 to 4.1
Revolving credit	**3.8 to 4.5**	3.5 to 4.6

19. DEFERRED INCOME

	Group	
	2016 RM'000	2015 RM'000
Non-current		
Reinvestment allowance	**4,996**	5,598

The tax benefits arising from reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which reinvestment allowances were claimed. During the financial year, a total of RM602,000 (2015: RM273,000) has been amortised and recognised as other operating income in the profit or loss of the Group.

Notes to the Financial Statements
(cont'd)

20. EMPLOYEE BENEFITS

(a) Retirement benefits

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
At 1 July	**22,667**	21,151	**340**	345
Provision/(Reversal)	**1,488**	1,597	**1**	(5)
Payments	**(113)**	(81)	**–**	–
At 30 June	**24,042**	22,667	**341**	340

(b) Share-based payments

In the preceding financial year ended 30 June 2015 ("FY 2015"), Guocera Holdings Sdn Bhd ("GHSB"), a wholly-owned subsidiary of the Company, together with its subsidiaries, namely Guocera Tile Industries Sdn Bhd ("GTI"), Guocera Sdn Bhd (formerly known as Guocera Marketing Sdn Bhd) ("GSB") and Guocera Marketing (International) Sdn Bhd ("GMI"), granted conditional incentive share options ("Options") over a total of 3,820,000 ordinary shares of RM0.50 each in the Company ("HLI Shares") at an exercise price of RM4.23 per share to certain eligible executives of the Group under the Executive Share Option Scheme. The Options granted are subject to the achievement of certain performance criteria by the option holders over the option performance period and the exercise period of the vested options will be up to the 30th month from the vesting date to be determined.

During the financial year ended 30 June 2016 ("FY 2016"), GHSB has assigned, transferred and novated to Guocera Tile Industries (Meru) Sdn Bhd ("GTI (Meru)"), absolutely all the rights, interest, title and obligations in and under the letter of offer and Options certificate issued by GHSB to GTI (Meru). Following the completion of the streamlining exercises involving GTI, GMI and GSB during FY 2016, GTI and GMI have assigned, transferred and novated to GSB, absolutely all the rights, interest, title and obligations in and under the letters of offer and Options certificates issued by GTI and GMI to GSB.

There were no grant or vesting of Options to directors, chief executive nor senior management of the Group during the FY 2016.

In the financial year ended 30 June 2014, GTI and Ceramic Research Company Sdn Bhd, another subsidiary of GHSB, granted a total of 195,000 HLI shares, free of consideration, to certain eligible executives of the Group under executive share grant scheme ("ESGS") out of which, 58,500 HLI Shares and 68,250 HLI Shares have been vested during the FY 2015 and FY 2016 respectively, and 68,250 HLI Shares remained outstanding.

Following the completion of the streamlining exercise involving GTI and GSB during FY 2016, GTI has assigned, transferred and novated to GSB, absolutely all the rights, interest, title and obligations in and under the letters of grant offer and grant certificates issued by GTI to GSB.

There were no grant or vesting of HLI Shares to directors, chief executives nor senior management of the Group during the FY 2016.

In the preceding FY 2015, the Company awarded 1,500,000 ordinary shares of RM1.00 each in Hume Industries Berhad ("HIB Shares"), free of consideration, to an eligible executive of the Group ("HIB Shares Grant") out of which 450,000 HIB Shares and 525,000 HIB Shares have been vested during FY 2015 and FY 2016 respectively, and 525,000 HIB Shares remaining outstanding.

Notes to the Financial Statements
(cont'd)

20. EMPLOYEE BENEFITS *cont'd*

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

(i) Options - Weighted average fair value and assumptions

	2016	2015
Weighted average fair value at grant date	**RM0.83**	RM0.83

At grant date:		
Weighted average share price	**RM4.29**	RM4.29
Weighted average exercise price	**RM4.23**	RM4.23
Expected volatility (weighted average volatility)	**37.77%**	37.77%
Option life (expected weighted average life)	**4 years**	4 years
Weighted average expected dividends	**6.80%**	6.80%
Weighted average risk-free interest rate (based on Malaysian government bonds)	**3.80%**	3.80%

Value of employee services received for Options

	Group 2016 RM'000	2015 RM'000
Share options granted	**1,573**	936

(ii) HIB Shares Grant - Weighted average fair value and assumptions

	2016	2015
Weighted average fair value at reporting date	**RM3.17**	RM4.00

At reporting date:		
Weighted average share price	**RM3.10**	RM3.79
Weighted average exercise price	**Nil**	Nil
Expected volatility (weighted average volatility)	**22.99%**	44.59%
Option life (expected weighted average life)	**3 years**	3 years
Weighted average expected dividends	**Nil**	Nil
Weighted average risk-free interest rate (based on Malaysian government bonds)	**3.78%**	3.71%

Value of employee services received for HIB Shares Grant

	Group and Company 2016 RM'000	2015 RM'000
HIB Shares Grant	**1,644**	2,984

21. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade					
Trade payables		**113,423**	105,415	**–**	–
Amount due to related companies	21.1	**33,684**	31,204	**–**	–
Amount due to associated companies		**16,021**	16,589	**–**	–
		163,128	153,208	**–**	–
Non-trade					
Amount due to related companies	21.2	**33**	32	**–**	–
Amount due to associated companies	21.2	**594**	900	**–**	–
Other payables		**29,439**	32,340	**–**	–
Accrued liabilities		**102,079**	98,323	**1,980**	2,343
Derivative financial liabilities					
- Interest rate swap contract		**–**	208	**–**	208
- Forward exchange contracts		**–**	928	**–**	–
		295,273	285,939	**1,980**	2,551

Note 21.1

The amounts due to related companies are subject to the normal trade terms.

