

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST**  
**QUARTER ENDED 30 SEPTEMBER 2002**

The figures have not been audited

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30**  
**SEPTEMBER 2002**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2002 RM'000	30/09/2001 RM'000	30/09/2002 RM'000	30/09/2001 RM'000
Revenue	516,766	480,604	516,766	480,604
Operating Expenses	(480,966)	(472,342)	(480,966)	(472,342)
Other Operating Income	5,398	10,662	5,398	10,662
Profit from Operations	41,198	18,924	41,198	18,924
Finance Costs	(27,807)	(35,045)	(27,807)	(35,045)
Share of Profit of Associated Companies	6,877	(25,672)	6,877	(25,672)
Profit/(Loss) Before Taxation	20,268	(41,793)	20,268	(41,793)
Taxation	(9,982)	(8,504)	(9,982)	(8,504)
Profit/(Loss) After Taxation	10,286	(50,297)	10,286	(50,297)
Minority Interest	(8,975)	5,289	(8,975)	5,289
Net Profit/(Loss) for the Period	1,311	(45,008)	1,311	(45,008)
Earnings/(Loss) Per Share (sen) :-				
(a) Basic	0.60	(20.67)	0.60	(20.67)
(b) Fully diluted	N/A	N/A	N/A	N/A

**The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2002.**

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2002**

	As at end of current quarter 30/09/2002 RM'000	As at preceding financial year end 30/06/2002 RM'000
Property, Plant and Equipment	1,516,335	1,524,119
Investment in Associated Companies	229,435	160,003
Other Investments	497,197	497,197
Intangible Assets	494,705	495,120
Deferred Tax Assets	10,000	10,000
Current Assets		
Property assets	36,432	36,432
Inventories	231,237	216,802
Debtors	623,929	628,699
Other investments	4,507	500
Cash	369,093	473,620
	1,265,198	1,356,053
Current Liabilities		
Trade and Other Payables	692,175	691,242
Overdraft and Short Term Borrowings	664,562	694,750
Taxation	23,955	32,203
	1,380,692	1,418,195
Net Current Liabilities	(115,494)	(62,142)
	2,632,178	2,624,297
Share Capital	112,564	112,564
Reserves	548,760	546,834
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	208,153	208,153
Treasury Shares	(59,835)	(59,835)
Shareholders Funds	809,642	807,716
Minority Interest	568,709	562,569
Long Term Liabilities		
Borrowings	367,762	373,481
EuroConvertible Bonds	279,224	279,224
Redeemable Bonds	500,000	500,000
Other Deferred Liabilities	106,841	101,307
	1,253,827	1,254,012
	2,632,178	2,624,297
Net Tangible Assets Per Share (sen)	49	48

**The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2002.**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED**  
**30 SEPTEMBER 2002**

	Current Year- To-Date
	30/09/2002
	RM'000
Profit Before Taxation	20,268
Adjustment for:-	
Depreciation and amortisation	67,793
Share of profit of associated companies	(6,877)
Non-cash items	761
Operating profit before changes in working capital	<hr/> 81,945
Changes in working capital	
Net change in current assets	(9,665)
Net change in current liabilities	933
Income tax paid	(13,266)
Net cash flows from operating activities	<hr/> 59,947
Investing Activities	
Equity investments	(67,265)
Other investments	(59,594)
Net cash flows used in investing activities	<hr/> (126,859)
Financing Activities	
Dividend paid to minority shareholders	(1,710)
Net repayment of bank borrowings	(37,911)
Net cash flows used in financing activities	<hr/> (39,621)
Net Change in Cash and Cash Equivalents	(106,533)
Cash & Cash Equivalent at Beginning of Year	284,516
Cash & Cash Equivalent at End of Period	<hr/> <hr/> 177,983

**Note :**

**There are no comparative figures as this is the first interim financial report prepared in accordance with MASB 26 - Interim Financial Report**

**The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2002.**

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE**  
**QUARTER ENDED 30 SEPTEMBER 2002**

	Share Capital	Reserve attributable to capital	Reserve attributable to revenue	Retained profits	Irredeemable Convertible Unsecured Loan Stocks	Treasury Shares	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current year quarter ended 30 September 2002</b>							
Balance at beginning of year	112,564	289,396	12,181	243,817	-	(59,835)	598,123
MASB 24 Reclassification	-	-	-	-	208,153	-	208,153
MASB 25 Adjustment	-	-	-	1,440	-	-	1,440
	112,564	289,396	12,181	245,257	208,153	(59,835)	807,716
Net Profit for the period	-	-	-	1,311	-	-	1,311
Foreign currency translation reserves	-	-	615	-	-	-	615
Balance at end of period	112,564	289,396	12,796	246,568	208,153	(59,835)	809,642

