

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2004

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2004 RM'000	30/06/2003 RM'000	30/06/2004 RM'000	30/06/2003 RM'000
Revenue	659,376	554,762	2,438,572	2,044,420
Operating expenses	(594,878)	(520,700)	(2,200,455)	(1,934,074)
Other operating (expense) / income	(5,823)	11,632*	3,415	25,037*
Operating profit	58,675	45,694	241,532	135,383
Interest income	4,862	268	15,300	16,199
Finance cost	(22,256)	(22,777)	(89,010)	(99,003)
Share of profits / (losses) of associated companies	17,790	(7,113)	31,427	(1,378)
Profit before taxation	59,071	16,072	199,249	51,201
Taxation	32,246	36,474	31,686	6,916
Profit after taxation	91,317	52,546	230,935	58,117
Minority interest	(48,015)	(33,540)	(122,508)	(49,110)
Net Profit for the year	43,302	19,006	108,427	9,007
Earnings per share (sen) :-				
(a) Basic	18.95	7.77	45.95	0.28
(b) Fully diluted	17.00	N/A	42.21	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.

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2004

	As at end of current quarter	As at preceding financial year end
	30/06/2004 RM'000	30/06/2003 RM'000
Property, plant and equipment	1,483,051	1,434,430
Investment in associated companies	242,727	189,243
Other investments	371,596	512,844
Intangible assets	460,088	494,300
Other assets	73,921	-
Deferred tax assets	4,853	1,500
Current assets		
Property assets	21,063	25,285
Inventories	273,669	249,427
Trade and other receivables	502,454	502,541
Tax recoverable	80,594	84,720
Short term investments	1,105	41,271
Deposits, cash and bank balances	373,091	277,236
	1,251,976	1,180,480
Current liabilities		
Trade and other payables	509,612	413,654
Short term borrowings and overdraft	1,017,169	869,372
Taxation	6,539	6,282
	1,533,320	1,289,308
Net current liabilities	(281,344)	(108,828)
	2,354,892	2,523,489
Share capital	112,661	112,564
Reserves	678,331	558,889
Treasury shares	(59,835)	(59,835)
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	206,957	208,153
	938,114	819,771
Minority shareholders' interests	587,250	543,231
Long term and deferred liabilities		
Borrowings	241,250	297,027
Redeemable Bonds	250,000	500,000
EuroConvertible Bonds	279,224	279,224
Deferred tax liabilities	46,386	63,013
Retirement benefits	12,668	21,223
	829,528	1,160,487
	2,354,892	2,523,489
Net tangible assets per share (sen)	120	50

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 YEAR ENDED 30 JUNE 2004

	Current Year- To- Date	Preceding Year Corresponding Period
	30/06/2004 RM'000	30/06/2003 RM'000
Profit before taxation	199,249	51,201
Adjustments for:-		
Depreciation and amortisation	261,947	266,926
Share of (profits) / losses of associated companies	(31,427)	1,378
Non cash items	(5,709)	(2,930)
Net financing cost	73,710	82,804
Operating profit before changes in working capital	497,770	399,379
Changes in working capital		
Net change in long term/current assets	(127,671)	109,837
Net change in current liabilities	111,942	(75,818)
Tax refunded/(paid)	16,340	(46,889)
Other operating (expense) / income	(603)	281
Net financing cost paid	(73,710)	(82,804)
Net cash flows generated from operating activities	424,068	303,986
Investing Activities		
Equity investments	264,490	(46,775)
Other investments	(303,759)	(164,123)
Net cash flows used in investing activities	(39,269)	(210,898)
Financing Activities		
Transaction with minority shareholders	-	54,822
Dividends paid	(120,524)	(123,264)
ICULS interest paid	(8,321)	(8,395)
Net repayment of bank borrowings	(98,280)	(88,696)
Net cash flows used in financing activities	(227,125)	(165,533)
Net change in cash and cash equivalents	157,674	(72,445)
Cash & cash equivalents at beginning of year	210,391	284,516
Effect of foreign exchange rate changes on cash and cash equivalents	465	(1,680)
Cash & cash equivalents at end of year	368,530	210,391

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

	30/06/2004 RM'000	30/06/2003 RM'000
Deposits, cash and bank balances	373,091	277,236
Bank overdraft	(4,561)	(66,845)
	368,530	210,391