Note 21.2

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

Notes to the Financial Statements
(cont'd)

22. PROFIT BEFORE TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations				
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration				
Statutory audits				
- Holding company's auditors and its affiliates	**532**	499	**100**	95
- Other auditors	**33**	36	**–**	–
Other services				
- Holding company's auditors	**55**	14	**55**	14
Amortisation of deferred income	**(602)**	(273)	**–**	–
Amortisation of intangible assets				
- Computer software	**669**	621	**–**	–
- Development expenditure	**3,769**	3,524	**–**	–
Depreciation of property, plant and equipment	**55,516**	51,754	**191**	192
Dividend income				
- Unquoted associated companies in Malaysia	**–**	–	**(1,800)**	(2,610)
- Unquoted associated company outside Malaysia	**–**	–	**(101,981)**	(20,202)
- Quoted investment in Malaysia	**(979)**	(937)	**(911)**	(867)
- Unquoted investment in Malaysia	**–**	(3,500)	**–**	(3,500)
- Unquoted subsidiary companies	**–**	–	**(147,371)**	(351,305)
- Short term investments	**(9,855)**	(8,359)	**(3,441)**	(743)
Employee benefits expense				
- Directors remuneration				
- Executive Directors of the Company				
- Fees [N1]	**–**	48	**–**	–
- Salaries and bonuses	**–**	1,422	**–**	1,422
	–	1,470	**–**	1,422
- Non-Executive Directors of the Company				
- Fees [N1]	**470**	403	**400**	332
- Other emoluments	**142**	101	**142**	101
	612	504	**542**	433
- Staff costs				
- Staff salaries and other expenses	**167,234**	160,141	**874**	1,772
- Contribution to Employees Provident Fund	**15,201**	14,987	**100**	65
- Retirement benefits	**1,488**	1,597	**1**	(5)
- Share-based payments	**3,268**	4,315	**1,644**	2,984

Notes to the Financial Statements
(cont'd)

22. PROFIT BEFORE TAXATION *cont'd*

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Continuing operations *cont'd*				
Profit before taxation is arrived at after charging/(crediting):- *cont'd*				
Finance costs				
- Bank overdrafts	**–**	1	**–**	–
- Term loans	**–**	1,777	**–**	1,777
- Others	**6,314**	8,401	**155**	3,860
Fair value (gain)/loss on derivative instruments	**(948)**	425	**(208)**	(49)
Fair value gain on financial instruments designated as hedge instrument	**(107)**	–	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(5,063)**	(1,104)	**36**	–
Gain on liquidation of subsidiary companies	**–**	–	**(1,355)**	(9)
Impairment loss on property, plant and equipment	**37**	–	**–**	–
Loss on liquidation of an associated company	**–**	–	**–**	26
(Gain)/Loss on foreign exchange				
- Realised	**(2,002)**	1,632	**(2,192)**	(5)
- Unrealised	**(782)**	(734)	**–**	–
Interest income	**(2,978)**	(2,712)	**(219)**	(317)
(Reversal of)/provision for and write off of inventories	**(3,877)**	2,583	**–**	–
Gain on fair value of financial assets at fair value through profit or loss	**(1,376)**	(8,448)	**(1,376)**	(8,448)
Gain on disposal of other investments	**–**	(12,627)	**–**	–
Gain on disposal of quoted investments	**–**	(14)	**–**	–
Property, plant and equipment written off	**410**	826	**–**	–
Impairment loss on investment in a subsidiary company	**–**	–	**21,526**	–
Allowance of impairment and write off of trade receivables	**574**	123	**–**	–
Rental income	**(178)**	(170)	**–**	–
Rental of plant and equipment	**3,497**	3,736	**–**	–
Rental of premises				
- Related companies	**284**	199	**284**	199
- Others	**5,593**	6,446	**–**	15
Research and development expenditure	**2,068**	3,148	**–**	–

Notes to the Financial Statements
(cont'd)

22. PROFIT BEFORE TAXATION *cont'd*

	Group	
	2016 RM'000	2015 RM'000
Discontinued operation		
Profit before taxation is arrived at after charging/(crediting):-		
Auditors' remuneration		
Statutory audits		
- Holding company's auditors and its affiliates	–	34
Depreciation of property, plant and equipment	–	935
Dividend income		
- Short term investments	–	(4)
Employee benefits expense		
- Staff costs		
- Staff salaries and other expenses	–	4,816
- Contribution to Employees Provident Fund	–	490
- Retirement benefits	–	25
Finance costs		
- Others	–	404
Gain on foreign exchange		
- Realised	–	(30)
Interest income	–	(29)
Inventories written down	–	1,082
Impairment loss on trade receivables	–	231
Rental income	–	(91)
Rental of plant and equipment	–	1,298
Rental of premises		
- Others	–	273

N1 These include fees for Directors which have been assigned in favour of the companies where the Directors are employed.

