

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2003

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE QUARTER ENDED 31 MARCH 2003

| | Individual Quarter | | Cumulative Quarter | |
|---|---|--|--|---|
| | Current Year Quarter 31/03/2003 RM'000 | Preceding Year Corresponding Quarter 31/03/2002 RM'000 | Current Year- To-Date 31/03/2003 RM'000 | Preceding Year Corresponding Period 31/03/2002 RM'000 |
| Revenue | 494,079 | 447,857 | 1,489,658 | 1,385,277 |
| Operating Expenses | (477,846) | (442,552) | (1,413,374) | (1,367,136) |
| Other Operating Income | 15,379 | 6,404 | 29,336 | 25,411 |
| Profit from Operations | 31,612 | 11,709 | 105,620 | 43,552 |
| Finance Costs | (27,278) | (26,746)* | (82,545) | (91,398)* |
| Share of Profit of Associated Companies | (2,079) | 1,222 | 5,735 | (25,744) |
| Profit/(Loss)Before Taxation | 2,255 | (13,815) | 28,810 | (73,590) |
| Taxation | (10,380) | (8,047) | (29,558) | (23,192) |
| Loss After Taxation | (8,125) | (21,862) | (748) | (96,782) |
| Minority Interest | (3,206) | 5,185 | (15,570) | 13,389 |
| Net Loss for the Period | (11,331) | (16,677) | (16,318) | (83,393) |
| Loss Per Share (sen) :- | | | | |
| (a) Basic | (5.20) | (7.66) | (7.49) | (38.29) |
| (b) Fully diluted | N/A | N/A | N/A | N/A |

* Note : Finance Costs for Preceding Year has been adjusted to reflect Gross Finance Costs as opposed to Net Finance Costs as announced last year.

The Condensed Consolidated Income Statement 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 31 MARCH 2003

| | As at end of current quarter 31/03/2003 RM'000 | As at preceding financial year end 30/06/2002 RM'000 |
|---|---|---|
| Property, Plant and Equipment | 1,451,551 | 1,524,119 |
| Investment in Associated Companies | 227,872 | 160,003 |
| Other Investments | 458,755 | 497,197 |
| Intangible Assets | 494,405 | 495,120 |
| Deferred Tax Assets | 10,000 | 10,000 |
| Current Assets | | |
| Property assets | 33,814 | 36,432 |
| Inventories | 260,036 | 216,802 |
| Debtors | 586,692 | 628,699 |
| Other investments | 38,009 | 500 |
| Cash | 265,367 | 473,620 |
| | <u>1,183,918</u> | <u>1,356,053</u> |
| Current Liabilities | | |
| Trade and Other Payables | 662,720 | 691,242 |
| Overdraft and Short Term Borrowings | 597,234 | 694,750 |
| Taxation | 13,542 | 32,203 |
| | <u>1,273,496</u> | <u>1,418,195</u> |
| Net Current Liabilities | <u>(89,578)</u> | <u>(62,142)</u> |
| | <u>2,553,005</u> | <u>2,624,297</u> |
| Share Capital | 112,564 | 112,564 |
| Reserves | 529,236 | 546,834 |
| Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS") | 208,153 | 208,153 |
| Treasury Shares | (59,835) | (59,835) |
| Shareholders Funds | <u>790,118</u> | <u>807,716</u> |
| Minority Interest | 546,574 | 562,569 |
| Long Term Liabilities | | |
| Borrowings | 321,880 | 373,481 |
| EuroConvertible Bonds | 279,224 | 279,224 |
| Redeemable Bonds | 500,000 | 500,000 |
| Other Deferred Liabilities | 115,209 | 101,307 |
| | <u>1,216,313</u> | <u>1,254,012</u> |
| | <u>2,553,005</u> | <u>2,624,297</u> |
| Net Tangible Assets Per Share (sen) | 40 | 48 |

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2003

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2003

| | Current Year- To-Date |
|--|-----------------------|
| | 31/03/2003 RM'000 |
| Profit Before Taxation | 28,810 |
| Adjustment for:- | |
| Depreciation and amortisation | 202,073 |
| Share of profit of associated companies | (5,735) |
| Net financing cost | 66,614 |
| Non-cash items | (7,701) |
| Operating profit before changes in working capital | <u>284,061</u> |
| Changes in working capital | |
| Net change in current assets | (1,909) |
| Net change in current liabilities | (39,576) |
| Income tax paid | (37,835) |
| Net financing cost paid | (66,614) |
| Net cash flows from operating activities | <u>138,127</u> |
| Investing Activities | |
| Equity investments | (63,733) |
| Other investments | (127,033) |
| Net cash flows used in investing activities | <u>(190,766)</u> |
| Financing Activities | |
| Dividend paid to minority shareholders | (21,483) |
| Dividend paid to shareholders | (3,920) |
| Net repayment of bank borrowings | (6,109) |
| Net cash flows used in financing activities | <u>(31,512)</u> |
| Net Change in Cash and Cash Equivalents | (84,151) |
| Cash & Cash Equivalent at Beginning of Year | 284,516 |
| Cash & Cash Equivalent at End of Period | <u>200,365</u> |

