

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2023

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2023 RM'000	30/09/2022 RM'000	30/09/2023 RM'000	30/09/2022 RM'000
Revenue	835,878	884,449	835,878	884,449
Cost of sales	(658,051)	(726,769)	(658,051)	(726,769)
Gross profit	177,827	157,680	177,827	157,680
Operating expenses	(40,330)	(44,821)	(40,330)	(44,821)
Other operating expenses	(1,174)	(3,927)	(1,174)	(3,927)
Operating profit	136,323	108,932	136,323	108,932
Interest income	14,694	9,105	14,694	9,105
Finance costs	(381)	(627)	(381)	(627)
Share of profit in associated companies, net of tax	1,276	16,557	1,276	16,557
Profit before taxation	151,912	133,967	151,912	133,967
Taxation	(33,654)	(28,382)	(33,654)	(28,382)
Profit for the period	118,258	105,585	118,258	105,585
Profit attributable to:				
Owners of the Company	87,670	81,881	87,670	81,881
Non-controlling interests	30,588	23,704	30,588	23,704
Profit for the period	118,258	105,585	118,258	105,585
Earnings per ordinary share (sen): -				
(a) Basic	27.86	26.03	27.86	26.03
(b) Diluted	N/A	N/A	N/A	N/A



HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
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30 SEPTEMBER 2023

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2023 RM'000	30/09/2022 RM'000	30/09/2023 RM'000	30/09/2022 RM'000
Profit for the period	118,258	105,585	118,258	105,585
Other comprehensive (expense)/income, 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 (expense)/income	(259)	1,209	(259)	1,209
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	18	174	18	174
Share of other comprehensive (expense)/income of equity accounted associates, net of tax	(3,617)	3,826	(3,617)	3,826
Cash flow hedge	1,962	2,529	1,962	2,529
Total other comprehensive (expense)/income for the period	(1,896)	7,738	(1,896)	7,738
Total comprehensive income for the period	116,362	113,323	116,362	113,323
Total comprehensive income attributable to:				
Owners of the Company	85,174	88,846	85,174	88,846
Non-controlling interests	31,188	24,477	31,188	24,477
Total comprehensive income for the period	116,362	113,323	116,362	113,323

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	As At End of Current Quarter 30/09/2023 RM'000	As At End of Preceding Financial Year 30/06/2023 RM'000
ASSETS		
Property, plant and equipment	190,957	195,561
Right-of-use assets	21,974	23,162
Investment property	4,000	4,000
Investments in associated companies	179,997	182,338
Other investments	73,610	72,957
Intangible assets	42,187	49,949
Deferred tax assets	19,074	19,074
TOTAL NON-CURRENT ASSETS	531,799	547,041
Inventories	295,122	336,503
Trade and other receivables, including derivatives	289,666	272,163
Current tax assets	525	802
Short-term investments and deposits placed with licensed banks	864,650	961,600
Cash and cash equivalents	735,441	525,967
	2,185,404	2,097,035
Assets classified as held for sale	53,330	58,713
TOTAL CURRENT ASSETS	2,238,734	2,155,748
TOTAL ASSETS	2,770,533	2,702,789
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,855,927	1,769,999
Treasury shares - at cost	(63,318)	(63,318)
	2,113,826	2,027,898
NON-CONTROLLING INTERESTS	191,843	160,322
TOTAL EQUITY	2,305,669	2,188,220
LIABILITIES		
Lease liabilities	1,455	2,540
Deferred tax liabilities	2,527	5,357
Employee benefits	21,799	21,863
TOTAL NON-CURRENT LIABILITIES	25,781	29,760
Lease liabilities	4,880	4,880
Trade and other payables, including derivatives	367,276	406,741
Tax payable	34,288	34,209
	406,444	445,830
Liabilities classified as held for sale	32,639	38,979
TOTAL CURRENT LIABILITIES	439,083	484,809
TOTAL LIABILITIES	464,864	514,569
TOTAL EQUITY AND LIABILITIES	2,770,533	2,702,789
Net assets per share attributable to owners of the Company (RM)	6.72	6.45

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023.