The estimated monetary value of benefits-in-kind of the directors of the Group and the Company are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations				
Executive Directors	–	32	–	32

Notes to the Financial Statements (cont'd)

23. TAXATION

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Continuing operations				
Current taxation				
Malaysian				
- Current year	**57,478**	55,955	**86**	13
- Prior years	**(5,712)**	25,317	**17**	24,108
Overseas				
- Current year	**48**	46	**–**	–
	51,814	81,318	**103**	24,121
Deferred taxation				
Malaysian				
- Current year	**750**	1,372	**–**	–
- Prior years	**–**	(131)	**–**	–
	750	1,241	**–**	–
Utilisation of tax credit receivables arising from unutilised reinvestment allowances				
Malaysian				
- Prior year	**–**	432	**–**	–
Income tax attributable to continuing operations	**52,564**	82,991	**103**	24,121
Discontinued operation				
Current taxation				
Malaysian				
- Current year	**–**	756	**–**	–
	–	756	**–**	–
Deferred taxation				
Malaysian				
- Current year	**–**	(418)	**–**	–
	–	(418)	**–**	–
Income tax attributable to discontinued operation	**–**	338	**–**	–
	52,564	83,329	**103**	24,121

Notes to the Financial Statements
(cont'd)

23. TAXATION *cont'd*

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit before taxation				
- From continuing operations	**343,144**	300,500	**231,324**	372,471
- From discontinued operation	**–**	1,351	**–**	–
	343,144	301,851	**231,324**	372,471
Taxation at Malaysian statutory tax rates of 24% (2015 : 25%)	**82,355**	75,463	**55,518**	93,118
Difference of tax rates in foreign jurisdictions	**(30)**	(30)	**–**	–
Non allowable expenses	**5,611**	3,021	**5,888**	1,516
Non taxable income	**(3,986)**	(9,108)	**(61,321)**	(94,621)
Difference attributable to associated companies	**(24,608)**	(10,332)	**–**	–
Utilisation of temporary differences not recognised	**–**	(693)	**–**	–
Tax incentive	**(1,066)**	(610)	**–**	–
	58,276	57,711	**85**	13
(Over)/Under provision in prior years	**(5,712)**	25,618	**18**	24,108
	52,564	83,329	**103**	24,121

24. 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 RM247,223,000 (2015: RM173,232,000) by the weighted average number of ordinary shares outstanding during the financial year of 308,423,000 (2015: 308,363,000) as follows:

	2016 RM'000	2015 RM'000
Profit attributable to owners of the Company:		
- Continuing operations	**247,223**	172,219
- Discontinued operation	**–**	1,013
	247,223	173,232

	2016 '000	2015 '000
Weighted average number of ordinary shares (basic):		
Issued ordinary shares at 1 July	**327,905**	327,905
Less:		
Treasury shares held at 1 July	**(8,432)**	(8,432)
Trust shares held at 1 July	**(11,059)**	(11,117)
	308,414	308,356
Effect of Trust Shares vested	**9**	7
Weighted average number of ordinary shares	**308,423**	308,363

	2016	2015
Basic earnings per ordinary share (sen):		
- From continuing operations	**80.16**	55.85
- From discontinued operation	**–**	0.33
	80.16	56.18

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

Notes to the Financial Statements
(cont'd)

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

Group	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
2016			
Items that are or may be classified subsequent to profit or loss			
Cash flow hedge			
- Gain arising during the year	299	(72)	227
- Reclassification adjustments for the gain included in profit or loss	(107)	26	(81)
	192	(46)	146
Fair value of available-for-sale financial assets			
- Loss arising during the year	(9,433)	–	(9,433)
Foreign currency translation difference for foreign operations			
- Gain arising during the year	5,009	–	5,009
	(4,232)	(46)	(4,278)
2015			
Items that are or may be classified subsequent to profit or loss			
Fair value of available-for-sale financial assets			
- Gain arising during the year	41,736	–	41,736
Realisation of fair value upon disposal of available-for-sale financial assets	(14)	–	(14)
Foreign currency translation difference for foreign operations			
- Gain arising during the year	27,066	–	27,066
	68,788	–	68,788

26. DIVIDENDS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
First interim 13 sen per share single tier (2015: 12 sen per share tax exempt)	**40,094**	37,003	**40,864**	37,262
Second interim 19 sen per share single tier (2015: 17 sen per share tax exempt)	**58,599**	52,421	**59,724**	53,437
Special interim 10 sen per share single tier (2015: Nil)	**30,841**	–	**31,433**	–
	129,534	89,424	**132,021**	90,699

Dividends received by the ESS Trusts amounting to RM4,645,000 (2015: RM3,223,000) and RM2,158,000 (2015: RM1,948,000) for the Group and the Company respectively are eliminated against the dividend expense of the Company upon consolidation of the ESS Trusts as disclosed in Note 2.2(l)(iii).

27. OPERATING SEGMENTS

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

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

(a) Consumer products - Manufacture and sale of consumer products comprising motorcycles and ceramic tiles.

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

(c) Industrial products (Discontinued operation) - Manufacture and sale of industrial products comprising concrete products.