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2003

| | Share Capital | Share Premium | Other Reserves | Retained profits | Irredeemable Convertible Unsecured Loan Stocks | Treasury Shares | Total |
|---|------------------|------------------|-------------------|---------------------|---|--------------------|----------|
| | RM'000 | | | RM'000 | RM'000 | RM'000 | RM'000 |
| Current year-to-date ended 31 March 2003 | | | | | | | |
| 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 Loss for the period | - | - | - | (16,318) | - | - | (16,318) |
| Foreign currency translation reserves | - | - | 2,640 | - | - | - | 2,640 |
| Dividend paid | | | | (3,920) | | | (3,920) |
| Reclassification to Capital Redemption Reserve | | | 70 | (70) | | | - |
| Balance at end of period | 112,564 | 289,396 | 14,891 | 224,949 | 208,153 | (59,835) | 790,118 |

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2003

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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 the shareholders’ funds of the Group as at 31 March 2003.

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

| Condensed Consolidated Balance Sheet | As Previously Reported | MASB 24 Reclassification | As Restated |
|--|-------------------------------|---------------------------------|--------------------|
| | RM’000 | RM’000 | RM’000 |
| As At 30 June 2002 | | | |
| 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:-

| Condensed Consolidated Balance Sheet | As Previously Reported | MASB 25 Adjustment | As Restated |
|---|-------------------------------|---------------------------|--------------------|
| | RM’000 | RM’000 | RM’000 |
| As At 30 June 2002 | | | |
| 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2003

The figures have not been audited

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 the prior interim period of the current financial year nor in the 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 financial 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 financial year-to-date. The total number of shares bought back as at 31 March 2003 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 Kuala Lumpur Stock Exchange 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**

The company has paid the following dividend during the financial year-to-date:-

| | Current Year-To-Date RM'000 |
|---|--|
| Gross interim dividend of 2.5 sen per RM0.50 ordinary share less tax paid on 31 March 2003. | 3,920 |

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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 |
| Revenue | 643,494 | 256,372 | 364,398 | 158,014 | 67,380 | 1,489,658 |
| Results | | | | | | |
| Profit from operations | 44,913 | 1,398 | 39,818 | 14,111 | 5,380 | 105,620 |
| Finance Costs | | | | | | (82,545) |
| Share of Profit of Associated Companies | | | | | | 5,735 |
| Profit Before Taxation | | | | | | 28,810 |
| Taxation | | | | | | (29,558) |
| Loss After Taxation | | | | | | (748) |
| Minority Interest | | | | | | (15,570) |
| Net loss for the Period | | | | | | (16,318) |

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 current quarter, 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) Hong Leong 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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- (iii) Mai Kah Corporation 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 and Mr. Ling Kam Hoong of Messrs Ling Kam Hoong & Co, has been appointed as liquidator on 13 March 2003. The liquidation is currently pending tax clearance from the Inland Revenue Board.
- (iv) Malaysian Pacific Industries Berhad ("MPI"), a 61.1% owned subsidiary had, on 10 March 2003, announced that its wholly-owned subsidiary, Dyna-Craft Marketing, Inc ("DCMI"), a corporation incorporated in California, had been placed under member's liquidation pursuant to Section 331 of the Internal Revenue Code of the United States of America.
- (v) The Company had undertaken internal restructuring exercise involving:
 - a) the transfer of its entire equity interests in five (5) subsidiary companies to its wholly-owned subsidiary, Guocera Holdings Sdn. Bhd.(formerly known as Guocera Tile Industries (Kluang) Sdn Bhd)("GTI (Kluang)"), for a total consideration of RM42,078,910.00 ("Consideration"). The Consideration is satisfied by the issuance and allotment of 4,200 new redeemable preference shares ("RPS") in GTI (Kluang) at an issue price of RM10,000.00 per RPS comprising a nominal value of RM100.00 and a premium of RM9,900.00 each, credited as fully paid-up, and cash payment of RM78,910.00 ("Transfer of Shares").

Particulars of the five (5) subsidiaries are as follows:

Guocera Tile Industries Sdn. Bhd. (formerly known as Guocera Tile Industries (Kapar) Sdn Bhd ("GTI (Kapar)") -100%
Ceramic Research Company Sdn Bhd - 100%
Guocera Marketing Sdn Bhd - 100%
Guocera Tile Industries (Labuan) Sdn Bhd - 70%
Guocera Tile Industries (Meru) Sdn Bhd - 64%

- b) transfer of GTI (Kluang)'s business of manufacture and sale of ceramic tiles ("Business") and assets (excluding land and building) ("Assets") to GTI (Kapar), for a sum equivalent to the unaudited net tangible asset ("NTA") value of GTI (Kluang)'s Business and Assets as at 31 March 2003 ("Transfer of Business and Assets)

The Transfer of Shares and Transfer of Business and Assets were completed on 31 March 2003.

