

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003**

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2003 RM'000	Preceding Year Corresponding Quarter 30/09/2002 RM'000	Current Year- To-Date 30/09/2003 RM'000	Preceding Year Corresponding Period 30/09/2002 RM'000
Revenue	560,626	516,766	560,626	516,766
Operating expenses	(515,341)	(480,966)	(515,341)	(480,966)
Other operating income	1,295	1,108*	1,295	1,108*
Operating profit	46,580	36,908	46,580	36,908
Interest income	3,498	4,290	3,498	4,290
Finance cost	(23,154)	(25,640)**	(23,154)	(25,640)**
Share of profits of associated companies	2,509	6,877	2,509	6,877
Profit before taxation	29,433	22,435	29,433	22,435
Taxation	(4,445)	(9,982)	(4,445)	(9,982)
Profit after taxation	24,988	12,453	24,988	12,453
Minority interest	(13,926)	(8,975)	(13,926)	(8,975)
Net Profit for the Period	11,062	3,478	11,062	3,478
Earnings per share (sen) :-				
(a) Basic	4.12	0.60	4.12	0.60
(b) Fully diluted	N/A	N/A	N/A	N/A

\* Other operating income for preceding year has been adjusted to exclude interest income.

\*\* Finance cost for the preceding year has been adjusted to exclude interest on Irredeemable Convertible Unsecured Loan Stocks 2002/2007 which has been accounted for as cost of equity.

**The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2003.**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003**

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**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2003**

	As at end of current quarter 30/09/2003 RM'000	As at preceding financial year end 30/06/2003 RM'000
Property, plant and equipment	1,424,396	1,434,430
Investment in associated companies	201,484	189,243
Other investments	410,421	512,844
Intangible assets	461,816	494,300
Deferred tax assets	1,500	1,500
Current assets		
Property assets	25,659	25,285
Inventories	248,616	249,427
Trade and other receivables	528,661	502,541
Tax recoverable	73,040	84,720
Short term investments	2,666	41,271
Deposits, cash and bank balances	384,854	277,236
	1,263,496	1,180,480
Current liabilities		
Trade and other payables	637,263	680,288
Short term borrowings and overdraft	535,741	602,738
Taxation	6,831	6,282
	1,179,835	1,289,308
Net current assets/(liabilities)	83,661	(108,828)
	2,583,278	2,523,489
Share capital	112,564	112,564
Reserves	580,415	558,889
Treasury shares	(59,835)	(59,835)
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	208,153	208,153
	841,297	819,771
Minority shareholders' interests	598,396	543,231
Long term and deferred liabilities		
Borrowings	280,629	297,027
Deferred taxation	65,872	63,013
Retirement benefits	17,860	21,223
EuroConvertible Bonds	279,224	279,224
Redeemable Bonds	500,000	500,000
	1,143,585	1,160,487
	2,583,278	2,523,489
Net tangible assets per share (sen)	79	54

**The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2003.**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2003**

	Current Year- To- Date 30/09/2003 RM'000	Preceding Year Corresponding Period 30/09/2002 RM'000
Profit before taxation	29,433	22,435
Adjustment for:-		
Depreciation and amortisation	63,838	67,793
Share of profits of associated companies	(2,509)	(6,877)
Non cash items	(5,868)	691
Net financing cost	19,656	21,350
Operating profit before changes in working capital	104,550	105,392
Changes in working capital		
Net change in current assets	(25,309)	(9,665)
Net change in current liabilities	(44,582)	(1,255)
Tax refunded/(paid)	11,345	(13,266)
Other operating income	1,554	70
Net financing cost paid	(19,656)	(21,350)
Net cash flows generated from operating activities	27,902	59,926
Investing Activities		
Equity investments	219,544	(67,265)
Other investments	(55,045)	(59,594)
Net cash flows generated from/(Used in) investing activities	164,499	(126,859)
Financing Activities		
Dividend paid to minority shareholders	(1,739)	(1,710)
Securities issued	-	-
Net repayment of bank borrowings	(71,775)	(37,911)
Net cash flows used in financing activities	(73,514)	(39,621)
Net change in cash and cash equivalents	118,887	(106,554)
Cash & cash equivalent at beginning of period	210,391	284,516
Effect of exchange rate change	351	21
Cash & cash equivalent at end of period	329,629	177,983

