

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2021

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/09/2021 RM'000	30/09/2020 RM'000	30/09/2021 RM'000	30/09/2020 RM'000
Revenue	276,995	652,660	276,995	652,660
Cost of sales	(242,285)	(526,601)	(242,285)	(526,601)
Gross profit	34,710	126,059	34,710	126,059
Operating expenses	(32,243)	(37,346)	(32,243)	(37,346)
Other operating income	6,684	105	6,684	105
Operating profit	9,151	88,818	9,151	88,818
Interest income	448	278	448	278
Finance costs	(380)	(537)	(380)	(537)
Share of (loss) / profit in associated companies, net of tax	(2,946)	4,470	(2,946)	4,470
Profit before taxation	6,273	93,029	6,273	93,029
Taxation	(2,240)	(21,389)	(2,240)	(21,389)
Profit from continuing operations	4,033	71,640	4,033	71,640
Loss from discontinued operations, net of tax (N1)	-	(294)	-	(294)
Profit for the period	4,033	71,346	4,033	71,346
Profit attributable to:				
Owners of the Company	662	50,724	662	50,724
Non-controlling interests	3,371	20,622	3,371	20,622
Profit for the period	4,033	71,346	4,033	71,346
Earnings per ordinary share (sen): -				
(a) Basic	0.21	16.14	0.21	16.14
(b) Fully diluted	N/A	N/A	N/A	N/A

(N1) Hume Marketing Co Sdn. Bhd. ("HMKT") and Hume Roofing Products Sdn. Bhd. ("HRP"), both wholly-owned subsidiaries of the Company had ceased business operations in June 2020. Accordingly, the financial results of HMKT and HRP were separately disclosed as discontinued operations.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2021 RM'000	Preceding Year Corresponding Quarter 30/09/2020 RM'000	Current Year - To -Date 30/09/2021 RM'000	Preceding Year Corresponding Period 30/09/2020 RM'000
Profit for the period	4,033	71,346	4,033	71,346
Other comprehensive income/(expense), net of tax				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net change in fair value of equity investments at fair value through other comprehensive income	14,590	16,243	14,590	16,243
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	(24)	(99)	(24)	(99)
Share of other comprehensive income/(expense) of equity accounted associates, net of tax	2,842	(3,994)	2,842	(3,994)
Cash flow hedge	(518)	74	(518)	74
Total other comprehensive income for the period	16,890	12,224	16,890	12,224
Total comprehensive income for the period	20,923	83,570	20,923	83,570
Total comprehensive income attributable to:				
Owners of the Company	17,711	62,925	17,711	62,925
Non-controlling interests	3,212	20,645	3,212	20,645
Total comprehensive income for the period	20,923	83,570	20,923	83,570

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30
SEPTEMBER 2021

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2021 RM'000	30/06/2021 RM'000
ASSETS		
Property, plant and equipment	251,237	259,585
Right-of-use assets	28,623	29,064
Investment property	4,000	4,000
Investments in associated companies	165,045	165,149
Other investments	107,825	93,395
Intangible assets	15,850	19,128
Deferred tax assets	25,112	25,112
Tax credit receivable	960	960
TOTAL NON-CURRENT ASSETS	598,652	596,393
Inventories	422,869	302,692
Trade and other receivables, including derivatives	196,926	202,023
Current tax assets	8,573	2,467
Short-term money market fund	242,020	233,308
Deposits, cash and bank balances	944,072	1,029,139
TOTAL CURRENT ASSETS	1,814,460	1,769,629
TOTAL ASSETS	2,413,112	2,366,022
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,626,388	1,608,540
Treasury shares - at cost	(63,318)	(63,318)
	1,884,287	1,866,439
NON-CONTROLLING INTERESTS		
	151,011	147,738
TOTAL EQUITY	2,035,298	2,014,177
LIABILITIES		
Lease liabilities	7,546	8,423
Deferred tax liabilities	5,357	5,357
Employee benefits	23,520	23,043
TOTAL NON-CURRENT LIABILITIES	36,423	36,823
Borrowings (unsecured)	8,470	12,600
Lease liabilities	3,950	3,740
Trade and other payables, including derivatives	327,712	277,418
Tax payable	1,259	21,264
TOTAL CURRENT LIABILITIES	341,391	315,022
TOTAL LIABILITIES	377,814	351,845
TOTAL EQUITY AND LIABILITIES	2,413,112	2,366,022
Net assets per share attributable to owners of the Company (RM)	5.99	5.94

