

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

The figures have not been audited

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2003**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2003 RM'000	Preceding Year Corresponding Quarter 30/06/2002 RM'000	Current Year- To-Date 30/06/2003 RM'000	Preceding Year Corresponding Period 30/06/2002 RM'000
Revenue	554,762	564,991	2,044,420	1,950,268
Operating expenses	(520,700)	(534,159)	(1,934,074)	(1,901,295)
Other operating income	11,900	12,541	41,236	37,952
Profit from operations	45,962	43,373	151,582	86,925
Finance costs	(22,777)	(27,871)*	(99,003)	(119,269)*
Share of losses of associated companies	(7,113)	(1,146)	(1,378)	(26,890)
Profit / (loss) before taxation	16,072	14,356	51,201	(59,234)
Taxation	36,474	1,604	6,916	(21,588)
Profit / (loss) after taxation	52,546	15,960	58,117	(80,822)
Minority interest	(33,540)	(8,288)	(49,110)	1,968
Net Profit / (loss) for the Period	19,006	7,672	9,007	(78,854)
Earnings / (loss) per share (sen) :-				
(a) Basic	7.77	3.52	0.28	(36.21)
(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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2003

	As at end of current quarter 30/06/2003 RM'000	As at preceding financial year end 30/06/2002 RM'000
Property, plant and equipment	1,434,430	1,524,119
Investment in associated companies	189,243	160,003
Other investments	512,844	497,197
Intangible assets	494,300	494,811
Deferred tax assets	1,500	1,500
Current assets		
Property assets	25,285	36,432
Inventories	249,427	216,802
Debtors	587,261	628,699
Other investments	41,271	500
Cash	277,236	473,620
	<u>1,180,480</u>	<u>1,356,053</u>
Current liabilities		
Trade and other payables	680,288	691,242
Overdraft and short term borrowings	602,738	694,750
Taxation	6,282	32,203
	<u>1,289,308</u>	<u>1,418,195</u>
Net current liabilities	<u>(108,828)</u>	<u>(62,142)</u>
	<u>2,523,489</u>	<u>2,615,488</u>
Share capital	112,564	112,564
Reserves	558,889	535,953
Treasury shares	(59,835)	(59,835)
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	208,153	208,153
Shareholders funds	<u>819,771</u>	<u>796,835</u>
Minority interest	543,231	561,735
Long term liabilities		
Borrowings	297,027	373,481
Other long term liabilities	84,236	104,213
EuroConvertible Bonds	279,224	279,224
Redeemable Bonds	500,000	500,000
	<u>1,160,487</u>	<u>1,256,918</u>
	<u>2,523,489</u>	<u>2,615,488</u>
Net tangible assets per share (sen)	54	43

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 FOURTH QUARTER ENDED 30 JUNE 2003

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Current Year - To- Date 30/06/2003 RM'000	Preceding Year Corresponding Period 30/06/2002 RM'000
Profit/(Loss) before taxation	51,201	(59,234)
Adjustment for:-		
Depreciation and amortisation	266,926	272,148
Share of profits of associated companies	1,378	26,890
Non cash items	(2,930)	25,739
Net financing costs	82,804	95,622
Operating profit before changes in working capital	399,379	361,165
Changes in working capital		
Net change in current assets	109,837	(246,750)
Net change in current liabilities	(113,796)	204,245
Income tax paid	(46,889)	(20,236)
Non-operating income/(expense)	281	(531)
Net financing cost paid	(82,804)	(95,622)
Net cash flows from operating activities	266,008	202,271
Investing Activities		
Equity investments	(46,775)	(3,800)
Other investments	(164,123)	(139,278)
Net cash flows used in investing activities	(210,898)	(143,078)
Financing Activities		
Transactions with owners	(68,442)	(118,687)
Net repayment of bank borrowings	(50,718)	(147,861)
Proceed from issue of ICULS	-	208,153
Payment of ICULS interest	(8,395)	-
Net cash flows used in financing activities	(127,555)	(58,395)
Net change in cash and cash equivalents	(72,445)	798
Cash & cash equivalent at beginning of year	284,516	282,742
Effect of exchange rate change	(1,680)	976
Cash & cash equivalent at end of year	210,391	284,516

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2003

	Share capital	Share premium	Other reserves	Retained profits	Treasury shares	Irredeemable Convertible Unsecured Loan Stocks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2001	112,564	289,396	22,075	353,850	(59,835)	-	718,050
Effect of adopting MASB 25				(8,605)			(8,605)
At 1 July 2001- Restated	112,564	289,396	22,075	345,245	(59,835)	-	709,445
Net Loss for the year				(78,854)			(78,854)
Dividend paid				(32,015)			(32,015)
Foreign currency translation difference			(9,894)				(9,894)
Issue of ICULS						208,153	208,153
At 1 July 2002- Restated	112,564	289,396	12,181	234,376	(59,835)	208,153	796,835
Net Profit for the year				9,007			9,007
Dividend paid				(3,920)			(3,920)
Interest on ICULS				(8,395)			(8,395)
Realisation on Foreign currency translation reserves			2,448	(2,448)			-
Change of equity in associated company			(673)				(673)
Foreign currency translation reserves			27,533	(616)			26,917
Transfer			43	(43)			-
Balance at end of year	112,564	289,396	41,532	227,961	(59,835)	208,153	819,771