Cash and cash equivalent included in the cash flow statement comprise the following balance sheet amounts:

	30/09/2003 RM'000	30/09/2002 RM'000
Deposits, cash and bank balances	384,854	369,093
Bank overdrafts	(55,225)	(191,110)
	329,629	177,983

**The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2003.**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003**

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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
<b>Current year-to-date ended 30 September 2003</b>							
At 1 July 2003	112,564	289,396	41,532	227,961	(59,835)	208,153	819,771
Net profit for the period				11,062			11,062
Interest on ICULS				(2,099)			(2,099)
Foreign currency translation reserves			12,563				12,563
At 30 September 2003	112,564	289,396	54,095	236,924	(59,835)	208,153	841,297
<b>Preceding year corresponding period ended 30 September 2002</b>							
At 1 July 2002	112,564	289,396	12,181	243,817	(59,835)	-	598,123
Effect of adopting MASB 24						208,153	208,153
Effect of adopting MASB 25				(9,441)			(9,441)
Restated at 1 July 2002	112,564	289,396	12,181	234,376	(59,835)	208,153	796,835
Net profit for the period				3,478			3,478
Interest on ICULS				(2,167)			(2,167)
Foreign currency translation reserves			615				615
At 30 September 2002	112,564	289,396	12,796	235,687	(59,835)	208,153	798,761

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2003.

## **QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003**

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### **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 2003.

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 2003 except for the adoption of MASB 28 “Discontinuing Operations” and MASB 29 “Employee Benefits”.

The adoption of the above MASB standards does not have any effect on the financial results of the Group for the financial year-to-date nor shareholders’ funds 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**

The Group’s operation is not affected materially by any seasonal / cyclical factors

#### **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 during the current year-to-date other than as mentioned below:-

- (i) The Group had on 26 July 2003 and 19 August 2003, placed out a total of 10,000,000 ordinary shares in Malaysian Pacific Industries Berhad (“MPI”), a subsidiary of the Company, for a total cash consideration of RM146.5 million. The placement of the said MPI shares had resulted in an exceptional gain of RM71.2 million to the Group
- (ii) The Group had written down its investment in Malaysian Newsprint Industries Sdn Bhd by RM72.0 million.

#### **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 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.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003

The figures have not been audited

### 6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities (Cont'd)

- (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 30 September 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.

### 7. Dividends paid

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

### 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
<b>Revenue</b>	96,890	144,385	246,884	46,073	26,394	560,626
<b>Results</b>						
Segment results	686	18,902	25,185	830	977	46,580
Share of profits of associated companies	3,290				(781)	2,509
Operating profit						49,089
Interest income						3,498
Finance cost						(23,154)
Profit before taxation						29,433
Taxation						(4,445)
Profit after taxation						24,988
Minority interest						(13,926)
Net Profit for the period						11,062

### 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.

## **QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003**

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**The figures have not been audited**

### **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:-

- 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) Mai Kah Corporation Sdn Bhd, a wholly owned subsidiary;
  - (c) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
  - (d) Kasih Sayang Realty Sdn Bhd, a wholly-owned subsidiary; and
  - (e) Techad Sdn Bhd (formerly known as Carsem Advanced Technologies Sdn Bhd), a wholly owned subsidiary of MPI, which in turn is a subsidiary of the Company.

### **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 RM560.6 million and RM29.4 million respectively for the current quarter under review as compared with RM516.8 million and RM22.4 million respectively in the preceding year's corresponding quarter.