Segment profit

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

Segment assets

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

Segment liabilities

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

Notes to the Financial Statements
(cont'd)

27. OPERATING SEGMENTS *cont'd*

	Consumer Products		Industrial Products		Industrial Products (Discontinued operation)		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Segment profit	**219,750**	220,492	**20,412**	19,300	**–**	1,726	**240,162**	241,518
Included in the measure of segment profit are:								
Revenue from external customers	**1,603,706**	1,534,545	**580,888**	596,377	**–**	66,627	**2,184,594**	2,197,549
Depreciation and amortisation	**46,567**	43,252	**13,196**	12,455	**–**	935	**59,763**	56,642
Property, plant and equipment written off	**313**	269	**97**	557	**–**	–	**410**	826

Reconciliation of reportable segment profit

	Group	
	2016 RM'000	2015 RM'000
Profit		
Total profit for reportable segment	**240,157**	241,518
Other non-reportable segments	**3,788**	26,848
Profit on discontinued operation	**–**	(1,726)
Interest income	**2,978**	2,712
Finance costs	**(6,314)**	(10,179)
Share of profit in associated companies	**102,535**	41,327
Consolidated profit before taxation - Continuing operations	**343,144**	300,500

	2016		2015	
	External revenue RM'000	Depreciation & amortisation RM'000	External revenue RM'000	Depreciation & amortisation RM'000
Total reportable segments	**2,184,594**	**59,763**	2,197,549	56,642
Non-reportable segments	**6,035**	**191**	7,976	192
Discontinued operation	**–**	**–**	(66,627)	(935)
Consolidated total	**2,190,629**	**59,954**	2,138,898	55,899

27. OPERATING SEGMENTS *cont'd*

Geographical information

Revenue of the Group by geographical locations of the customers is as follow:

	Revenue	
	2016 RM'000	2015 RM'000
Malaysia	**1,767,240**	1,965,852
Asia	**256,804**	141,227
Europe	**13,546**	14,493
Australasia	**110,233**	70,035
Others	**42,806**	13,918
Discontinued operation	**–**	(66,627)
	2,190,629	2,138,898

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

	Non-current assets	
	2016 RM'000	2015 RM'000
Malaysia	**394,464**	401,161
Singapore	**150**	131
	394,614	401,292

Major customer

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

28. CAPITAL COMMITMENTS

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment				
Authorised and contracted for	**6,703**	12,544	**–**	–
Property, plant and equipment				
Authorised but not contracted for	**14,861**	8,925	**–**	–

Notes to the Financial Statements
(cont'd)

29. RELATED PARTIES

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 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 Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

(ii) Tasek Corporation Berhad ("Tasek") is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

(iii) Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Chuah Chuan Thye, a Director of the Company, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

(iv) Syarikat Motor Singa Sdn Bhd ("Syarikat Motor Singa") and Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor") are persons connected with Mr Ng Choong Hai, a past Director of a subsidiary of the Company; and

(v) 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 related party transactions

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

Transaction		Related Party	Group 2016 RM'000	Group 2015 RM'000
(a)	Sale of goods and services	Subsidiary and associated companies of HLCM	**16,186**	12,025
		Hong Bee Hardware and Hong Bee Motors	**52,352**	51,183
		Syarikat Motor Singa and Sing Heng Motor	**7,961**@	13,656
		YMC Group	**1,357**	498
(b)	Purchase of goods and services	Subsidiary and associated companies of HLCM	**188,097**	189,609
		Hong Bee Hardware and Hong Bee Motors	**–**	4,141
		YMC Group	**322,519**	294,931
		Tasek and subsidiary and associated companies of Tasek	**10,537**	18,098
		Associated companies of HLI	**203,128**	186,338

Notes to the Financial Statements (cont'd)

29. RELATED PARTIES *cont'd*

Significant related party transactions *cont'd*

	Transaction	Related Party	Group 2016 RM'000	Group 2015 RM'000
(c)	Rental of properties	Subsidiary and associated companies of HLCM	**298**	199
		YMC Group	**148**	148
(d)	Receipt of services	Subsidiary and associated companies of HLCM	**987**	1,131
(e)	Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	**14,887**	15,754
(f)	Payment for usage of the Hong Leong logo and trade mark	A subsidiary company of HLCM	**50**	29
(g)	Payment of royalties and technical fees for usage of the Yamaha trade mark and technical support	YMC	**28,067**	12,426
(h)	Receipt of research and development services	YMC	**3,423**	3,372
(i)	Provision of advertising and provisional services	YMC	**93**	297

@ Actual value transacted (from 1 July 2015 up to 24 January 2016, i.e. 6 months after the retirement of Mr Ng Choong Hai as a director of subsidiary on 25 July 2015)

Significant balances with related parties at the reporting date are disclosed in Note 13 and Note 21.

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

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group. There are no transactions with any key management personnel during the year other than Directors' remuneration as disclosed in Note 22.

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

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

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS"); and
(d) Other financial liabilities measured at amortised cost ("OL").