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2021

←----- Attributable to owners of the Company ----->

←----- Non-distributable -----> Distributable

	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Current year-to-date ended 30 September 2021											
At 1 July 2021	321,217	(63,318)	24,877	3,714	404	(15,699)	1,616	1,593,628	1,866,439	147,738	2,014,177
Profit for the period	-	-	-	-	-	-	-	662	662	3,371	4,033
Other comprehensive income/(expense): -											
Gain on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	14,590	14,590	-	14,590
Foreign currency translation differences	-	-	(24)	-	-	-	-	-	(24)	-	(24)
Share of other comprehensive income of equity accounted associates, net of tax	-	-	2,842	-	-	-	-	-	2,842	-	2,842
Cash flow hedge	-	-	-	-	(359)	-	-	-	(359)	(159)	(518)
Total comprehensive income/(expense) for the period	-	-	2,818	-	(359)	-	-	15,252	17,711	3,212	20,923
Share-based payments/transactions	-	-	-	-	-	-	137	-	137	61	198
Total transactions with owners of the Company	-	-	-	-	-	-	137	-	137	61	198
At 30 September 2021	321,217	(63,318)	27,695	3,714	45	(15,699)	1,753	1,608,880	1,884,287	151,011	2,035,298

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2021 (Cont'd)

←----- Attributable to owners of the Company ----->
 ←----- Non-distributable -----> Distributable

	Share capital RM'000	Treasury shares RM'000	Exchange fluctuation reserve RM'000	Other reserves RM'000	Hedging reserve RM'000	Reserve for own shares RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Preceding year corresponding period ended 30 September 2020											
At 1 July 2020	321,217	(63,318)	28,019	3,714	(2)	(16,138)	3,650	1,401,078	1,678,220	159,898	1,838,118
Profit for the period	-	-	-	-	-	-	-	50,724	50,724	20,622	71,346
Other comprehensive income/(expense): -											
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	16,243	16,243	-	16,243
Foreign currency translation differences	-	-	(99)	-	-	-	-	-	(99)	-	(99)
Share of other comprehensive expense of equity accounted associates, net of tax	-	-	(3,994)	-	-	-	-	-	(3,994)	-	(3,994)
Cash flow hedge	-	-	-	-	51	-	-	-	51	23	74
Total comprehensive income/(expense) for the period	-	-	(4,093)	-	51	-	-	66,967	62,925	20,645	83,570
Share-based payments/transactions	-	-	-	-	-	-	271	-	271	119	390
Total transactions with owners of the Company	-	-	-	-	-	-	271	-	271	119	390
At 30 September 2020	321,217	(63,318)	23,926	3,714	49	(16,138)	3,921	1,468,045	1,741,416	180,662	1,922,078

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2021

	Current Year- To-Date 30/09/2021 RM'000	Preceding Year Corresponding Period 30/09/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		
- From continuing operations	6,273	93,029
- From discontinued operations	-	(294)
	<u>6,273</u>	<u>92,735</u>
Adjustments for: -		
Share of loss/(profit) in associated companies, net of tax	2,946	(4,470)
Depreciation and amortisation	15,402	13,996
Reversal of impairment on property, plant and equipment	-	(4,052)
Dividend income	(4,707)	(5,693)
Non-cash items	(733)	(482)
Net financing (income)/expense	(68)	231
Operating profit before changes in working capital	<u>19,113</u>	<u>92,265</u>
Changes in working capital		
Net change in current assets	(107,327)	(2,434)
Net change in current liabilities	50,293	79,123
Taxation paid	(35,060)	(14,366)
Net financing income/(expenses) received/(paid)	68	(120)
Dividend received	4,707	9,293
Retirement benefits paid	-	(123)
Net cash (used in)/generated from operating activities	<u>(68,206)</u>	<u>163,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(2,907)	(15,437)
Addition of intangible assets	(114)	(803)
Placement in short-term money market fund	(8,712)	-
Proceeds from disposal of property, plant & equipment	36	384
Net cash used in investing activities	<u>(11,697)</u>	<u>(15,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,001)	(826)
Drawdown of borrowings	15,370	30,413
Repayment of borrowings	(19,500)	(26,580)
Net cash (used in)/generated from financing activities	<u>(5,131)</u>	<u>3,007</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(85,034)</u>	<u>150,789</u>
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,029,139	1,211,109
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	<u>(33)</u>	<u>(100)</u>
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>944,072</u>	<u>1,361,798</u>