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 FOURTH QUARTER ENDED 30 JUNE 2003

The figures have not been audited

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 23 "Impairment of Assets", MASB 24 "Financial Instruments, Disclosure and Presentation", MASB 25 "Income Tax" and MASB 27 "Borrowing Costs".

The adoption of MASB 22, 23, 24 and 27 do 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 and MASB 25 on the Group's financial statements are as follows:-

	As Previously Reported RM'000	Effect of adopting MASB 24 RM'000	Effect of adopting MASB 25 RM'000	As Restated RM'000
Condensed Consolidated Balance Sheet				
As At 30 June 2002				
Shareholders Funds	598,123	208,153	(9,441)	796,835
Irredeemable Convertible Unsecured Loan Stocks	208,153	(208,153)	-	-
Intangible Assets	495,120	-	(309)	494,811
Deferred Tax Assets	-	-	1,500	1,500
Reserves	545,394	-	(9,441)	535,953
Minority Interest	574,009	-	(12,274)	561,735
Other Long Term Liabilities	81,307	-	22,906	104,213
Condensed Consolidated Income Statement				
For The Year Ended 30 June 2002				
Taxation	(22,319)	-	731	(21,588)
Minority interest	3,535	-	(1,567)	1,968

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

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

The figures have not been audited

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.

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

The figures have not been audited

8. Segmental Reporting

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

	Motorcycles	Building materials	Semi-conductor	Packaging	Investment holding & others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	350,642	507,887	882,523	206,758	96,610	2,044,420
Results						
Segment results	(2,889)	66,225	67,318	17,379	5,314	153,347
Unallocated corporate expenses						(1,765)
Profit from operations						151,582
Finance costs						(99,003)
Share of profits of associated companies						(1,378)
Profit before taxation						51,201
Taxation						6,916
Profit after taxation						58,117
Minority interest						(49,110)
Net Profit for the year						9,007

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

The figures have not been audited

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 other than as mentioned below:-

- (i) HLI had, on 30 July 2003, obtained its shareholders' mandate to purchase and/or dispose of up to 20,000,000 ordinary shares of RM0.50 each in MPI ("MPI Shares"), representing approximately 10% of the adjusted issued and paid-up share capital of MPI, through the open market or stockbrokers as part of the HLI Group's investment holding activities.

The HLI Group had, on 26 July 2003, placed out 5,000,000 MPI Shares, representing 2.51% equity interest in MPI at RM14.40 per MPI Share and on 19 August 2003, HLI placed out another 5,000,000 MPI Shares for a total cash consideration of RM74,500,000 or RM14.90 per MPI Share (before expenses) ("Placements")

After the Placements, the HLI Group's equity interest in MPI is reduced from 121,609,547 ordinary shares of RM0.50 each to 111,609,547 ordinary shares of RM0.50 each, representing 56.11% of the adjusted issued and paid-up share capital of MPI.

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) The following Company's subsidiaries had been placed under member's liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The liquidations are currently pending tax clearance from the Inland Revenue Board :-
 - (a) Joint Steel Works Sdn Bhd, a wholly-owned subsidiary;
 - (b) Hong Leong Maruken Sdn Bhd, a 70% subsidiary; and
 - (c) Mai Kah Corporation Sdn Bhd, a wholly owned subsidiary
- (ii) Dyna-Craft Marketing, Inc ("DCMI"), a wholly-owned subsidiary of Malaysian Pacific Industries Berhad ("MPI"), which is in turn a a 61.1% owned subsidiary of the Company, had been placed under member's liquidation pursuant to Section 331 of the Internal Revenue Code of the United States of America. DCMI was wound up/dissolved on 23 June 2003.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

The figures have not been audited

- (iii) Carsem (M) Sdn Bhd (“CM”), a 70% subsidiary of MPI, had on 2 May 2003, entered into a Share Purchase Agreement with MPI and Permodalan Nasional Berhad to acquire the entire share capital of Carsem Semiconductor Sdn Bhd (“CS”) comprising 100,000,000 ordinary shares of RM1.00 each, for a total cash consideration of RM180 million (“Acquisition”). The Acquisition was completed on 18 June 2003.

On 26 June 2003, CS transferred its business together with certain assets and liabilities to CM for a total consideration of RM453,031,485.57.