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 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
Current year ended 30 June 2004							
At 1 July 2003	112,564	289,396	41,532	227,961	(59,835)	208,153	819,771
Net profit for the year				108,427			108,427
Dividends paid				(10,568)			(10,568)
Interest on ICULS				(8,321)			(8,321)
Realisation on foreign currency reserve			(451)				(451)
Foreign currency translation differences			2,303				2,303
Associated companies			26,792				26,792
Change of equity in a subsidiary company			161				161
Conversion of ICULS	97	1,099				(1,196)	-
Transfer to capital reserves			30	(30)			-
At 30 June 2004	112,661	290,495	70,367	317,469	(59,835)	206,957	938,114
Preceding year ended 30 June 2003							
At 1 July 2002	112,564	289,396	12,181	234,376	(59,835)	208,153	796,835
Net profit for the year	-	-	-	9,007	-	-	9,007
Dividends paid	-	-	-	(3,920)	-	-	(3,920)
Interest on ICULS	-	-	-	(8,395)	-	-	(8,395)
Realisation on foreign currency	-	-	2,448	(2,448)	-	-	-
Change of equity in a associate company	-	-	(673)	-	-	-	(673)
Foreign currency translation differences	-	-	27,533	(616)	-	-	26,917
Transfer to capital reserves	-	-	43	(43)	-	-	-
At 30 June 2003	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 2003.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2004

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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 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. During the current year-to-date, RM1,196,080 nominal value of ICULS were converted into 192,916 ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 30 June 2004 was RM206,956,700.

There was no share buy-back, share cancellation, resale of treasury shares nor repayment of debt or equity share during the financial year ended 30 June 2004.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2004

The figures have not been audited

7. Dividend

The company has paid the following dividends during the current year-to-date:-

	Current year-to-date RM'000
Gross first interim dividend of 2.50 sen per share less tax paid on 26 December 2003	3,920
Gross second interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax paid on 25 June 2004	6,648
	10,568

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	422,320	528,931	1,183,295	183,614	120,412	2,438,572
Results						
Segment results	(5,822)	67,738	175,187	6,467	(2,038)	241,532
Share of profits of associated companies	27,036				4,391	31,427
Operating profit						272,959
Interest income						15,300
Finance cost						(89,010)
Profit before taxation						199,249
Taxation						31,686
Profit after taxation						230,935
Minority interest						(122,508)
Net profit for the year						108,427

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.

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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 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;
 - (e) Varinet Sdn Bhd (formerly known as Quayline Fairprice Sdn. Bhd.), a 60% subsidiary;
and
 - (f) Allied Auto Parts Sdn Bhd, a 74% 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 ("MPIB") which is in turn a subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. Techad was dissolved on 2 July 2004 and consequently ceased to be a subsidiary of MPIB.

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 RM659.4 million and RM59.1 million respectively for the current quarter under review as compared with RM554.8 million and RM16.1 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, building materials and motorcycles sectors coupled with the increase in share of profits of associated companies.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2004

The figures have not been audited

14. Material changes in profit before taxation

The Group recorded a profit before tax of RM59.1 million for the current quarter under review as compared with RM58.0 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 2005.

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
	30/06/2004 RM'000	30/06/2003 RM'000	30/06/2004 RM'000	30/06/2003 RM'000
Current taxation				
- Malaysian	(4,881)	(11,087)	(4,409)	6,255
- Foreign	(38)	-	-	22
Deferred taxation				
- Malaysian	(26,826)	(35,077)	(19,616)	(21,918)
Share of associated companies' taxation	149	40	(25)	(486)
	(31,596)	(46,124)	(24,050)	(16,127)
(Over) / under provision in prior years				
- Current taxation	(1,343)	8,611	(7,272)	9,097
- Deferred taxation	693	1,039	(364)	114
	(32,246)	(36,474)	(31,686)	(6,916)

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

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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:-

	Current Year Quarter	Current Year-To-Date
	30/06/2004 RM'000	30/06/2004 RM'000
(i) Purchases	-	583
(ii) Disposal		
Sale proceeds	-	102,997
Cost of investment	-	(92,148)
Gain on disposal	-	10,849

- (b) Particulars of investments in quoted securities as at 30 June 2004:-

	RM'000
At cost :	
- Associated Company	508,405
- Others	59,879
	<u>568,284</u>
At book value :	
- Associated Company	175,403
- Others	59,879
	<u>235,282</u>
At market value :	
- Associated Company	70,304
- Others	54,328
	<u>124,632</u>