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL- HFT RM'000	AFS RM'000	Derivatives used for hedging RM'000
2016					
Financial assets					
Group					
Other investments	**61,278**	**–**	**19,916**	**41,362**	**–**
Trade and other receivables, including derivatives (excluding prepayments)	**397,310**	**397,011**	**–**	**–**	**299**
Cash and cash equivalents	**399,503**	**399,503**	**–**	**–**	**–**
	858,091	**796,514**	**19,916**	**41,362**	**299**
Company					
Other investments	**54,475**	**–**	**19,916**	**34,559**	**–**
Trade and other receivables, including derivatives (excluding prepayments)	**50**	**50**	**–**	**–**	**–**
Cash and cash equivalents	**178,480**	**178,480**	**–**	**–**	**–**
	233,005	**178,530**	**19,916**	**34,559**	**–**
Financial liabilities					
Group					
Loans and borrowings	**127,965**	**127,965**	**–**	**–**	**–**
Trade and other payables, including derivatives	**295,273**	**295,273**	**–**	**–**	**–**
	423,238	**423,238**	**–**	**–**	**–**
Company					
Trade and other payables, including derivatives	**1,980**	**1,980**	**–**	**–**	**–**
	1,980	**1,980**	**–**	**–**	**–**

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	L&R/ OL RM'000	FVTPL- HFT RM'000	AFS RM'000
2015				
Financial assets				
Group				
Other investments	71,064	–	20,220	50,844
Trade and other receivables, including derivatives (excluding prepayments)	376,088	375,900	188	–
Cash and cash equivalents	307,043	307,043	–	–
	754,195	682,943	20,408	50,844
Company				
Other investments	62,468	–	20,220	42,248
Trade and other receivables, including derivatives (excluding prepayments)	219	219	–	–
Cash and cash equivalents	57,886	57,886	–	–
	120,573	58,105	20,220	42,248
Financial liabilities				
Group				
Loans and borrowings	137,609	137,609	–	–
Trade and other payables, including derivatives	285,939	284,803	1,136	–
	423,548	422,412	1,136	–
Company				
Trade and other payables, including derivatives	2,551	2,343	208	–
	2,551	2,343	208	–

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Net gains/(losses) on:				
Loans and receivables	**15,615**	10,173	**5,852**	1,065
Fair value through profit or loss				
- Gain on financial instrument designated as hedge instrument	**108**	–	**–**	–
- Gain/(loss) on derivative instruments	**948**	(425)	**208**	49
- Other investment	**1,376**	8,448	**1,376**	8,454
Available-for-sale financial assets				
- Recognised in other comprehensive income	**(9,433)**	41,722	**(7,690)**	34,677
Other liabilities	**(6,314)**	(10,178)	**(155)**	(5,638)
	2,300	49,740	**(409)**	38,607

30.3 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 exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries.

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 performed on all customers requiring credit over a certain amount.

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

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. A significant portion of these receivables are regular customers that have been transacting with the Group. 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.

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Receivables *cont'd*

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2016 RM'000	**2015 RM'000**
Domestic	**340,002**	326,451
Asia	**11,664**	7,324
Europe	**309**	1,645
Others	**32,955**	26,736
	384,930	362,156

Impairment losses

The ageing of trade receivables as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Collective impairment RM'000	Net RM'000
2016				
Not past due	**324,998**	**(1,697)**	**–**	**323,301**
Past due 1 - 30 days	**48,934**	**(374)**	**–**	**48,560**
Past due 31 - 120 days	**15,868**	**(2,897)**	**(828)**	**12,143**
Past due more than 120 days	**7,557**	**(3,522)**	**(3,109)**	**926**
	397,357	**(8,490)**	**(3,937)**	**384,930**
2015				
Not past due	297,577	(1,331)	–	296,246
Past due 1 - 30 days	47,819	(459)	–	47,360
Past due 31 - 120 days	23,991	(4,966)	(1,368)	17,657
Past due more than 120 days	5,692	(3,143)	(1,656)	893
	375,079	(9,899)	(3,024)	362,156

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Impairment losses *cont'd*

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2016 RM'000	**2015 RM'000**
At 1 July	**12,923**	12,814
Impairment loss recognised	**2,104**	562
Written off	**(1,070)**	(14)
Reversal	**(1,530)**	(439)
At 30 June	**12,427**	12,923

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 receivable directly.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group and the Company. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company has invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group and the Company does not have overdue investments that have not been impaired.

The investments and other financial assets are unsecured.

Impairment losses

As at the end of the reporting period, there were no significant financial difficulties being experienced by the issuer.

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

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

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries were not recoverable.

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 are placed with reputable financial institutions.

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

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

(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 and the Company's exposure to liquidity risk arises principally from its various payables.

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

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(b) Liquidity risk *cont'd*

Maturity analysis

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

	Carrying amount RM'000	Contractual Interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000
2016					
Group					
Non-derivative financial liabilities					
Trade and other payables	**295,273**		**295,273**	**295,273**	**–**
Loans and borrowings	**127,965**	**3.8%-4.5%**	**129,989**	**129,989**	**–**
	423,238		**425,262**	**425,262**	**–**
Company					
Non-derivative financial liabilities					
Trade and other payables	1,980		1,980	1,980	–
	1,980		1,980	1,980	–

Notes to the Financial Statements (cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(b) Liquidity risk *cont'd*

