

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2004**

The figures have not been audited

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2004**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2004 RM'000	31/03/2003 RM'000	31/03/2004 RM'000	31/03/2003 RM'000
Revenue	627,212	494,079	1,779,196	1,489,658
Operating expenses	(563,029)	(477,846)	(1,605,577)	(1,413,374)
Other operating income	6,656	10,189*	9,238	13,406*
Operating profit	70,839	26,422	182,857	89,690
Interest income	3,159	5,190	10,438	15,930
Finance cost	(21,539)	(25,225)**	(66,754)	(76,226)**
Share of profits / (losses) of associated companies	5,545	(2,079)	13,637	5,735
Profit before taxation	58,004	4,308	140,178	35,129
Taxation	4,513	(10,380)	(560)	(29,558)
Profit/(Loss) after taxation	62,517	(6,072)	139,618	5,571
Minority interest	(33,586)	(3,206)	(74,493)	(15,570)
Net Profit/(Loss) for the Period	28,931	(9,278)	65,125	(9,999)
Earnings per share (sen) :-				
(a) Basic	12.34	(5.20)	27.03	(7.49)
(b) Fully diluted	11.28	N/A	25.22	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 THIRD QUARTER ENDED 31 MARCH 2004

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## CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2004

	As at end of current quarter	As at preceding financial year end
	31/03/2004 RM'000	30/06/2003 RM'000
Property, plant and equipment	1,468,353	1,434,430
Investment in associated companies	224,590	189,243
Other investments	390,600	512,844
Intangible assets	461,693	494,300
Deferred tax assets	2,841	1,500
Other assets	58,361	-
<b>Current assets</b>		
Property assets	21,138	25,285
Inventories	266,686	249,427
Trade and other receivables	542,732	502,541
Tax recoverable	82,666	84,720
Short term investments	1,237	41,271
Deposits, cash and bank balances	346,484	277,236
	1,260,943	1,180,480
<b>Current liabilities</b>		
Trade and other payables	683,539	680,288
Short term borrowings and overdraft	765,871	602,738
Taxation	5,775	6,282
	1,455,185	1,289,308
<b>Net current liabilities</b>	(194,242)	(108,828)
	2,412,196	2,523,489
<b>Share capital</b>	112,635	112,564
<b>Reserves</b>	641,416	558,889
<b>Treasury shares</b>	(59,835)	(59,835)
<b>Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")</b>	207,279	208,153
	901,495	819,771
<b>Minority shareholders' interests</b>	627,190	543,231
<b>Long term and deferred liabilities</b>		
Borrowings	266,624	297,027
Deferred taxation	70,507	63,013
Retirement benefits	17,156	21,223
EuroConvertible Bonds	279,224	279,224
Redeemable Bonds	250,000	500,000
	883,511	1,160,487
	2,412,196	2,523,489
<b>Net tangible assets per share (sen)</b>	102	50

**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 THIRD QUARTER ENDED 31 MARCH 2004

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### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2004

	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2004 RM'000	31/03/2003 RM'000
Profit before taxation	140,178	35,129
Adjustment for:-		
Depreciation and amortisation	198,907	202,073
Share of profits of associated companies	(13,637)	(5,735)
Non cash items	(6,198)	(6,275)
Net financing cost	56,316	60,296
Operating profit before changes in working capital	375,566	285,488
Changes in working capital		
Net change in long term/current assets	(118,012)	(1,909)
Net change in current liabilities	1,193	(41,059)
Tax refunded/(paid)	6,926	(37,835)
Other operating income	1,798	(504)
Net financing cost paid	(56,316)	(60,296)
Net cash flows generated from operating activities	211,155	143,885
Investing Activities		
Equity investments	245,584	(65,721)
Other investments	(231,787)	(125,968)
Net cash flows generated from/(used in) investing activities	13,797	(191,689)
Financing Activities		
Dividends paid	(34,883)	(25,403)
ICULS interest paid	(4,197)	(4,266)
Net repayment of bank borrowings	(94,722)	(6,109)
Net cash flows used in financing activities	(133,802)	(35,778)
Net change in cash and cash equivalents	91,150	(83,582)
Cash & cash equivalents at beginning of period	210,391	284,516
Effect of foreign exchange rate changes on cash and cash equivalents	646	(569)
Cash & cash equivalents at end of period	302,187	200,365