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20. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of this report other than as mentioned below:-

- (i) HLI had, on 6 August 2004, announced that the Company proposes to undertake an internal rationalisation exercise involving its Yamaha operation in Malaysia which entails the following steps:-
 - (a) Hong Leong Yamaha Motor Sdn Bhd (“HLYM”), a 69.41% subsidiary of HLI, will acquire HLI’s entire 49% equity interest in HL Motor Research Centre Sdn Bhd (“HLYMRC”), comprising 588,000 ordinary shares of RM1.00 each, for a cash consideration of RM588,000 (“Proposed Acquisition of HLYMRC”); and
 - (b) HLYM will acquire Hong Leong Yamaha Distributors Sdn Bhd (“HLYD”)’s business of distributing and selling the “Yamaha” brand of motorcycles and related activities together with certain assets and liabilities in connection with the said business (“HLYD Business”) for a cash consideration to be based on the value of the net assets of the HLYD Business as at 31 December 2004, or such other date as may be mutually agreed upon between the parties (“Proposed Acquisition of HLYD Business”). HLYD is a 74% subsidiary of HLI.

The Proposed Acquisition of HLYMRC and Proposed Acquisition of HLYD Business are not inter-conditional on each other and are currently pending approval from the shareholders of HLI being obtained.

21. Group’s borrowings and debt securities

Particulars of the Group’s borrowings and debts securities as at 30 June 2004 are as follows:-

	RM’000
(i) Unsecured short term borrowings and overdraft	1,017,169
(ii) Unsecured long term borrowings	770,474
	<u>1,787,643</u>

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

	RM’000
USD borrowings	511,531
Euro borrowings	42,674

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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 19 August 2004 are as follow :-

	Contract amount
	RM'000
Foreign exchange forward contracts	645,377

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.

24. Dividend

(a) The Board does not recommend any final dividend for the year ended 30 June 2004 (financial year 2002/2003: nil)

(b) For the financial year-to-date, a total gross dividend of 1.25 sen per share tax exempt and 5.0 sen per 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 RM41,300,000 (2002/2003: RM16,931,000), being the net profit of RM43,302,000 (2002/ 2003 : RM19,006,000) less the interest on the ICULS of RM2,002,000 (2002/2003 : RM2,076,000) and the weighted average number of ordinary shares outstanding during the quarter of 217,967,000 (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 RM100,106,000 (2002/2003 : RM612,000), being the net profit of RM108,427,000 (2002/ 2003 : RM9,007,000) less the interest on the ICULS of RM8,321,000 (2002/2003 : RM8,395,000) and the weighted average number of ordinary shares outstanding during the period of 217,849,000 (2002/2003: 217,784,500).

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

Basic earnings per share (cont'd)

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2004 '000	30/06/2003 '000	30/06/2004 '000	30/06/2003 '000
Issued ordinary shares at beginning of period	217,926	217,785	217,785	217,785
Effect of conversion of ICULS	41	-	64	-
Weighted average number of ordinary shares	217,967	217,785	217,849	217,785

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 RM42,741,000 and the weighted average number of ordinary shares (diluted) outstanding during the quarter of RM251,358,000.

The calculation of diluted earnings per ordinary share for the current year is based on the net profit attributable to ordinary shareholders (diluted) of RM106,097,000 and the weighted average number of ordinary shares (diluted) outstanding during the year-to-date of 251,358,000.

Net profit attributable to ordinary shareholders (diluted)

	Current Year Quarter	Current Year- To-Date
	30/06/2004 '000	30/06/2004 '000
Net profit attributable to ordinary shareholders	41,300	100,106
After tax effect of interest savings on ICULS	1,441	5,991
Net profit attributable to ordinary shareholders (diluted)	42,741	106,097

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25. Earnings per share (Cont'd)

Dilluted earnings per share (cont'd)

Weighted average number of ordinary shares (diluted)	Current Year Quarter	Current Year- To-Date
	30/06/2004 '000	30/06/2004 '000
Weighted average number of ordinary shares (basic)	217,967	217,849
Effect of shares to be issued on conversion of ICULS	33,391	33,509
Weighted average number of ordinary shares (diluted)	<u>251,358</u>	<u>251,358</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 anti-dilutive. 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
26 August 2004