

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2004

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2004

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2004 RM'000	30/09/2003 RM'000	30/09/2004 RM'000	30/09/2003 RM'000
Revenue	658,333	560,626	658,333	560,626
Operating expenses	(605,604)	(515,341)	(605,604)	(515,341)
Other operating (expense) / income	(6,794)	1,295	(6,794)	1,295
Operating profit	45,935	46,580	45,935	46,580
Interest income	3,296	3,498	3,296	3,498
Finance cost	(22,356)	(23,154)	(22,356)	(23,154)
Share of profits / (losses) of associated companies	12,001	2,509	12,001	2,509
Profit before taxation	38,876	29,433	38,876	29,433
Taxation	(1,569)	(4,445)	(1,569)	(4,445)
Profit after taxation	37,307	24,988	37,307	24,988
Minority interest	(20,366)	(13,926)	(20,366)	(13,926)
Net Profit for the period	16,941	11,062	16,941	11,062
Earnings per share (sen) :-				
(a) Basic	6.82	4.12	6.82	4.12
(b) Fully diluted	6.51	N/A	6.51	N/A

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Financial Year Ended 30 June 2004.

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2004

	As at end of current quarter	As at preceding financial year end
	30/09/2004 RM'000	30/06/2004 RM'000
Property, plant and equipment	1,515,549	1,483,051
Investment in associated companies	249,142	242,727
Other investments	371,597	371,596
Intangible assets	459,695	460,088
Other assets	67,126	73,921
Deferred tax assets	4,466	4,853
Current assets		
Property assets	21,063	21,063
Inventories	305,594	273,669
Trade and other receivables	510,746	502,454
Tax recoverable	81,873	80,594
Short term investments	1,105	1,105
Deposits, cash and bank balances	465,076	373,091
	1,385,457	1,251,976
Current liabilities		
Trade and other payables	518,309	509,612
Short term borrowings and overdraft	970,838	1,017,169
Taxation	8,590	6,539
	1,497,737	1,533,320
Net current liabilities	(112,280)	(281,344)
	2,555,295	2,354,892
Share capital	112,661	112,661
Reserves	687,182	678,331
Treasury shares	(59,835)	(59,835)
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	206,957	206,957
	946,965	938,114
Minority shareholders' interests	607,620	587,250
Long term and deferred liabilities		
Borrowings	405,929	241,250
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	279,224	279,224
Deferred tax liabilities	52,403	46,386
Retirement benefits	13,154	12,668
	1,000,710	829,528
	2,555,295	2,354,892
Net tangible assets per share (sen)	124	120

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the Financial Year Ended 30 June 2004.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2004

	Current Year- To- Date	Preceding Year Corresponding Period
	30/09/2004 RM'000	30/09/2003 RM'000
Profit before taxation	38,876	29,433
Adjustments for:-		
Depreciation and amortisation	69,399	63,838
Share of profits of associated companies	(12,001)	(2,509)
Non cash items	7,018	(5,868)
Net financing cost	19,060	19,656
Operating profit before changes in working capital	122,352	104,550
Changes in working capital		
Net change in long term / current assets	(40,221)	(25,309)
Net change in current liabilities	6,627	(44,582)
Tax refunded	5,013	11,345
Other operating income	-	1,554
Net financing cost paid	(19,060)	(19,656)
Net cash flows generated from operating activities	74,711	27,902
Investing Activities		
Equity investments	(18)	219,544
Other investments	(98,592)	(55,045)
Net cash flows (used in) / generated from investing activities	(98,610)	164,499
Financing Activities		
Dividend paid to minority shareholders	-	(1,739)
Net proceed from / (repayment of) bank borrowings	91,977	(71,775)
Net cash flows generated from / (used in) financing activities	91,977	(73,514)
Net change in cash and cash equivalents	68,078	118,887
Cash & cash equivalents at beginning of period	368,530	210,391
Effect of foreign exchange rate changes on cash and cash equivalents	(2,464)	351
Cash & cash equivalents at end of period	434,144	329,629
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
	30/09/2004 RM'000	30/09/2003 RM'000
Deposits, cash and bank balances	465,076	384,854
Bank overdraft	(30,932)	(55,225)
	434,144	329,629

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the Financial Year Ended 30 June 2004.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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-to-date ended 30 September 2004							
At 1 July 2004	112,661	290,495	70,367	317,469	(59,835)	206,957	938,114
Net profit for the period				16,941			16,941
Interest on ICULS				(2,070)			(2,070)
Foreign currency translation differences			(6,020)				(6,020)
At 30 September 2004	112,661	290,495	64,347	332,340	(59,835)	206,957	946,965
Preceding year corresponding period ended 30 September 2003							
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 differences	-	-	12,563		-	-	12,563
At 30 September 2003	112,564	289,396	54,095	236,924	(59,835)	208,153	841,297

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Financial Year 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 2004.