Maturity analysis *cont'd*

	Carrying amount RM'000	Contractual Interest rate/ coupon %	Contractual cash flows RM'000	Under 1 year RM'000	1-5 years RM'000
2015					
Group					
Non-derivative financial liabilities					
Trade and other payables	284,803		284,803	284,803	–
Loans and borrowings	137,609	3.5%-4.6%	137,861	137,861	–
	422,412		422,664	422,664	–
Derivative financial liabilities					
Forward exchange contracts (gross settled):					
Outflow	928		16,854	16,854	–
Inflow	–		(15,926)	(15,926)	–
Interest rate swap	208		208	208	–
	423,548		423,800	423,800	–
Company					
Non-derivative financial liabilities					
Trade and other payables	2,343		2,343	2,343	–
Derivative financial liabilities					
Interest rate swap	208		208	208	–
	2,551		2,551	2,551	–

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 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, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are 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 was:

	Denominated in USD	
	2016 RM'000	**2015 RM'000**
Group		
Balances recognised in the statement of financial position		
Trade and other receivables	**7,795**	24,410
Cash and cash equivalents	**5,395**	25,588
Trade and other payables	**(31,573)**	(28,250)
	(18,383)	21,748

Currency risk sensitivity analysis

A 5% (2015: 5%) strengthening of the Ringgit Malaysia against the foreign currency at the end of the reporting period would have decreased profit before taxation of the Group by RM919,000 (2015: RM1,087,000). This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

A 5% (2015: 5%) weakening of Ringgit Malaysia against the above currency at the end of the reporting period would have equal but opposite effect on profits before taxation of the Group and the Company.

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(ii) Interest rate risk

The Group and the Company manages its interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

Exposure to interest rate risk

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed rate instruments				
Financial assets	**337,128**	224,020	**178,200**	57,450
Financial liabilities	**(50,565)**	(101,919)	**–**	–
	286,563	122,101	**178,200**	57,450
Floating rate instruments				
Financial liabilities	**(77,400)**	(35,690)	**–**	–

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased the profit before tax of the Group by RM387,000 (2015: RM178,000) without impact on equity. This analysis assumes that all other variables remain constant.

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(iii) Other price risk

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

Risk management objectives, policies and processes for managing securities

Management of the Group monitors the equity investments on an individual basis and all buy and sell decisions 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 Bursa Malaysia Securities Berhad ("BMSB").

A 10% (2015: 10%) strengthening in BMSB at the end of the reporting period would have increased profit before taxation by RM1,991,600 (2015: RM2,022,000) and equity (other comprehensive income) by RM4,135,200 (2015: RM5,083,400) respectively. A 10% (2015: 10%) weakening in BMSB would have had equal but opposite effect on profit before taxation.

(d) Cash flow hedge

The Group has entered into a number of forward exchange contracts to hedge the cash flow risk in relation to the variations of cash flow arising from future forecasted transactions. These forward exchange contracts has a total notional amount of USD1,441,000, AUD461,000 and SGD 500,000 (2015: Nil) and all of the forward contracts have maturities of less than one year after the end of the reporting period.

The following table indicates the periods in which the cash flows associated with the foreign exchange currencies are expected to occur and affect profit or loss:

	Carrying amount RM'000	Expected cash flow RM'000	Under 1 year RM'000
Group			
2016	299	299	299

During the financial year, a gain of RM146,000 was recognised in other comprehensive income and RM105,000 was reclassified from equity to profit or loss as other operating expenses.

Ineffectiveness loss amounting to RM2,000 was recognised in profit or loss during the financial year in respect of the hedge.

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate 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.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group 2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 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
Financial assets										
Investment in quoted shares	61,268	–	–	61,268	–	–	–	–	61,268	61,268
Investment in unquoted shares	–	–	–	–	–	–	10	10	10	10
Forward foreign exchange contracts	–	299	–	299	–	–	–	–	299	299

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information *cont'd*

Group 2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 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
Financial assets										
Investment in quoted shares	71,054	–	–	71,054	–	–	–	–	71,054	71,054
Investment in unquoted shares	–	–	–	–	–	–	10	10	10	10
Forward foreign exchange contracts	–	188	–	188	–	–	–	–	188	188
Financial liabilities										
Forward foreign exchange contracts	–	928	–	928	–	–	–	–	928	928
Interest rate swap	–	208	–	208	–	–	–	–	208	208

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information *cont'd*

Company 2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 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
Financial assets										
Investment in quoted shares	**54,465**	**–**	**–**	**54,465**	**–**	**–**	**–**	**–**	**54,465**	**54,465**
Investment in unquoted shares	**–**	**–**	**–**	**–**	**–**	**–**	**10**	**10**	**10**	**10**
2015										
Financial assets										
Investment in quoted shares	62,458	–	–	62,458	–	–	–	–	62,458	62,458
Investment in unquoted shares	–	–	–	–	–	–	10	10	10	10
Financial liabilities										
Interest rate swap	–	208	–	208	–	–	–	–	208	208

Notes to the Financial Statements
(cont'd)

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information *cont'd*

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2015: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

In respect of financial instruments not carried at fair value, the fair value is derived based on the discounted cash flow valuation method.

31. 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.