**Note :**

There are no comparative figures as this is the first interim financial report prepared in accordance with MASB 26 - Interim Financial Report

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2002.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST**  
**QUARTER ENDED 30 SEPTEMBER 2002**

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**1. Accounting policies and methods of computation**

The interim financial report has been prepared in accordance with MASB 26 “Interim Financial Reporting” and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2002 except for the adoption of MASB 22 “Segmental Reporting”, MASB 24 “Financial Instruments: Disclosure and Presentation” and MASB 25 “Income Tax”.

The adoption of MASB 22 does not have effect on the financial results of the Group for the financial year- to-date nor shareholders’ funds of the Group.

The effects of the adoption of MASB 24 on the Group’s financial statements are as follows:-

<b>Condensed Consolidated Balance Sheet</b>	<b>As Previously Reported</b>	<b>MASB 24 Reclassification</b>	<b>As Restated</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
<b>As At 30 June 2002</b>			
Shareholders Funds	598,123	208,153	806,276
Irredeemable Convertible Unsecured Loan Stocks	208,153	(208,153)	-

The effects of the adoption of MASB 25 on the Group’s financial statements are as follows:-

<b>Condensed Consolidated Balance Sheet</b>	<b>As Previously Reported</b>	<b>MASB 25 Adjustment</b>	<b>As Restated</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
<b>As At 30 June 2002</b>			
Deferred Tax Assets	-	10,000	10,000
Other Deferred Liabilities	81,307	20,000	101,307
Retained Profits	243,817	1,440	245,257
Minority interest	574,009	(11,440)	562,569

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

There were no qualification on audit report of the preceding annual financial statements.

**3. Seasonality or cyclicity of interim operations**

The Group’s interim operations are not affected materially by any seasonal or cyclical factors for the quarter under review.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST**  
**QUARTER ENDED 30 SEPTEMBER 2002**

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**4. Nature and amount 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.

**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 prior financial years.

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

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial year-to-date other than as mentioned below:-

- (i) The Executive Share Option Scheme (“ESOS”) of the Company was implemented with effect from 24 December 1999. During the current year to-date , there were no ordinary shares of RM0.50 each issued and allotted pursuant to the exercise of the ESOS.
- (ii) There was no share buy back from the open market during the current year to-date. The total number of shares bought back as at 30 September 2002 was 7,344,000 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.
- (iii) The Company had, on 28 June 2002, allotted 208,152,780 nominal value of ICULS and the same were listed on the KLSE on 10 July 2002. During the current financial year-to-date, there were no ordinary shares of RM0.50 each issued and allotted pursuant to the conversion of the ICULS.

**7. Dividends paid**

There were no dividend paid during the financial year-to-date.

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**QUARTER ENDED 30 SEPTEMBER 2002**

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**8. Segmental Reporting**

The Group's segmental report for the financial year-to-date are as follows:-

	Semi-conductor	Motorcycles	Building Materials	Packaging	Investment holding & others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	219,866	101,715	124,637	53,451	17,097	516,766
<b>Results</b>						
Profit from operations	21,346	4,338	14,686	4,869	(4,041)	41,198
Finance Costs						(27,807)
Share of Profit of Associated Companies						6,877
Profit Before Taxation						20,268
Taxation						(9,982)
Profit After Taxation						10,286
Minority Interest						(8,975)
Net Profit for the Period						<b>1,311</b>

**9. Valuations of property, plant and equipment**

The valuation of property, plant and equipment have been brought forward without any amendments from the previous annual financial statements.

**10. Material Events Not Reflected In The Financial Statements**

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

**11. Changes in the composition of the Group**

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

- (i) Joint Steel Works Sdn Bhd, a wholly-owned subsidiary, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The liquidation is currently pending tax clearance from the Inland Revenue Board.
- (ii) HL Maruken Sdn Bhd, a 70% subsidiary, had been placed under members' voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The liquidation is currently pending tax clearance from the Inland Revenue Board.