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HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Attributable to owners of the Company							Retained earnings RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	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				
Current year-to-date ended 30 September 2023											
At 1 July 2023	321,217	(63,318)	39,287	3,714	310	(14,953)	1,277	1,740,364	2,027,898	160,322	2,188,220
Profit for the period	-	-	-	-	-	-	-	87,670	87,670	30,588	118,258
Other comprehensive (expense)/income: -											
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(259)	(259)	-	(259)
Foreign currency translation differences	-	-	18	-	-	-	-	-	18	-	18
Share of other comprehensive expense of equity accounted associates, net of tax	-	-	(3,617)	-	-	-	-	-	(3,617)	-	(3,617)
Cash flow hedge	-	-	-	-	1,362	-	-	-	1,362	600	1,962
Total comprehensive (expense)/income for the period	-	-	(3,599)	-	1,362	-	-	87,411	85,174	31,188	116,362
Share-based payments/transactions	-	-	-	-	-	-	754	-	754	333	1,087
Total transactions with owners of the Company	-	-	-	-	-	-	754	-	754	333	1,087
At 30 September 2023	321,217	(63,318)	35,688	3,714	1,672	(14,953)	2,031	1,827,775	2,113,826	191,843	2,305,669

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (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 2022											
At 1 July 2022	321,217	(63,318)	32,121	3,714	(58)	(15,262)	533	1,626,704	1,905,651	148,432	2,054,083
Profit for the period	-	-	-	-	-	-	-	81,881	81,881	23,704	105,585
Other comprehensive income:											
Gain on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	1,209	1,209	-	1,209
Foreign currency translation differences	-	-	174	-	-	-	-	-	174	-	174
Share of other comprehensive income of equity accounted associates, net of tax	-	-	3,826	-	-	-	-	-	3,826	-	3,826
Cash flow hedge	-	-	-	-	1,756	-	-	-	1,756	773	2,529
Total comprehensive income for the period	-	-	4,000	-	1,756	-	-	83,090	88,846	24,477	113,323
Share-based payments/transactions	-	-	-	-	-	-	101	-	101	44	145
Total transactions with owners of the Company	-	-	-	-	-	-	101	-	101	44	145
At 30 September 2022	321,217	(63,318)	36,121	3,714	1,698	(15,262)	634	1,709,794	1,994,598	172,953	2,167,551

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023

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HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
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ENDED 30 SEPTEMBER 2023

The figures have not been audited


CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2023

	Current Year- To-Date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	151,912	133,967
Adjustments for: -		
Share of profit in associated companies, net of tax	(1,276)	(16,557)
Depreciation and amortisation	17,947	19,045
Dividend income	(194)	(220)
Non-cash items	2,423	263
Interest income	(14,694)	(9,105)
Finance costs	381	627
Operating profit before changes in working capital	156,499	128,020
Changes in working capital		
Net change in current assets	27,627	3,957
Net change in current liabilities	(39,640)	30,733
Tax paid	(36,233)	(39,115)
Interest income received	14,694	9,105
Finance costs paid	(381)	(627)
Dividend received	194	220
Retirement benefits paid	(568)	(367)
Net cash generated from operating activities	122,192	131,926
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(3,029)	(5,701)
Addition of intangible assets	(497)	(485)
Uplift/(Placement) in short-term investments and deposits placed with licensed banks	96,950	(186,317)
Proceeds from disposal of property, plant and equipment	223	1,854
Net cash generated from / (used in) investing activities	93,647	(190,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(1,084)	(1,030)
Drawdown of borrowings	24,430	33,890
Repayment of borrowings	(30,610)	(31,079)
Net cash (used in) / generated from financing activities	(7,264)	1,781
NET CHANGE IN CASH AND CASH EQUIVALENTS	208,575	(56,942)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	1	170
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	535,121	1,271,174
CASH & CASH EQUIVALENTS AT END OF PERIOD	743,697	1,214,402

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

	30/09/2023 RM'000	30/09/2022 RM'000
Term investment account-i	135,940	1,027,893
Deposits, cash and bank balances	599,501	186,509
	735,441	1,214,402
Assets classified as held for sale	8,256	-
	743,697	1,214,402

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023.

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“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 2023. This interim financial report also complies with International Accounting Standards 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 2023 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2023 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 ordinary shares of the Company (“HLI Shares”) bought back as of 30 September 2023 was 8,432,500 HLI 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 Executive Share Scheme (“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 2023 was 4,847,877 HLI 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 follows: -

	Consumer Products RM'000
Segment profit	<u>132,434</u>
Included in the measure of segment profit are:	
Revenue from external customers	775,282
Depreciation and amortisation	<u>(16,692)</u>
Reconciliation of reportable segment profit	RM'000
Profit	
Reportable segment	132,434
Non-reportable segment	5,165
Interest income	14,694
Finance costs	<u>(381)</u>
Consolidated profit before taxation	<u>151,912</u>
	Depreciation and amortisation RM'000
	External revenue RM'000
Reportable segment	775,282
Non-reportable segment	60,596
Total	<u>835,878</u>
	<u>17,947</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:

- (i) Glenex Sdn Bhd, an indirect wholly-owned subsidiary;
- (ii) Maxider Sdn Bhd, a wholly-owned subsidiary; and
- (iii) Avenues Zone, Inc, an indirect wholly-owned subsidiary.