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

	31/03/2004 RM'000	31/03/2003 RM'000
Deposits, cash and bank balances	346,484	265,367
Bank overdraft	(44,297)	(65,002)
	302,187	200,365

**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 THIRD QUARTER ENDED 31 MARCH 2004**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2004**

	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 31 March 2004</b>							
At 1 July 2003	112,564	289,396	41,532	227,961	(59,835)	208,153	819,771
Net profit for the period				65,125			65,125
Interest on ICULS				(6,254)			(6,254)
Transfer to capital redemption reserves			45	(45)			-
Conversion of ICULS	71	803				(874)	-
Foreign currency translation reserves			26,773				26,773
Dividends paid				(3,920)			(3,920)
At 31 March 2004	112,635	290,199	68,350	282,867	(59,835)	207,279	901,495
<b>Preceding year corresponding period ended 31 March 2003</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 Loss for the period				(9,999)			(9,999)
Interest on ICULS				(6,319)			(6,319)
Dividends paid				(3,920)			(3,920)
Transfer to capital redemption reserves			70	(70)			-
Foreign currency translation reserves			2,640				2,640
At 31 March 2003	112,564	289,396	14,891	214,068	(59,835)	208,153	779,237

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 THIRD QUARTER ENDED 31 MARCH 2004**

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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 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**

The Company had issued RM208,152,780 nominal value of 4% 5-year ICULS on 28 June 2002. For the current financial year-to-date, RM873,680 nominal value of ICULS were converted into 140,916 ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 31 March 2004 was RM207,279,100.

There was no share buy-back, share cancellation, resale of treasury shares nor repayment of debt or equity share during the financial period ended 31 March 2004.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2004

The figures have not been audited

### 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
<b>Revenue</b>	<u>297,732</u>	<u>398,686</u>	<u>854,718</u>	<u>135,372</u>	<u>92,688</u>	<u>1,779,196</u>
<b>Results</b>						
Segment results	(4,548)	50,558	127,269	5,305	4,273	182,857
Share of profits of associated companies	13,054				583	13,637
Operating profit						<u>196,494</u>
Interest income						10,438
Finance cost						<u>(66,754)</u>
Profit before taxation						<u>140,178</u>
Taxation						<u>(560)</u>
Profit after taxation						<u>139,618</u>
Minority interest						<u>(74,493)</u>
Net Profit for the period						<u><u>65,125</u></u>

### 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 THIRD QUARTER ENDED 31 MARCH 2004**

**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 voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965:-
  - (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) Varinet Sdn Bhd (formerly known as Quayline Fairprice Sdn. Bhd.), a 60% subsidiary.

The liquidations are currently pending tax clearance from the Inland Revenue Board.

- (ii) Techad Sdn Bhd (formerly known as Carsem Advanced Technologies Sdn Bhd) ("Techad"), a wholly-owned subsidiary of Malaysian Pacific Industries Berhad ("MPI"), which in turn is a subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act. The liquidator of Techad had, on 27 March 2004, convened a Final Meeting to conclude the liquidation of Techad. Techad will be dissolved and accordingly, will cease to be a subsidiary of MPI on 2 July 2004.
- (iii) MZ Motorrad- Und Zweiradwerk GmbH, a wholly-owned subsidiary of the Company, had, on 19 February 2004, entered into an agreement with Mr Petr Karel Korous, for the acquisition of 1 share of DM50,000.00 or Euro25,564.59, representing 100% of the paid in capital of MZ Engineering GmbH for a total cash consideration of Euro25,564.59 (equivalent to approximately RM122,710.00) ("Acquisition"). The Acquisition was completed on 4 May 2004.
- (iv) Guocera Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had, on 12 April 2004, acquired 2 ordinary shares of RM1.00 each, representing 100% of the equity interest in Clearnaxis Sdn Bhd, for a total cash consideration of RM2.00 ("Acquisition"). The Acquisition was completed on the same day.

### **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 RM627.2 million and RM58.0 million respectively for the current quarter under review as compared with RM494.1 million and RM4.3 million respectively in the preceding year's corresponding quarter.

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

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2004

The figures have not been audited

### 14. Material changes in profit before taxation

The Group recorded a profit before tax of RM58.0 million for the current quarter under review as compared with RM52.7 million in the preceding quarter. In general, all businesses continue to perform satisfactorily during the current quarter.

