

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Revenue	652,660	719,373	652,660	719,373
Cost of sales	(526,601)	(578,604)	(526,601)	(578,604)
Gross profit	126,059	140,768	126,059	140,768
Operating expenses	(37,346)	(43,175)	(37,346)	(43,175)
Other operating income	105	4,780	105	4,780
Operating profit	88,818	102,374	88,818	102,374
Interest income	278	908	278	908
Finance costs	(537)	(1,047)	(537)	(1,047)
Share of profit in associated companies, net of tax	4,470	6,512	4,470	6,512
Profit before taxation	93,029	108,747	93,029	108,747
Taxation	(21,389)	(24,078)	(21,389)	(24,078)
Profit from continuing operations	71,640	84,670	71,640	84,670
(Loss)/Profit from discontinued operations, net of tax (N1)	(294)	211	(294)	211
Profit for the period	71,346	84,881	71,346	84,881
Profit attributable to:				
Owners of the Company	50,724	63,351	50,724	63,351
Non-controlling interests	20,622	21,530	20,622	21,530
Profit for the period	71,346	84,881	71,346	84,881
Earnings per ordinary share (sen): -				
(a) Basic	16.14	20.18	16.14	20.18
(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 the 4th Quarter of the preceding financial year ended 30 June 2020.. Accordingly, the financial results of HMKT and HRP are separately disclosed as discontinued operations.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (Cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year - To -Date	Preceding Year Corresponding Period
	30/09/2020 RM'000	30/09/2019 RM'000	30/09/2020 RM'000	30/09/2019 RM'000
Profit for the period	71,346	84,881	71,346	84,881
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	16,243	(267)	16,243	(267)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences from foreign operations	(99)	(58)	(99)	(58)
Share of other comprehensive income of equity accounted associates, net of tax	(3,994)	3,022	(3,994)	3,022
Cash flow hedge	74	359	74	359
Total other comprehensive income for the period	12,224	3,056	12,224	3,056
Total comprehensive income for the period	83,570	87,937	83,570	87,937
Total comprehensive income attributable to:				
Owners of the Company	62,925	66,297	62,925	66,297
Non-controlling interests	20,645	21,640	20,645	21,640
Total comprehensive income for the period	83,570	87,937	83,570	87,937

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 2020.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30
SEPTEMBER 2020

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2020 RM'000	30/06/2020 RM'000
ASSETS		
Property, plant and equipment	274,627	265,789
Rights-of-use assets	33,554	33,195
Investment properties	4,000	4,000
Investments in associated companies	152,231	155,354
Other investments	46,795	32,282
Intangible assets	13,373	15,309
Deferred tax assets	20,889	14,925
Tax credit receivables	1,929	1,929
TOTAL NON-CURRENT ASSETS	547,398	522,783
Inventories	177,689	212,600
Trade and other receivables, including derivatives	280,986	244,148
Current tax assets	2,830	8,503
Deposits, cash and bank balances	1,361,799	1,211,109
TOTAL CURRENT ASSETS	1,823,306	1,676,360
TOTAL ASSETS	2,370,704	2,199,143
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	321,217	321,217
Reserves	1,483,517	1,420,321
Treasury shares - at cost	(63,318)	(63,318)
	1,741,416	1,678,220
NON-CONTROLLING INTERESTS	180,663	159,898
TOTAL EQUITY	1,922,078	1,838,118
LIABILITIES		
Lease liabilities	9,640	10,529
Deferred tax liabilities	5,600	5,766
Employee benefits	21,657	24,890
TOTAL NON-CURRENT LIABILITIES	36,897	41,185
Borrowings (unsecured)	20,813	16,980
Lease liabilities	4,880	3,423
Trade and other payables, including derivatives	353,784	274,665
Tax payable	32,252	24,772
TOTAL CURRENT LIABILITIES	411,729	319,840
TOTAL LIABILITIES	448,626	361,025
TOTAL EQUITY AND LIABILITIES	2,370,704	2,199,143
Net assets per share attributable to owners of the Company (RM)	5.54	5.34

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2020.