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

	30/09/2021 RM'000	30/09/2020 RM'000
Deposits, cash and bank balances	<u>944,072</u>	<u>1,361,798</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.


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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2021. This interim financial report also complies with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2021 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021 respectively which are applicable to the Group. The initial adoption of these applicable MFRSs, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

There has been no material seasonal or cyclical factor affecting the results of the quarter under review.

4. Nature and amounts of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

(a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of HLI shares bought back as of 30 September 2021 was 8,432,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 127 of the Companies Act 2016.

(b) There were no additional shares purchased by the ESS Trusts during the quarter under review and financial year-to-date. The total number of HLI shares held by the ESS Trusts as of 30 September 2021 was 5,092,916 shares.

There were no issuance of shares, shares cancellation, resale of treasury shares or repayment of debt or equity securities during the quarter under review and financial year-to-date.

7. Dividend paid

There was no dividend paid during the quarter under review and financial year-to-date.

 
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8. Operating Segments

The Group's segmental report for the financial year-to-date is as follow:-

	Consumer Products RM'000
Segment profit	<u>4,336</u>
Included in the measure of segment profit are:	
Revenue from external customers	221,263
Depreciation and amortisation	<u>13,204</u>
Reconciliation of reportable segment profit	RM'000
Profit	
Reportable segment	4,336
Non- reportable segment	4,815
Interest income	448
Finance costs	(380)
Share of loss in associated companies, net of tax	<u>(2,946)</u>
Consolidated profit before taxation	<u>6,273</u>
	External revenue RM'000
	Depreciation and amortisation RM'000
Reportable segment	221,263
Non-reportable segment	55,732
Total	<u>276,995</u>
	<u>13,204</u>
	<u>2,198</u>
	<u>15,402</u>

9. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations other than as mentioned below:

The following Company's subsidiaries have been placed under member's voluntary liquidation: -

- (a) Glenex Sdn Bhd, an indirect wholly-owned subsidiary;
- (b) Stonenet Sdn Bhd, an indirect wholly-owned subsidiary; and
- (c) Maxider Sdn Bhd, a wholly-owned subsidiary.

The liquidations are currently pending tax clearance from the Inland Revenue Board and/or final meeting to be convened.



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11. Review of Performance

For the quarter under review and financial year-to-date, the Group recorded revenue of RM277 million and profit before taxation (“PBT”) of RM6 million as compared with revenue of RM653 million and PBT of RM93 million for the corresponding quarter of the preceding financial year ended 30 June 2021 (“FY2021”). The lower revenue and PBT as compared with the corresponding quarter of FY2021 were due to lower sales across all product segments because of Movement Control Order (“MCO”), which caused the curtailment of production for 2 months.

12. Material changes in loss before taxation against the immediate preceding quarter

For the quarter under review, the Group recorded PBT of RM6 million as compared with PBT of RM61 million for the preceding quarter. The lower PBT compared with the preceding quarter was due to lower sales across all product segments as there was longer lockdown period imposed by MCO in the quarter under review as compared with the preceding quarter. The lower PBT compared with the preceding quarter was also partly due to share of loss in associated companies in the quarter under review.

13. Prospects

The Covid-19 pandemic continues to be the greatest uncertainty to be managed. Barring any further Movement Control Orders, the Board expects the Group’s performance for the financial year ending 30 June 2022 to be satisfactory.