The debt-to-equity ratios at 30 June 2016 and 30 June 2015 were as follows:-

	Group	
	2016 RM'000	**2015 RM'000**
Total loans and borrowings	**127,965**	137,609
Less: Cash and cash equivalents	**(399,503)**	(307,043)
Net (cash)/debt	**(271,538)**	(169,434)
Total equity	**1,399,949**	1,294,477
Debt-to-equity ratios	**Nil**	Nil

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

Notes to the Financial Statements
(cont'd)

32. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company, into realised and unrealised profits/(losses) are as follows:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total retained earnings of the Company and its subsidiaries				
- realised	**1,001,463**	923,370	**423,262**	326,111
- unrealised	**(1,782)**	(2,643)	**9,988**	7,939
	999,681	920,727	**433,250**	334,050
Total share of retained earnings of associated companies				
- realised	**100,910**	103,181	**–**	–
- unrealised	**6,114**	5,089	**–**	–
	107,024	108,270	**433,250**	334,050
Less: Consolidation adjustments	**(116,542)**	(156,665)	**–**	–
Total retained earnings	**990,163**	872,332	**433,250**	334,050

The determination of realised and unrealised profits is based on the Guidance of Special Matter No 1, *Determination of Realised and Unrealised Profits or Lossesin the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

STATEMENT BY DIRECTORS

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

In the opinion of the Directors, the financial statements set out on pages 44 to 119 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 120 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Datuk Kwek Leng San

Dato' Ahmad Johari bin Tun Abdul Razak

18 August 2016

STATUTORY DECLARATION

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

I, Chee Soo Yuen, 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 44 to 120 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 above named, Chee Soo Yuen, at Kuala Lumpur in the Federal Territory on 18 August 2016.

Chee Soo Yuen

Before me

Zahir B. Ghazali
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Industries Berhad

Report on the Financial Statements

We have audited the financial statements of Hong Leong Industries Berhad, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 119.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of their financial performance and 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, 1965 in Malaysia.

Independent Auditors' Report

to the members of Malaysian Pacific Industries Berhad

(cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 3 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 32 on page 120 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Adrian Lee Lye Wang
Approval Number: 2679/11/17(J)
Chartered Accountant

Petaling Jaya, Selangor

Date: 18 August 2016

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2016

Location	Tenure	Existing Use	Year of Last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2016 (RM'000)
Lot 57 Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Office and factory building	1994	1,577,316	20	51,083
5 1/4 miles Jalan Kapar Rantau Panjang 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1982	39,463	34	707
5 1/2 miles Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Office and factory building	1991	871,600	25-35	23,140
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	261,633	31	5,761
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	1,061,775	26	4,670
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	747,108	23	15,730
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Office and factory building	1985	256,187	7	37,162
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	1985	907,790	21	13,083
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouse	2007	418,447	20	9,231
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	25	11,156
No.12, Jalan Tandang, Petaling Jaya, Selangor Darul Ehsan	Leasehold 99 years expiring 2066	Industrial land with office and factory buildings	2000	319,730	56	19,236
Lot 52, Kawasan Perusahaan Bakar Arang, Sungei Petani, Kedah Darul Aman	Leasehold 60 years expiring 2042	Industrial land with office, store and factory buildings	2000	510,000	34	3,295

Other Information
(cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2016 *cont'd*

Location	Tenure	Existing Use	Year of Last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2016 (RM'000)
Lot 353, Kawasan Perindustrian Peringkat 2, Bandar Tenggara Kulai, Johor	Leasehold 60 years expiring 2056	Industrial land with office, store and factory buildings	2002	189,704	14	1,642
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	19	567
P.T.531 to 534 & P.T.552 to 560 Taman Panchor Industrial Area, Negeri Sembilan Darul Khusus	Leasehold 99 years expiring 2096	Vacant land	1998	1,117,627	–	4,000

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016

Class of Shares : Ordinary shares of RM0.50 each
Voting Rights : 1 vote for each share held

Distribution Schedule of Shareholders as at 30 August 2016

Size of Holdings	No. of Shareholders	%	No. of Shares*	%
Less than 100	489	15.23	10,286	0.00
100 – 1,000	893	27.81	655,944	0.21
1,001 – 10,000	1,337	41.64	5,166,675	1.62
10,001 – 100,000	400	12.46	12,767,468	4.00
100,001 – less than 5% of issued shares	91	2.83	62,655,402	19.61
5% and above of issued shares	1	0.03	238,217,035	74.56
	3,211	100.00	319,472,810	100.00

Note:

* Excluding 8,432,500 shares bought back and retained by the Company as treasury shares.

Other Information
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 *cont'd*

List of Thirty Largest Shareholders as at 30 August 2016

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn. Bhd.	238,217,035	74.56
2.	AmanahRaya Trustees Berhad - Public Smallcap Fund	5,911,633	1.85
3.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (ESOS)	5,138,133	1.61
4.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank New York (Norges Bank 14)	3,961,600	1.24
5.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (GHSB-ESOS)	3,630,000	1.14
6.	AmanahRaya Trustees Berhad - Public Strategic Smallcap Fund	3,140,700	0.98
7.	Assets Nominees (Tempatan) Sdn Bhd - Soft Portfolio Sdn Bhd	2,512,000	0.79
8.	Hong Bee Hardware Company, Sdn. Berhad	2,019,333	0.63
9.	Assets Nominees (Tempatan) Sdn Bhd - Exempt AN for Hong Leong Industries Berhad (HLYM-ESOS)	1,964,000	0.61
10.	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (Amundi)	1,915,600	0.60
11.	Grandeur Holdings Sdn Bhd	1,900,000	0.59
12.	Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Citibank N.A Singapore (UBP SG2)	1,800,000	0.56
13.	Woo Khai Yoon	1,750,000	0.55
14.	HLIB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chut Nyak Isham Bin Nyak Ariff	1,276,600	0.40
15.	Hong Leong Assurance Berhad - As Beneficial Owner (Life Par)	1,209,677	0.38