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 2004.

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 was no issuance of share, share buy-back, share cancellation, resale of treasury shares nor repayment of debt or equity share during the current financial year-to-date.

7. Dividend

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

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The figures have not been audited

8. Segmental reporting

The Group's segmental report for the current 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	130,775	130,278	315,119	50,001	32,160	658,333
Results						
Segment results	(354)	13,472	33,488	1,260	(1,931)	45,935
Share of profits of associated companies	11,264				737	12,001
Operating profit	10,910	13,472	33,488	1,260	(1,194)	57,936
Interest income						3,296
Finance cost						(22,356)
Profit before taxation						38,876
Taxation						(1,569)
Profit after taxation						37,307
Minority interest						(20,366)
Net profit for the period						16,941

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 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, restructuring, 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 69.4% indirect subsidiary.

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

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 RM658.3 million and RM38.9 million respectively for the current quarter under review as compared with RM560.6 million and RM29.4 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 an associated company.

14. Material changes in profit before taxation

The Group recorded a profit before tax of RM38.9 million for the current quarter under review as compared with RM59.1 million in the preceding quarter.

The decrease in profit in comparison with the preceding quarter is mainly attributable to the decrease in profit of semiconductor and motorcycles sectors coupled with lower profits from an associated company.

15. Prospects

Barring any unforeseen circumstances, the Group expects its performance to be satisfactory for the current financial year ending 30 June 2005.

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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
	30/09/2004 RM'000	30/09/2003 RM'000	30/9/2004 RM'000	30/09/2003 RM'000
Current taxation				
Malaysian				
- current	4,761	1,621	4,761	1,621
- prior years	(8,224)	(412)	(8,224)	(412)
Foreign				
- current	27	6	27	6
Deferred taxation				
Malaysian				
- current	5,555	2,859	5,555	2,859
Share of associated companies' taxation	(550)	371	(550)	371
	<u>1,569</u>	<u>4,445</u>	<u>1,569</u>	<u>4,445</u>

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.

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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
	30/09/2004 RM'000	30/09/2004 RM'000
(i) Purchases	-	-
(ii) Disposal		
Sale proceeds	-	-
Cost of investment	-	-
Gain on disposal	-	-

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

	RM'000
At cost :	
- Associated Company	508,423
- Others	59,879
	568,302
At book value :	
- Associated Company	170,444
- Others	59,747
	230,191
At market value :	
- Associated Company	81,635
- Others	63,907
	145,542

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The figures have not been audited

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 motorcycles operations 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 Yamaha Motor Research Centre Sdn Bhd (“ HLYMRC”), comprising 588,000 ordinary shares of RM1.00 each, for a cash consideration of RM588,000 (“Acquisition of HLYMRC”)

The Acquisition of HLYMRC was completed on 5 November 2004.

- (b) HLYM will acquire from Hong Leong Yamaha Distributors Sdn Bhd (“HLYD”), a 74% subsidiary of HLI, its 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 (“Acquisition of HLYD Business”).

The Acquisition of HLYD Business is now pending completion on 31 December 2004.