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**QUARTER ENDED 30 SEPTEMBER 2002**

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- (iii) The Jersey Financial Services Commission had, at the request of HLI Holdings Limited (“HLIH”), an indirect subsidiary, dissolved HLIH and removed the name of HLIH from the Register of Companies.
- (iv) The Liquidator of Jasa Court Sdn Bhd (“Jasa Court”), a wholly-owned subsidiary of the Company had, on 10 September 2002 convened a Final Meeting to conclude the Member’s Voluntary Liquidation of Jasa Court. A Return by Liquidator Relating To Final Meeting was lodged with the Registrar of Companies and with the Official Receiver on 17 September 2002 and on the expiration of 3 months after the said lodgement date, i.e. 17 September 2002, Jasa Court shall be dissolved.
- (v) The Liquidator of Jadipack Industries Sdn Bhd (“Jadipack”), an indirect subsidiary of the Company had, on 10 September 2002 convened a Final Meeting to conclude the Member’s Voluntary Liquidation of Jadipack. A Return by Liquidator Relating To Final Meeting was lodged with the Registrar of Companies and with the Official Receiver on 17 September 2002 and on the expiration of 3 months after the said lodgement date, i.e. 17 September 2002, Jadipack shall be dissolved.
- (vi) The Company had acquired 2 shares of HK\$1.00 each, at par representing 100% equity interest in MZ Holdings Limited (“MZH”), a company incorporated in Hong Kong and had subsequently further subscribed for 9,998 shares of HK\$1.00 each, at par.  
On 11 June 2002, MZH had entered into a share subscription agreement with Mr Piti Manomaiphikul (“PM”), Mrs Daranit Srifuengfung, the spouse of PM, Millennium Motors Company Limited (“MMCL”) and the remaining shareholders of MMCL, for the subscription by MZHL of 9,800,000 ordinary shares of par value Thai Baht ten (10) each representing 49% of the enlarged paid-up share capital of MMCL for a total cash subscription price of Thai Baht 98,000,000 (equivalent to approximately RM8,805,300). The subscription was completed on 8 August 2002.

**12. Contingent liabilities or contingent assets**

There are no contingent liabilities or contingent assets to be disclosed as at the date of this report.

**13. Review of Performance**

For the current quarter under review, the Group recorded a profit after tax of RM10.29 million as compared with a loss after tax of RM50.30 million for the preceding year corresponding quarter. The losses for the preceding year's corresponding quarter was mainly due to the share of losses of associated companies amounting to RM25.67 million. The improvement in current quarter is also attributable significantly to the overall improvement of the semiconductor sector.

**14. Material changes in profit before taxation**

For the quarter under review, the Group recorded a profit before tax of RM20.27 million as compared with a profit before tax of RM14.36 million for the preceding quarter. The improvement is attributable mainly to the overall improvement in semiconductor sector coupled with the increase in share of profit of associated companies.

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**QUARTER ENDED 30 SEPTEMBER 2002**

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**15. Prospects**

Barring any unforeseen circumstances, the Board expects the Group's businesses to perform better than last financial year.

**16. Profit forecast / profit guaranteed**

This note is not applicable.

**17. Taxation**

Taxation comprise :-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2002 RM'000	Preceding Year Corresponding Quarter 30/09/2001 RM'000	Current Year- To-Date 30/09/2002 RM'000	Preceding Year Corresponding Period 30/09/2001 RM'000
Taxation				
- Current Year	4,958	4,148	4,958	4,148
- Under/(over) provision in prior year	60	(110)	60	(110)
Deferred taxation				
- Current Year	5,098	4,752	5,098	4,752
- Over provision in prior years	-	(286)	-	(286)
Share of associated companies' taxation	(134)	-	(134)	-
	<u>9,982</u>	<u>8,504</u>	<u>9,982</u>	<u>8,504</u>

The Group's effective tax rate is higher than the statutory tax rate due to the non-availability of group relief where tax losses of certain subsidiary companies cannot be set-off against the taxable income of other subsidiary companies.

**18. Sale of unquoted investments and/or properties**

There were no sales of unquoted investments and/or properties for the current quarter and financial year to-date.