The liquidations are currently pending tax clearance from the Inland Revenue Board.

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11. Review of Performance

For the quarter under review and financial year-to-date, the Group recorded revenue of RM836 million and profit before taxation (“PBT”) of RM152 million as compared with revenue of RM884 million and PBT of RM134 million for the corresponding quarter of the preceding financial year ended 30 June 2023 (“FY2023”).

The lower revenue for the current quarter under review as compared with the corresponding quarter of FY2023 was mainly attributed to the lower sales of motorcycle business from the weaker market demand and the credit tightening in motorcycle financing.

Despite the lower revenue, PBT was higher primarily driven by the favourable sales mix of higher margin motorcycle models during the quarter.

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

For the quarter under review, the Group recorded PBT of RM152 million as compared with PBT of RM125 million for the preceding quarter. The higher PBT as compared with the preceding quarter was mainly attributed to the higher sales of motorcycle business and favourable sales mix of higher margin motorcycle models for the quarter under review.

13. Prospects

The total demand of motorcycles is experiencing a slowdown but is expected to improve into the year as the economy gets stronger. The Board expects the Group to achieve a satisfactory performance in this financial year.

14. Profit forecast/profit guaranteed

This note is not applicable.

15. Profit before taxation

	Current Year Quarter 30/09/2023 RM'000	Current Year- To-Date 30/09/2023 RM'000
Profit before taxation is arrived at after (charging)/crediting: -		
Gross dividend income from other investments	194	194
Depreciation and amortisation	(17,947)	(17,947)
Impairment loss on trade receivables	(263)	(263)
Provision for slow moving inventories	(2,018)	(2,018)
Loss on foreign exchange	(332)	(332)
Gain on fair value of financial assets at fair value through profit or loss	912	912
Gain on disposal of property, plant and equipment	204	204

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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
	30/09/2023	30/09/2022	30/09/2023	30/09/2022
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	36,484	28,363	36,484	28,363
- prior years	-	19	-	19
	<u>36,484</u>	<u>28,382</u>	<u>36,484</u>	<u>28,382</u>
Deferred taxation				
Malaysian - prior years	(2,830)	-	(2,830)	-
	<u>(2,830)</u>	<u>-</u>	<u>(2,830)</u>	<u>-</u>
	<u>33,654</u>	<u>28,382</u>	<u>33,654</u>	<u>28,382</u>

The Group's effective tax rate for the quarter under review and financial year-to-date is lower than statutory tax rate mainly due to the reversal of over provision of deferred tax liabilities in prior years.

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

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

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

Accordingly, the related assets and liabilities of HCB that form parts of the proposed disposal have been reclassified as assets and liabilities held for sale on the Condensed Consolidated Statement of Financial Position as at 30 June 2023 and 30 September 2023.

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

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18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2023 is as follows: -

	RM'000
Unsecured short-term borrowings, reclassified to liabilities held for sale	<u>8,780</u>

There were no borrowings denominated in foreign currencies as of 30 September 2023.

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 20.0 sen per share for the quarter ended 30 September 2023 of the financial year ending 30 June 2024 (1st quarter FY2023 : an interim single tier dividend of 20.0 sen per share) to be paid on 21 December 2023 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 5 December 2023.

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 5 December 2023 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-to-date, a total single tier dividend of 20.0 sen per share (1st quarter FY2023: single tier dividend of 20.0 sen per share), has been declared.

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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 RM87,670,000 (1st quarter FY2023: RM81,881,000) by the weighted average number of ordinary shares during the quarter of 314,625,000 (1st quarter FY2023: 314,525,000).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current	Preceding	Current	Preceding
	Year	Year	Year-To-	Year
	Corresponding	Date	Corresponding	
	Quarter	Quarter	Period	
	30/09/2023	30/09/2022	30/09/2023	30/09/2022
	'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	(4,848)	(4,948)	(4,848)	(4,948)
	314,625	314,525	314,625	314,525
Effect of ESS Trust Shares vested	-	-	-	-
Weighted average number of ordinary shares (basic)	314,625	314,525	314,625	314,525

(b) Diluted earnings per ordinary share

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

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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 2023, 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	92,205	2,392

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.

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 2023.

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
Zoe Lim Hoon Hwa
Company Secretaries

Kuala Lumpur
17 November 2023