

HONG LEONG INDUSTRIES BERHAD (5686-P)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2003

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2003

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2003 RM'000	31/12/2002 RM'000	31/12/2003 RM'000	31/12/2002 RM'000
Revenue	591,358	478,813	1,151,984	995,579
Operating expenses	(527,207)	(454,562)	(1,042,548)	(935,528)
Other operating income	1,287	2,109*	2,582	3,217*
Operating profit	65,438	26,360	112,018	63,268
Interest income	3,781	6,450	7,279	10,740
Finance cost	(22,061)	(25,361)**	(45,215)	(51,001)**
Share of profits of associated companies	5,583	937	8,092	7,814
Profit before taxation	52,741	8,386	82,174	30,821
Taxation	(628)	(9,196)	(5,073)	(19,178)
Profit after taxation	52,113	(810)	77,101	11,643
Minority interest	(26,981)	(3,389)	(40,907)	(12,364)
Net Profit for the Period	25,132	(4,199)	36,194	(721)
Earnings per share (sen) :-				
(a) Basic	10.58	(2.89)	14.69	(2.29)
(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 SECOND QUARTER ENDED 31 DECEMBER 2003

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2003

	As at end of current quarter	As at preceding financial year end
	31/12/2003 RM'000	30/06/2003 RM'000
Property, plant and equipment	1,446,972	1,434,430
Investment in associated companies	205,533	189,243
Other investments	410,567	512,844
Intangible assets	461,667	494,300
Deferred tax assets	1,500	1,500
Other non current assets	19,525	-
Current assets		
Property assets	24,828	25,285
Inventories	256,429	249,427
Trade and other receivables	524,711	502,541
Tax recoverable	77,949	84,720
Short term investments	-	41,271
Deposits, cash and bank balances	380,585	277,236
	1,264,502	1,180,480
Current liabilities		
Trade and other payables	667,104	680,288
Short term borrowings and overdraft	796,855	602,738
Taxation	6,922	6,282
	1,470,881	1,289,308
Net current liabilities	(206,379)	(108,828)
	2,339,385	2,523,489
Share capital	112,564	112,564
Reserves	601,556	558,889
Treasury shares	(59,835)	(59,835)
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	208,153	208,153
	862,438	819,771
Minority shareholders' interests	599,268	543,231
Long term and deferred liabilities		
Borrowings	261,610	297,027
Deferred taxation	69,362	63,013
Retirement benefits	17,483	21,223
EuroConvertible Bonds	279,224	279,224
Redeemable Bonds	250,000	500,000
	877,679	1,160,487
	2,339,385	2,523,489

Net tangible assets per share (sen)

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2003

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

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2003 RM'000	31/12/2002 RM'000
Profit before taxation	82,174	30,821
Adjustment for:-		
Depreciation and amortisation	128,529	135,243
Share of profits of associated companies	(8,092)	(7,814)
Non cash items	(3,775)	6,587
Net financing cost	37,936	40,261
Operating profit before changes in working capital	236,772	205,098
Changes in working capital		
Net change in long term/current assets	(49,658)	(4,884)
Net change in current liabilities	(10,311)	(48,838)
Tax refunded/(paid)	8,237	(28,006)
Other operating income	1,962	(890)
Net financing cost paid	(37,936)	(40,261)
Net cash flows generated from operating activities	149,066	82,219
Investing Activities		
Equity investments	223,586	(71,071)
Other investments	(142,624)	(102,471)
Net cash flows generated from/(Used in) investing activities	80,962	(173,542)
Financing Activities		
Dividends paid	(31,765)	(19,377)
ICULS interest Paid	(4,197)	(4,266)
Net repayment of bank borrowings	(77,413)	(12,127)
Net cash flows used in financing activities	(113,375)	(35,770)
Net change in cash and cash equivalents	116,653	(127,093)
Cash & cash equivalents at beginning of period	210,391	284,516
Effect of foreign exchange rate changes on cash and cash equivalents	584	(697)
Cash & cash equivalents at end of period	327,628	156,726

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

	31/12/2003 RM'000	31/12/2002 RM'000
Deposits, cash and bank balances	380,585	293,019
Bank overdraft	(52,957)	(136,293)
	327,628	156,726

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 SECOND QUARTER ENDED 31 DECEMBER 2003

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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
Current year-to-date ended 31 December 2003							
At 1 July 2003	112,564	289,396	41,532	227,961	(59,835)	208,153	819,771
Net profit for the period				36,194			36,194
Interest on ICULS				(4,197)			(4,197)
Transfer to capital redemption reserves			45	(45)			-
Foreign currency translation reserves			14,590				14,590
Dividends Paid				(3,920)			(3,920)
At 31 December 2003	112,564	289,396	56,167	255,993	(59,835)	208,153	862,438
Preceding year corresponding period ended 31 December 2002							
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				(721)			(721)
Interest on ICULS				(4,266)			(4,266)
Foreign currency translation reserves			2,206				2,206
At 31 December 2002	112,564	289,396	14,387	229,389	(59,835)	208,153	794,054

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 SECOND QUARTER ENDED 31 DECEMBER 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 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 material 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 for the current quarter under review.