14. Profit forecast/profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter	Current Year- To-date
	30/09/2021	30/09/2021
	RM'000	RM'000
Profit before taxation is arrived at after (charging)/ crediting:-		
Gross dividend income from other investments	4,707	4,707
Depreciation and amortisation	(15,402)	(15,402)
Impairment loss on trade receivables	(379)	(379)
Reversal of provision for slow moving of inventories	3,742	3,742
Gain on foreign exchange	1,350	1,350
Fair value loss of equity investment at fair value through profit or loss	(159)	(159)
Gain on disposal of property, plant and equipment	36	36



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16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	2,240	21,452	2,240	21,452
- prior years	-	6,068	-	6,068
	2,240	27,520	2,240	27,520
Deferred taxation				
Malaysian - current year	-	-	-	-
- prior years	-	(6,131)	-	(6,131)
	-	(6,131)	-	(6,131)
	2,240	21,389	2,240	21,389

17. **Corporate Proposals**

There are no corporate proposals announced but not completed as at the date of this report other than as mentioned below:

On 15 October 2021, Hong Leong Investment Bank Berhad ("HLIB"), on behalf of HLI, had announced that the Company proposed to undertake the following:

- (i) establish and implement a new Executive Share Scheme, which comprise the proposed executive share option scheme and the proposed executive share grant scheme of up to 10% of the Company's total issued ordinary shares ("Shares") (excluding treasury Shares) for the eligible executives and/or directors of HLI and its subsidiaries ("Proposed ESS"); and
- (ii) allocation of Options and/or Grants to the Group Managing Director of HLI under or pursuant to the Proposed ESS ("Proposed Allocation").

(The Proposed ESS and the Proposed Allocation are collectively referred to as the "Proposals").

On 25 October 2021, HLIB, on behalf of HLI, had announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had, on 22 October 2021, approved the listing of and quotation for such number of new Shares representing up to 10% of the total issued Shares (excluding treasury Shares) to be issued under the Proposed ESS on the Main Market of Bursa Securities.

The Proposals are subject to HLI shareholders' approval to be sought at the Company's forthcoming annual general meeting to be convened on 2 December 2021.

18. **Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 30 September 2021 is as follow: -

Unsecured short-term borrowings	RM'000
	8,470

There were no borrowings denominated in foreign currencies as of 30 September 2021.


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19. Changes in Material Litigation

There are no material litigations as at the date of this report.

20. Dividend

- (a) The Board has declared an interim single tier dividend of 17.0 sen per share for the quarter ended 30 September 2021 of the financial year ending 30 June 2022 (2020/2021: an interim single tier dividend of 17.0 sen per share) to be paid on 21 December 2021 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 7 December 2021.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.30 p.m. on 7 December 2021 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.
- (b) For the financial year, a total single tier dividend of 17.0 sen per share (2020/2021: single tier dividend of 17.0 sen per share), has been declared.

21. Earnings Per Ordinary Share

- (a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review and financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM662,000 (1st quarter 2020/2021: RM50,724,000) by the weighted average number of ordinary shares during the quarter of 314,380,000 (1st quarter 2020/2021: 314,235,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year- To-	Year
	Quarter	Corresponding	Date	Corresponding
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	327,905	327,905	327,905	327,905
Treasury shares held at beginning of period	(8,432)	(8,432)	(8,432)	(8,432)
ESS Trust Shares held at beginning of period	(5,093)	(5,238)	(5,093)	(5,238)
	314,380	314,235	314,380	314,235
Effect of ESS Trust Shares vested/sold	-	-	-	-
Weighted average number of ordinary shares (basic)	314,380	314,235	314,380	314,235


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21. Earnings Per Ordinary Share (cont'd)

(b) Diluted earnings per ordinary share

The Group's diluted earnings per ordinary share for the quarter under review and financial year-to-date approximates its basic earnings per ordinary share.

The Group had no dilution in its earnings per ordinary share for the preceding year's corresponding quarter/period as there were no dilutive potential ordinary shares.

22. Derivatives

The Group has entered into a number of forward foreign exchange contracts by subsidiaries to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using 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.

As at 30 September 2021, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets / (Liabilities)
	RM'000	RM'000
Less than 1 year	26,393	65

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Gains/losses arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2021.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Hong Leong Industries Berhad

Wong Wei Fong
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
22 November 2021



HLIB/12