The profit before tax for the current quarter of RM29.4 million includes a gain of RM71.2 million from the disposal of MPI shares and a write down of an investment of RM72.0 million as disclosed in Note 4 above.

The increase in profit in comparison with the corresponding period is mainly attributable to improvement of the semiconductor and building materials sectors, offset partly by the decrease in share of profits of an associated company.

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

For the quarter under review, the Group recorded a profit before tax of RM29.4 million as compared with a profit of RM16.1 million in the preceding quarter.

The increase in profit in comparison with the preceding quarter is mainly attributable to the positive contribution from associated companies in the current quarter.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2003**

**The figures have not been audited**

**15. Prospects**

Barring any unforeseen circumstances, the Group expects its performance to be satisfactory in the current financial year ending 30 June 2004.

**16. Profit forecast / profit guaranteed**

This note is not applicable.

**17. Taxation**

Taxation comprise :-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2003 RM'000	Preceding Year Corresponding Quarter 30/09/2002 RM'000	Current Year- To-Date 30/09/2003 RM'000	Preceding Year Corresponding Period 30/09/2002 RM'000
Current taxation				
- Malaysian	1,621	4,958	1,621	4,958
- Foreign	6	-	6	-
Deferred taxation				
- Malaysian	2,859	5,098	2,859	5,098
- Foreign	-	-	-	-
Share of associated companies' taxation	371	(134)	371	(134)
	4,857	9,922	4,857	9,922
Under/(over) provision in prior years				
- Current taxation	(412)	60	(412)	60
	4,445	9,982	4,445	9,982

The Group's effective tax rate is lower than the statutory tax rate due mainly to tax incentives / allowances granted to certain subsidiaries.

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

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 year-to-date other than as mentioned below:-

	<b>Current Year Quarter</b>	<b>Current Year-To-date</b>
	<b>30/09/2003 RM'000</b>	<b>30/09/2003 RM'000</b>
(i) Purchases	438	438
(ii) Disposal		
Sale proceeds	74,724	74,724
Cost of investment	(70,753)	(70,753)
Gain on disposal	3,971	3,971

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

At cost :	<b>RM'000</b>
- Associated Company	509,898
- Others	79,827
	<u>589,725</u>
At book value :	
- Associated Company	148,803
- Others	81,131
	<u>229,934</u>
At market value :	
- Associated Company	93,358
- Others	89,008
	<u>182,366</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 30 September 2003 are as follows:-

<u>Borrowings</u>	<b>RM'000</b>
(i) Unsecured short term borrowings	535,741
(ii) Unsecured long term borrowings	1,059,853
	<u>1,595,594</u>

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

USD borrowings	490,317
Euro borrowings	44,825

### 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 12 November 2003 are as follow :-

	<b>Contract amount RM'000</b>
Foreign exchange forward contracts	43,181

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

- (a) The Board has declared a gross first interim dividend of 2.5 sen per share less tax for the quarter ended 30 September 2003 of the financial year ending 30 June 2004 (2002/2003: nil) to be paid on 26 December 2003 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 12 December 2003.

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 4.00 p.m. on 12 December 2003 in respect of ordinary transfers; and
  - (ii) Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.
- (b) For the financial year-to-date, total gross dividend of 2.5 sen per share less tax has been declared ( 2002/2003: nil).

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### 25. Earnings Per Share

#### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter / year-to-date are based on the net profit attributable to ordinary shareholders of RM8,963,000 (2002/2003 : RM1,311,000), being the net profit of RM11,062,000 (2002/ 2003 : 3,478,000) less the interest on the ICULS of RM2,099,000 (2002/2003 : RM2,167,000) and the weighted average number of ordinary shares outstanding during the quarter / year- to-date of 217,784,500 (2002/2003: 217,784,500).

#### Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current quarter / year-to-date and preceding year corresponding quarter / period as the fair value of the ordinary shares for the periods are 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  
18 November 2003