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 SECOND QUARTER ENDED 31 DECEMBER 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 31 December 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

During the current financial year-to-date, the Company paid a gross first interim dividend of 2.5 sen per share less tax amounting to RM3.92 million on 26 December 2003.

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	184,725	277,721	540,066	91,434	58,038	1,151,984
Results						
Segment results	(3,079)	37,219	72,504	1,569	3,805	112,018
Share of profits of associated companies	7,740				352	8,092
Operating profit						120,110
Interest income						7,279
Finance cost						(45,215)
Profit before taxation						82,174
Taxation						(5,073)
Profit after taxation						77,101
Minority interest						(40,907)
Net Profit for the period						36,194

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 SECOND QUARTER ENDED 31 DECEMBER 2003

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 quarter under review, 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) 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.
- (ii) Malaysian Pacific Industries Berhad ("MPI"), a subsidiary of the Company, had incorporated Carsem Holdings Limited ("CHL"), a wholly-owned subsidiary of MPI, in Bermuda. The intended principal activity of CHL is investment holding. The authorised and issued share capital of CHL is USD12,000.00 divided into 12,000 ordinary shares of USD1.00 each.

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 RM591.4 million and RM52.7 million respectively for the current quarter under review as compared with RM478.8 million and RM8.4 million respectively in the preceding year's corresponding quarter.

The increase in profit in comparison with the preceding year's corresponding quarter is mainly attributable to the overall improvement of the semiconductor and building materials sectors coupled with the increase in share of profits of associated companies.

14. Material changes in profit before taxation

The Group recorded a revenue and profit before tax of RM591.4 million and RM52.7 million respectively for the current quarter under review as compared with RM560.6 million and RM29.4 million in the preceding quarter.

The increase in profit in comparison with the preceding quarter is mainly attributable to the continuing overall improvement of the semiconductor sector coupled with the increase in share of profits of associated companies while maintaining the earnings of the building materials sector.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2003 RM'000	31/12/2002 RM'000	31/12/2003 RM'000	31/12/2002 RM'000
Current taxation				
- Malaysian	(2,629)	4,555	(1008)	9,513
- Foreign	20	-	26	-
Deferred taxation				
- Malaysian	3,913	5,525	6,772	10,623
Share of associated companies' taxation	(781)	(598)	(410)	(732)
	523	9,482	5,380	19,404
Under/(over) provision in prior years				
- Current taxation	528	(136)	116	(76)
- Deferred taxation	(423)	(150)	(423)	(150)
	628	9,196	5,073	19,178

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 SECOND QUARTER ENDED 31 DECEMBER 2003

The figures have not been audited

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:-

	Current Year Quarter	Current Year-To-Date
	31/12/2003 RM'000	31/12/2003 RM'000
(i) Purchases	145	438
(ii) Disposal		
Sale proceeds	3,730	78,454
Cost of investment	(2,666)	(73,419)
Gain on disposal	1,064	5,035

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

	RM'000
At cost :	
- Associated Company	508,405
- Others	78,609
	<u>587,014</u>
At book value :	
- Associated Company	149,124
- Others	78,609
	<u>227,733</u>
At market value :	
- Associated Company	96,971
- Others	89,256
	<u>186,227</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 SECOND QUARTER ENDED 31 DECEMBER 2003

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21. Group's borrowings and debt securities

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

Borrowings

	RM'000
(i) Unsecured short term borrowings and overdraft	796,855
(ii) Unsecured long term borrowings	790,833
	<u>1,587,688</u>

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

	RM'000
USD borrowings	488,691
Euro borrowings	48,024

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 February 2004 are as follow :-

	Contract amount RM'000
Foreign exchange forward contracts	361,604

The above contacts are maturing within a period of 9 months.

There is minimal credit and market risk because the contracts were executed with established financial institutions.

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 does not recommend any interim dividend for the quarter ended 31 December 2003 (2002/ 2003 : 2.5 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 (2002/2003: 2.5 sen per share less tax).

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25. Earnings Per Share

Basic earnings per share

The calculation of basic earnings per ordinary share for the current quarter are based on the net profit attributable to ordinary shareholders of RM23,034,000 (2002/2003: Net loss RM6,298,000), being the net profit of RM25,132,000 (2002/ 2003 : Net loss RM4,199,000) less the interest on the ICULS of RM2,098,000 (2002/2003 : RM2,099,000) and the weighted average number of ordinary shares outstanding during the quarter of 217,784,500 (2002/2003: 217,784,500).

The calculation of basic earnings per ordinary share for the current year-to-date are based on the net profit attributable to ordinary shareholders of RM31,997,000 (2002/2003 : Net loss RM4,987,000), being the net profit of RM36,194,000 (2002/ 2003 : Net loss RM721,000) less the interest on the ICULS of RM4,197,000 (2002/2003 : RM4,266,000) and the weighted average number of ordinary shares outstanding during the period of 217,784,500 (2002/2003: 217,784,500).

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current quarter / period and preceding year corresponding quarter / period as the fair value of the ordinary shares for the periods were 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 February 2004