QUARTERLY REPORTED ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020

←..... 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 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 (expense)/income: -											
Gain 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 income of equity accounted associates, net of tax	-	-	(3,994)	-	-	-	-	-	(3,994)	-	(3,994)
Cash flow hedge	-	-	-	-	51	-	-	-	51	23	74
Total comprehensive income 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 figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020 (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 2019											
At 1 July 2019	321,217	(63,318)	21,694	3,714	(212)	(16,469)	4,563	1,356,064	1,627,253	136,062	1,763,315
Profit for the period	-	-	-	-	-	-	-	63,351	63,351	21,530	84,881
Other comprehensive income/(expense): -											
Loss on fair value equity investments at fair value through other comprehensive income	-	-	-	-	-	-	-	(267)	(267)	-	(267)
Foreign currency translation differences	-	-	(58)	-	-	-	-	-	(58)	-	(58)
Share of other comprehensive income of equity accounted associates, net of tax	-	-	3,022	-	-	-	-	-	(3,022)	-	(3,022)
Cash flow hedge	-	-	-	-	249	-	-	-	249	110	359
Total comprehensive income for the period	-	-	2,964	-	249	-	-	63,084	66,297	21,640	87,937
Share-based payments/transactions	-	-	-	-	-	-	285	-	285	126	411
Total transactions with owners of the Company	-	-	-	-	-	-	285	-	285	126	411
At 30 September 2019	321,217	(63,318)	24,658	3,714	37	(16,469)	4,848	1,419,148	1,693,835	157,828	1,851,663

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 2020

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2020

	Current Year- To-Date 30/09/2020 RM'000	Preceding Year Corresponding Period 30/09/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
- From continuing operations	93,029	108,748
- From discontinued operations	(294)	321
	<u>92,735</u>	<u>109,069</u>
Adjustments for: -		
Share of profit in associated companies, net of tax	(4,470)	(6,512)
Depreciation and amortisation	13,996	16,076
Reversal of impairment on property, plant and equipment	(4,052)	-
Dividend income	(5,693)	(8,091)
Non-cash items	(482)	528
Net financing expense	231	202
Operating profit before changes in working capital	<u>92,265</u>	<u>111,272</u>
Changes in working capital		
Net change in current assets	(2,434)	1,700
Net change in current liabilities	79,123	56,541
Taxation paid	(14,366)	(17,651)
Net financing (expenses)/income (paid)/received	(120)	214
Dividend received	9,293	9,891
Retirement benefits paid	(123)	(93)
Net cash generated from operating activities	<u>163,638</u>	<u>161,874</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(15,437)	(9,570)
Addition of intangible assets	(803)	(742)
Proceeds from disposal of property, plant & equipment	384	599
Net cash used in investing activities	<u>(15,856)</u>	<u>(9,713)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(826)	(1,547)
Drawdown of borrowings	30,413	36,120
Repayment of borrowings	(26,580)	(36,740)
Net cash generated from/(used in) financing activities	<u>3,007</u>	<u>(2,167)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	150,789	149,994
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,211,109	1,039,941
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(100)	132
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>1,361,798</u>	<u>1,190,067</u>

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

	30/09/2020 RM'000	30/09/2019 RM'000
Deposits, cash and bank balances	<u>1,361,798</u>	<u>1,190,067</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 2020.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

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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 2020. 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 2020 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020 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

There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as of 30 September 2020 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.

There were no additional shares purchased by the ESS Trusts during the quarter under review and financial year to date. As of 30 September 2020, the total number of ordinary shares in the Company held by the ESS Trusts was 5,237,973 ordinary 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.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

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8. Operating Segments

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

	Consumer Products	Discontinued Operations – Industrial Products	Total
	RM'000	RM'000	RM'000
Segment profit / (loss)	87,081	(294)	86,787
Included in the measure of segment profit are:			
Revenue from external customers	596,178	8,309	604,487
Depreciation and amortisation	11,502	45	11,547
Reconciliation of reportable segment profit			
Profit			
Reportable segment			86,787
Non- reportable segment			1,737
Loss from discontinued operations			294
Interest income			278
Finance costs			(537)
Share of profit in associated companies, net of tax			4,470
Consolidated profit before taxation (excluding discontinued operations)			93,029
		External revenue RM'000	Depreciation and amortisation RM'000
Reportable segment		604,487	11,517
Non-reportable segment		56,482	2,524
Discontinued operations		(8,309)	(45)
Total		652,660	13,996

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.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

The figures have not been audited

10. **Changes in the composition of the Group (cont'd)**

Hume Marketing Co Sdn. Bhd. and Hume Roofing Products Sdn. Bhd., both wholly-owned subsidiaries of the Company, had ceased business operations in June 2020.