### 15. Prospects

Barring any unforeseen circumstances, the Group expects its performance to be satisfactory for 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
	31/03/2004 RM'000	31/03/2003 RM'000	31/03/2004 RM'000	31/03/2003 RM'000
Current taxation				
- Malaysian	1,480	7,851	472	17,364
- Foreign	12	-	38	-
Deferred taxation				
- Malaysian	438	2,394	7,210	13,017
Share of associated companies' taxation	236	204	(174)	(528)
	2,166	10,449	7,546	29,853
(Over)/ under provision in prior years				
- Current taxation	(6,045)	75	(5,929)	(1)
- Deferred taxation	(634)	(144)	(1,057)	(294)
	(4,513)	10,380	560	29,558

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2004**

**The figures have not been audited**

**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.

**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>31/03/2004 RM'000</b>	<b>31/03/2004 RM'000</b>
(i) Purchases	-	583
(ii) Disposal		
Sale proceeds	24,543	102,997
Cost of investment	(18,729)	(92,148)
Gain on disposal	5,814	10,849

(b) Particulars of investments in quoted securities as at 31 March 2004:-

	<b>RM'000</b>
At cost :	
- Associated Company	508,405
- Others	59,879
	<u>568,284</u>
At book value :	
- Associated Company	166,086
- Others	59,879
	<u>225,965</u>
At market value :	
- Associated Company	90,506
- Others	66,888
	<u>157,394</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 THIRD QUARTER ENDED 31 MARCH 2004

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

Particulars of the Group's borrowings and debts securities as at 31 March 2004 are as follows:-

#### Borrowings

	RM'000
(i) Unsecured short term borrowings and overdraft	765,871
(ii) Unsecured long term borrowings	795,848
	<u>1,561,719</u>

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

	RM'000
USD borrowings	512,926
Euro borrowings	47,043

### 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 10 May 2004 are as follow :-

	Contract amount RM'000
Foreign exchange forward contracts	366,533

The above contacts are maturing within a period of 6 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.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2004

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### 24. Dividend

- (a) The Board has declared a gross second interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax for the quarter ended 31 March 2004 of the financial year ending 30 June 2004 (2002/2003: nil) to be paid on 25 June 2004 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 8 June 2004.

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 8 June 2004 in respect of transfers; and
  - (ii) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to Bursa Malaysia Securities Berhad Listing Requirement.
- (b) For the financial year-to-date, a total gross dividend of 1.25 sen per share tax exempt and 5.00 sen per stock share less tax has been declared (2002/2003: 2.5 sen per share less tax).

### 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 RM26,874,000 (2002/2003: Net loss RM11,331,000), being the net profit of RM28,931,000 (2002/ 2003 : Net loss RM9,278,000) less the interest on the ICULS of RM2,057,000 (2002/2003 : RM2,053,000) and the weighted average number of ordinary shares outstanding during the quarter of 217,860,782 (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 RM58,871,000 (2002/2003 : Net loss RM16,318,000), being the net profit of RM65,125,000 (2002/ 2003 : Net loss RM9,999,000 ) less the interest on the ICULS of RM6,254,000 (2002/2003 : RM6,319,000) and the weighted average number of ordinary shares outstanding during the period of 217,809,742 (2002/2003: 217,784,500).

#### Diluted earnings per share

The calculation of diluted earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders (diluted) of RM28,931,000 and the weighted average number of ordinary shares (diluted) outstanding during the quarter of 251,292,895.

The calculation of diluted earnings per ordinary share for the current year-to-date is based on the net profit attributable to ordinary shareholders (diluted) of RM65,125,000 and the weighted average number of ordinary shares (diluted) outstanding during the year-to-date of 251,241,855.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2004**

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25. **Earnings per share (Cont'd)**

**Diluted earnings per share ( cont'd)**

Weighted average number of ordinary shares (diluted)	Current Year Quarter	Current Year- To-Date
	31/03/2004 '000	31/03/2004 '000
Weighted average number of ordinary shares (basic)	217,861	217,810
Effect of shares to be issued on conversion of ICULS	33,432	33,432
Weighted average number of ordinary shares (diluted)	<u>251,293</u>	<u>251,242</u>

The Group has no dilution in its earnings per ordinary share in the 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 and the potential ordinary shares were antidilutive. 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

Joanne Leong Wei Yin  
Company Secretary

Kuala Lumpur  
17 May 2004