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 *cont'd*

List of Thirty Largest Shareholders as at 30 August 2016 *cont'd*

Name of Shareholders	No. of Shares	%
16. AmanahRaya Trustees Berhad - PB Smallcap Growth Fund	1,061,600	0.33
17. Citigroup Nominees (Asing) Sdn Bhd - CBNY for Dimensional Emerging Markets Value Fund	886,700	0.28
18. AmanahRaya Trustees Berhad - Affin Hwang Growth Fund	870,800	0.27
19. Citigroup Nominees (Asing) Sdn Bhd - GSI for Lofty Dragon Management Limited	750,000	0.23
20. AmanahRaya Trustees Berhad - Affin Hwang Principled Growth Fund	675,600	0.21
21. Citigroup Nominees (Asing) Sdn Bhd - ING Bank N.V.	675,000	0.21
22. Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emerging Markets Small Cap Series	632,800	0.20
23. AMSEC Nominees (Tempatan) Sdn Bhd - AMFunds Management Berhad for Tenaga Nasional Berhad Retirement Benefit Trust Fund	600,000	0.19
24. Tung Seok Hooi	600,000	0.19
25. AmanahRaya Trustees Berhad - PMB Shariah Aggressive Fund	596,000	0.19
26. Olive Lim Swee Lian	567,000	0.18
27. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad - Deutsche Trustees Malaysia Berhad for Hong Leong Strategic Fund	563,700	0.18
28. HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	536,900	0.17
29. YBhg Datuk Kwek Leng San	500,000	0.16
30. AmanahRaya Trustees Berhad - Public Select Treasures Equity Fund	498,400	0.16
	286,360,811	89.64

Other Information
(cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 AUGUST 2016 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2016 are as follows:

Name of Shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
1. Hong Leong Manufacturing Group Sdn Bhd	238,217,035	74.57	–	–
2. Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	240,153,670	75.17 #
3. YBhg Tan Sri Quek Leng Chan	–	–	245,435,003	76.82 **
4. HL Holdings Sdn Bhd	–	–	240,153,670	75.17 *
5. Hong Realty (Private) Limited	–	–	242,173,003	75.80 ^
6. Hong Leong Investment Holdings Pte. Ltd.	–	–	242,173,003	75.80 ^
7. Kwek Holdings Pte Ltd	–	–	242,173,003	75.80 ^
8. Mr Kwek Leng Beng	–	–	242,173,003	75.80 ^
9. Mr Kwek Leng Kee	–	–	242,173,003	75.80 ^
10. Davos Investment Holdings Private Limited	–	–	242,173,003	75.80 ^
11. Mr Quek Leng Chye	–	–	242,173,003	75.80 ^

Notes:

\# *Held through subsidiaries.*
* *Held through HLCM.*
** *Held through HLCM and companies in which YBhg Tan Sri Quek Leng Chan and his children have interests.*
^ *Held through HLCM and a company in which the substantial shareholder has interest.*

3. DIRECTORS' INTERESTS AS AT 30 AUGUST 2016

Subsequent to the financial year end, there was no change, as at 30 August 2016, to the Directors' interests in the ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 39 to 40 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

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 executive 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.

Hong Leong Industries Berhad (5486-P)
A Member of the Hong Leong Group

FORM OF PROXY

I/We____

NRIC/Passport/Company No. ______________________________

of ____

being a member of **HONG LEONG INDUSTRIES BERHAD** ("the Company"), hereby appoint____________________

____

NRIC/Passport No. ______________________________

of ____

____

or failing him/her ______________________________

NRIC/Passport No. ______________________________

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-third Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 24 October 2016 at 11.00 a.m. and at any adjournment thereof.

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

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect Mr Chuah Chuan Thye as a Director		
3.	To re-appoint YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar as a Director and approve YAM Tunku Dara Tunku Tan Sri Naquiah bt Almarhum Tuanku Ja'afar to continue in office as an Independent Non-Executive Director		
4.	To re-elect YBhg Dato' Ahmad Johari bin Tun Abdul Razak as a Director and approve YBhg Dato' Ahmad Johari bin Tun Abdul Razak to continue in office as an Independent Non-Executive Director		
5.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
6.	To approve the ordinary resolution on authority to Directors to issue shares		
7.	To approve the ordinary resolution on the proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Motors Sdn Bhd		
9.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Yamaha Motor Co., Ltd and its subsidiaries		
10.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		

Dated this________________ day of______________ 2016

____
Number of shares held

____
Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 18 October 2016 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend 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 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 securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	*% of shareholdings to be represented*

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Fifty-third Annual General Meeting will be put to vote by way of a poll.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
Hong Leong Industries Berhad (5486-P)
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

1st fold here

Hong Leong Industries Berhad (5486-P)
Level 9, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

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