11. **Review of Performance**

For the quarter under review and financial year-to-date, the Group (excluding Discontinued Operations) recorded revenue of RM653 million and profit before taxation ("PBT") of RM93 million as compared with revenue and PBT of RM719 million and RM109 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2020 ("FY2020"). The revenue and PBT were lower than the corresponding quarter of FY2020 as businesses and operations of most of the product segments had not fully recovered from the adverse impact of the COVID-19 pandemic.

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

For the quarter under review, the Group (excluding Discontinued Operations) recorded PBT of RM93 million as compared with loss before taxation of RM11 million for the preceding quarter. The improvement in PBT from the preceding quarter was attributable to the gradual recovery of businesses and operations of some product segments from the adverse impact of the COVID-19 pandemic, coupled with higher profit contribution from an associated company.

13. **Prospects**

Whilst economy has gradually recovered from the previous quarter, the pace of recovery remains uncertain. Barring any unforeseen circumstances of the COVID-19 situation, the Board is cautiously optimistic that the Group's performance for the financial year ending 30 June 2021 will be satisfactory.

14. **Profit forecast/profit guaranteed**

This note is not applicable.

15. **Profit before taxation**

	Current Year Quarter	Current Year To-date
	30/09/2020	30/09/2020
	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):-		
Continuing operations		
Gross dividend income from other investments	(5,693)	(5,693)
Depreciation and amortisation	13,996	13,996
Reversal of impairment loss on property, plant and equipment	(4,052)	(4,052)
Reversal of impairment loss on trade receivables	(194)	(194)
Reversal of provision for slow moving of inventories	(3,575)	(3,575)
Gain on foreign exchange	(350)	(350)
Fair value loss of equity investment at fair value through profit or loss	1,703	1,703
Gain on disposal of property, plant and equipment	(20)	(20)
Discontinued operations		
Depreciation and amortisation	18	18
Gain on disposal of property, plant and equipment	(58)	(58)

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

The figures have not been audited

16. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-to-date	Preceding Year Corresponding Period
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	RM'000	RM'000	RM'000	RM'000
Current taxation				
Malaysian - current year	21,452	23,580	21,452	23,580
- prior years	6,068	(427)	6,068	(427)
	<u>27,520</u>	<u>23,153</u>	<u>27,520</u>	<u>23,153</u>
Deferred taxation				
Malaysian - current year	-	(25)	-	(25)
- prior years	(6,131)	1,060	(6,131)	1,060
	<u>(6,131)</u>	<u>1,035</u>	<u>(6,131)</u>	<u>1,035</u>
	<u>21,389</u>	<u>24,188</u>	<u>21,389</u>	<u>24,188</u>
Income tax attributable to continuing operations	21,389	24,078	21,389	24,078
Income tax attributable to discontinued operations	-	110	-	110
	<u>21,389</u>	<u>24,188</u>	<u>21,389</u>	<u>24,188</u>

The Group's effective tax rate for the quarter under review and financial year-to-date is lower than the statutory tax rate mainly due to certain income not taxable.

17. **Corporate Proposals**

There are no corporate proposals announced but not completed as at the date of this report.

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

Particulars of the Group's borrowings and debt securities as at 30 September 2020 is as follow:-

	RM'000
Unsecured short-term borrowings	<u>20,813</u>

There were no borrowings denominated in foreign currencies as of 30 September 2020.

19. **Changes in Material Litigation**

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

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

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20. Dividend

- (a) The Board has declared an interim single tier dividend of 17.0 sen per share for the quarter ended 30 September 2020 of the financial year ending 30 June 2021 (2019/2020: single tier dividend of 17.0 sen per share) to be paid on 23 December 2020 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 9 December 2020.

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 9 December 2020 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 (2019/2020: 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 RM50,724,000 (1st quarter 2019/2020: RM63,351,000) by the weighted average number of ordinary shares during the quarter of 314,235,000 (1st quarter 2019/2020: 313,993,000).

	<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
	30/09/2020	30/09/2019	30/09/2020	30/09/2019
	'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	(5,238)	(5,480)	(5,238)	(5,480)
	314,235	313,993	314,235	313,993
Effect of Trust Shares vested/sold	-	-	-	-
Weighted average number of ordinary shares (basic)	314,235	313,993	314,235	313,993

- (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.

HONG LEONG INDUSTRIES BERHAD (196401000167 (5486-P))
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2020

The figures have not been audited

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 2020, 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	<u>19,822</u>	<u>70</u>

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 September 2020.

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

Joanne Leong Wei Yin
Valerie Mak Mew Chan
Company Secretaries

Kuala Lumpur
24 November 2020