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- (vi) Malaysian Pacific Industries Berhad (“MPI”), a 61.1% owned subsidiary had, on 2 May 2003, announced that its 70% subsidiary Carsem (M) Sdn Bhd (“CM”), had on 2 May 2003 entered into a Share Purchase Agreement with Malaysian Pacific Industries Berhad and Permodalan Nasional Berhad (“PNB”) for the proposed acquisition by CM of the entire share capital comprising 100,000,000 ordinary shares of RM1.00 each in Carsem Semiconductor Sdn Bhd (“CS”) from MPI and PNB, for a total cash consideration of RM180.0 million. MPI and PNB hold respectively 70% and 30% equity interest in CS (“Proposed CS Transfer”).

Upon completion of the Proposed CS Transfer, CS will transfer its business together with certain assets and liabilities (“CS Business”) to CM for cash consideration based on the book value of the CS Business as at the completion date of the transfer of the CS Business (“Proposed Transfer of CS Business”). Upon completion of the Proposed Transfer of CS Business, CM will take over CS's operations of manufacturing and testing of semiconductor devices and CS will become a dormant company.

The Proposed CS Transfer is currently pending approvals from the shareholders of MPI & HLI.

12. Contingent liabilities or contingent assets

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

13. Review of Performance

For the current quarter under review, the Group recorded a profit before tax of RM2.3 million as compared with a loss before tax of RM13.8 million for the preceding year's corresponding quarter. The improvement is attributable mainly to the improvement in the semiconductor sector.

14. Material changes in profit before taxation

For the quarter under review, the Group recorded a profit before tax of RM2.3 million as compared with a profit before tax of RM6.3 million for the preceding quarter. The decrease is mainly due to the share of loss of an associated company.

15. Prospects

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

16. Profit forecast / profit guaranteed

This note is not applicable.

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17. Taxation

Taxation comprise :-

| | Individual Quarter | | Cumulative Quarter | |
|--|-------------------------|--|--------------------------|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year- To-Date | Preceding Year Corresponding Period |
| | 31/03/2003 RM'000 | 31/03/2002 RM'000 | 31/03/2003 RM'000 | 31/03/2002 RM'000 |
| Taxation | | | | |
| - Current Year | 7,851 | 3,576 | 17,364 | 9,931 |
| - Under/(over) provision in prior year | 75 | (96) | (1) | (96) |
| Deferred taxation | | | | |
| - Current Year | 2,394 | 4,752 | 13,017 | 14,256 |
| - Over provision in prior years | (144) | (359) | (294) | (1,074) |
| Share of associated companies' taxation | 204 | 174 | (528) | 175 |
| | <u>10,380</u> | <u>8,047</u> | <u>29,558</u> | <u>23,192</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.

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 financial year-to-date other than as mentioned below:-

| | Current Year Quarter | Current Year-To-date |
|--------------------|-------------------------|-------------------------|
| | 31/03/2003 RM'000 | 31/03/2003 RM'000 |
| | (i) Purchases | - |
| (ii) Disposal | | |
| Sale proceeds | 4,930 | 4,930 |
| Cost of investment | (2,941) | (2,941) |
| Gain on disposal | <u>1,989</u> | <u>1,989</u> |

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(b) Particulars of investments in quoted securities as at 31 March 2003:-

| | RM'000 |
|----------------------|----------------|
| At cost : | |
| - Associated Company | 565,339 |
| - Others | 79,520 |
| | <u>644,859</u> |
| At book value : | |
| - Associated Company | 178,217 |
| - Others | 92,857 |
| | <u>271,074</u> |
| At market value : | |
| - Associated Company | 143,131 |
| - Others | 94,093 |
| | <u>237,224</u> |

20. Corporate Proposals

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

21. Group's borrowings and debt securities

Particulars of the Group's borrowings and debts securities as at 31 March 2003 are as follows:-

| <u>Borrowings</u> | RM'000 |
|-------------------------------------|------------------|
| (i) Unsecured short term borrowings | 597,234 |
| (ii) Unsecured long term borrowings | 1,101,104 |
| | <u>1,698,338</u> |

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

| | |
|-----------------|---------|
| USD borrowings | 244,344 |
| Euro borrowings | 41,658 |

Debt securities

| | |
|-----------------------|----------------|
| (iii) ICULS 2002/2007 | <u>208,153</u> |
|-----------------------|----------------|

22. Financial Instruments with Off Balance Sheet Risk

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

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

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The Off Balance Sheet Risk Financial Instruments balance as at 16 May 2003 are as follow :

| | Contract amount RM'000 |
|------------------------------------|-----------------------------------|
| Foreign exchange forward contracts | 167,929 |

The above contacts are maturing within a period of 6 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 as at the date of this report.

24. Dividend

- (a) The Board does not recommend any second interim dividend for the financial year ending 30 June 2003 (financial 2001/2002 : 4.0 sen per share tax exempt and 5.0 sen per share less tax).
- (b) For the financial year-to-date, total gross dividend of 2.5 sen per share less tax has been declared (financial year 2001/2002: 7.5 sen per share tax exempt, 10 sen per share less tax).

25. Earnings Per Share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the net loss attributable to ordinary shareholders of RM10,974,000 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 earnings per share.

By Order of the Board
Hong Leong Industries Berhad

Queek Chai Choo
Joanne Leong Wei Yin
Company Secretaries

Kuala Lumpur
21 May 2003