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**19. Quoted securities**

- (a) There were no purchases or disposals of quoted securities (other than securities in existing subsidiaries and associated companies) for the current quarter and year-to-date other than as mentioned below:-

	<b>Current Year Quarter</b>	<b>Current Year To- date</b>
	<b>30/09/2002 RM'000</b>	<b>30/09/2002 RM'000</b>
(i) Purchase consideration	4,362	4,362

- (b) Particulars of investments in quoted securities as at 30 September 2002 :-

	<b>RM'000</b>
At cost :	
- Associated Company	565,339
- Others	78,655
	<u>643,994</u>
At book value :	
- Associated Company	181,072
- Others	78,300
	<u>259,372</u>
At market value :	
- Associated Company	171,835
- Others	92,573
	<u>264,408</u>

**20. Corporate Proposals**

- (a) There were no corporate proposals announced but not completed other than as mentioned below:-

- (i) The Company had, on 19 April 2002, announced that Guolene Packaging Industries Berhad ("GPIB"), a 96.38% owned subsidiary, proposed to undertake a return of capital to its shareholders amounting to RM72,510,972.50 on the basis of RM0.50 for every one (1) GPIB ordinary share of RM1.00 each held, by the cancellation of RM0.50 from every GPIB ordinary share and the consolidation of every two (2) resultant GPIB ordinary shares of RM0.50 each into one (1) GPIB ordinary share of RM1.00 each ("GPIB Return of Capital").

The approval of the shareholders of GPIB has been obtained on 16 May 2002.

The Court Order was granted by the High Court of Malaya on 11 October 2002 and the same was lodged with the Registrar of Companies on 16 October 2002. Accordingly, the GPIB Return of Capital was effected on the same date.

A Certificate of Lodgement of Order of High Court Confirming Reduction Of Share Capital was issued by the Registrar of Companies on 16 October 2002.

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(ii) Commerce International Merchant Bankers Berhad, on behalf of the Company had, on 18 June 2002, announced that the Company proposed:-

(i) to amend the existing Bye-Laws of the Executive Share Option Scheme and thereafter to adopt the amended and restated Bye-Laws of the Executive Share Option Scheme (“Scheme”) and;

(ii) to extend the duration of the Scheme for an additional period of five (5) years

(“collectively referred to as Proposals”).

The Securities Commission had, on 30 August 2002, confirmed that the Proposals did not require their prior approval.

The approvals from the grantees of the ESOS options and shareholders of the Company for the Proposals have been obtained on 12 November 2002.

(b) Status of utilisation of proceeds raised from corporate proposals

The status of utilisation of proceeds raised from the Company's ICULS are as follows:

	Approved Utilisation	Actual Utilisation as at 8 November 2002
	RM'000	RM'000
Subscription of Camerlin's ICULS	40,700	40,700
Part Repayment of borrowings	141,253	141,253
Working capitals	25,000	25,000
Estimated expenses for the ICULS	1,200	1,200
	208,153	208,153

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

Particulars of the Group's borrowings and debts securities as at 30 September 2002 are as follows:-

<u>Borrowings</u>	RM'000
(i) Unsecured short term borrowings	664,562
(ii) Unsecured long term borrowings	1,146,986
	1,811,548

The above include borrowing denominated in foreign currency as follows :-

USD borrowings	452,454
Euro borrowings	33,287

Debt securities

(iii) ICULS 2002/2007	208,153
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QUARTER ENDED 30 SEPTEMBER 2002**

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**22. Financial Instruments with Off Balance Sheet Risk**

The Group enters into short-term foreign exchange contracts to hedge its exposure to currency fluctuations affecting certain foreign currency denominated trade payables and receivables.

Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The Off Balance Sheet Risk Financial Instruments balance as at 8 November 2002 are as follow :

	<b>Contract amount RM'000</b>
• Foreign exchange forward contracts	87,310

All of these contracts mature within 12 months.

Gain and losses on foreign exchange forward contracts are recognised as income and expense upon realisation.

**23. Changes in Material Litigation**

There is no material litigation to be disclosed as at the date of this report.

**24. Dividend**

The Board does not recommend any interim dividend for the financial quarter ended 30 September 2002.

**25. Earnings Per Share**

**Basic earnings per ordinary share**

The basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders of RM1,311,000 by the number of ordinary shares outstanding during the quarter of 217,784,500.

**Diluted earnings per ordinary share**

The Group has no dilution in its earnings per ordinary share as the fair value of the ordinary shares for the quarter is lower than the exercise price of the options. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its profit per share.

By Order of the Board  
Hong Leong Industries Berhad

Queek Chai Choo  
Joanne Leong Wei Yin  
Company Secretaries

Kuala Lumpur  
14 November 2002