- (iv) The Company, had, on 30 June 2003, entered into a Sale and Purchase Agreement with Malex Industrial Products Sdn Bhd (“MIP”), an indirect subsidiary of Hume Industries (Malaysia) Berhad (“HIMB”) and a related company of HLI, for the disposal of the entire equity interest comprising 5,000,000 ordinary shares of RM1.00 each in Hume Cemboard Marketing Sdn Bhd (formerly known as HLI Vinyl Industries Sdn Bhd) to MIP, for a total cash consideration of RM2,000 (“Disposal”). The Disposal was completed on the same day.
- (v) Techad Sdn Bhd (formerly known as Carsem Advanced Technologies Sdn Bhd), a wholly owned subsidiary of MPI, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. Mr. Ling Kam Hoong of Messrs Ling Kam Hoong & Co, has been appointed as liquidator.

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

The Group recorded a revenue and profit before tax of RM554.8 million and RM16.1 million respectively for the current quarter under review as compared with RM565.0 million and RM14.4 million respectively in the preceding year's corresponding quarter. The increase in profit is mainly attributable to improvement of building materials and semiconductor sectors, offset partly by the increase in share of losses of an associated company.

14. Material changes in profit before taxation

For the quarter under review, the Group recorded a profit before tax of RM16.1 million as compared with a profit of RM4.3 million in the preceding quarter. The increase is mainly attributable to improvement of building materials and semiconductor sectors, offset partly by the increase in share of losses of an associated company.

15. Prospects

Barring any unforeseen circumstances, the Group expects its performance to improve further in the financial year ending 30 June 2004.

16. Profit forecast / profit guaranteed

This note is not applicable.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

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17. Taxation

Taxation comprise :-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2003 RM'000	Preceding Year Corresponding Quarter 30/06/2002 RM'000	Current Year- To-Date 30/06/2003 RM'000	Preceding Year Corresponding Period 30/06/2002 RM'000
Taxation				
- Current Year	(11,087)	(14)	6,277	9,917
- Under/(over) provision in prior year	8,611	(3,166)	9,097	(3,262)
Deferred taxation				
- Current Year	(35,077)	1,792	(21,918)	16,048
- Under/(over) provision in prior year	1,039	(348)	114	(1,422)
Share of associated companies' taxation	40	132	(486)	307
	(36,474)	(1,604)	(6,916)	21,588

The Group's effective tax rate is lower than the statutory tax rate due mainly to the recognition of deferred tax asset in respect of unutilised capital allowance consequent to the completion of transfer of business from CS to CM on 26 June 2002 as discussed under Note 11(iii) above offset partly by 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 other than as mentioned below:-

	Current Year Quarter 30/06/2003 RM'000	Current Year To-date 30/06/2003 RM'000
Disposal of properties		
Sale proceeds	10,650	14,707
Cost of investment	(8,698)	(11,148)
Profit on disposal	1,952	3,559

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

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

	Current Year Quarter	Current Year -To-date
	30/06/2003 RM'000	30/06/2003 RM'000
(i) Purchases	-	8,168
(ii) Disposal		
Sale proceeds	4,930	4,930
Cost of investment	(2,941)	(2,941)
Gain on disposal	1,989	1,989

- (b) Particulars of investments in quoted securities as at 30 June 2003:-

	RM'000
At cost :	
- Associated Company	511,250
- Others	133,610
	<u>644,860</u>
At book value :	
- Associated Company	139,042
- Others	150,208
	<u>289,250</u>
At market value :	
- Associated Company	103,528
- Others	160,513
	<u>264,041</u>

20. Corporate Proposals

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

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21. Group's borrowings and debt securities

Particulars of the Group's borrowings and debts securities as at 30 June 2003 are as follows:-

<u>Borrowings</u>	RM'000
(i) Unsecured short term borrowings	602,738
(ii) Unsecured long term borrowings	1,076,251
	<u>1,678,989</u>

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

USD borrowings	513,434
Euro borrowings	44,128

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.

The Off Balance Sheet Risk Financial Instruments balance as at 21 August 2003 are as follow :

	Contract amount RM'000
Foreign exchange forward contracts	143,023

The above contacts are maturing within a period of 6 months.

Gains and losses on foreign exchange forward contracts are recognised in the income statements upon realisation.

23. Changes in Material Litigation

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

24. Dividend

- The Board does not recommend any final dividend for the year ended 30 June 2003 (financial year 2001/2002: nil).
- A total gross dividend of 2.5 sen per share less tax has been paid during the financial year-to-date (financial year 2001/2002: 7.5 sen per share tax exempt, 10 sen per share less tax).

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2003

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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 RM16,930,000 (after deducting ICULS interest of RM2,076,000) 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
28 August 2003