- (ii) Hwang-DBS Securities Berhad had, on 11 October 2004, on behalf of the Company, announced that the Company proposes to amend certain terms of the Company’s EuroConvertible Bonds (“ECB”) (“Proposed Amendments”) as follows:-

	Existing terms	Proposed amendments
1	Principal Amount US\$73,480,000	Up to US\$35,000,000*
		The final Principal Amount would be dependent upon the conversion price of the ECB to be determined such that the ECB will convert into 10% of the issued and paid up capital of HLI
2	Maturity 25 Oct 2005	3 years from date of completion of the Proposed Amendments

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20. Corporate Proposals (cont'd)

3	Coupon Rate	1.40% over the interbank offer rate per annum on 120.3% of the principal amount of the ECB outstanding	To be determined on a coupon-fixing date depending on the prevailing credit and interest rate environment at the time
4	Conversion Price	RM8.20 per share (@ RM2.50508 = US\$1.00)	To be determined on a price fixing date based on a premium to the five day weighted average price of HLI Shares at that time
5	Redemption Premium	20.3%	The Premium will be set closer to the completion date in line with the prevailing credit and interest rate environment

The Proposed Amendments are now pending the following approvals being obtained:

- (i) Securities Commission ("SC");
- (ii) Bank Negara Malaysia;
- (iii) The existing ECB holders;
- (iv) Any other relevant authorities/parties, if required; and
- (v) Shareholders of HLI for the proposed amendment on the conversion price of the ECB.

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20. Corporate Proposals (cont'd)

- (iii) Aseambankers Malaysia Berhad had, on 17 November 2004, on behalf of the Company, announced that Guolene Packaging Industries Berhad ("GPIB"), a 96.4% subsidiary of the Company had, on even date, entered into four (4) separate Sale and Purchase Agreements with San Miguel Corporation ("San Miguel") for the following:-
- a) Proposed disposal by GPIB of 33,300,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Guolene Packaging & Printing Sdn Bhd ("GP&P") to San Miguel for a cash consideration of RM56,300,000;
 - b) Proposed disposal by GPIB of 10,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Guolene Woven Products (Melaka) Sdn Bhd ("GWP") to San Miguel for a cash consideration of RM62,400,000;
 - c) Proposed disposal by GPIB of 9,350,002 ordinary shares of RM1.00 each, representing 68% of the issued and paid-up share capital of Guolene Plastic Films Sdn Bhd ("GPF") to San Miguel for a cash consideration of RM12,700,000; and
 - d) Proposed disposal by GPIB of 1,000,000 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital of Packaging Research Centre Sdn Bhd ("PRC") to San Miguel for a cash consideration of RM1,600,000

(collectively referred to as "the Proposed Disposals")

The Proposed Disposals are inter-conditional upon each other and are to be completed simultaneously.

The Proposed Disposals are now pending the following approvals being obtained:

- (a) Ministry of International Trade and Industry;
- (b) Shareholders of GPIB and HLIB; and
- (c) Any other approvals, if required.

The proposed disposal of GPF is also conditional upon GPIB obtaining the waiver of pre-emption rights from Lembaga Tabung Angkatan Tentera (the shareholder of 30% equity interest in GPF) in respect of the GPF shares to be disposed of to San Miguel.

The Proposed Disposals are expected to be completed by the end of the first quarter of calendar year 2005.

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21. Group's borrowings and debt securities

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

	RM'000
(i) Unsecured short term borrowings and overdraft	970,838
(ii) Unsecured long term borrowings	935,153
	<u>1,905,991</u>

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

	RM'000
USD borrowings	780,634
Euro borrowings	43,749

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 18 November 2004 are as follow :-

	Contract amount
	RM'000
Foreign exchange forward contracts	480,305

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.

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24. Dividend

- (a) The Board has declared a gross interim dividend of 1.25 sen per share tax exempt and 2.5 sen per share less tax for the quarter ended 30 September 2004 of the financial year ending 30 June 2005 (2003/2004 : 2.5 sen per share less tax) to be paid on 30 December 2004 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 15 December 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 15 December 2004 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad Listing Requirement.
- (b) For the financial year-to-date, total gross dividend of 1.25 sen per share tax exempt and 2.5 sen per share less tax has been declared (2003/2004: 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 / year-to-date are based on the net profit attributable to ordinary shareholders of RM14,871,000 (2003/2004: RM8,693,000), being the net profit of RM16,941,000 (2003/ 2004 : RM11,062,000) less the interest on the ICULS of RM2,070,000 (2003/2004 : RM2,099,000) and the weighted average number of ordinary shares outstanding during the quarter / year-to-date of 217,977,000 (2003/2004: 217,784,500).

Diluted earnings per share

The calculation of diluted earnings per ordinary share for the current quarter / year-to-date is based on the net profit attributable to ordinary shareholders (diluted) of RM16,361,000 and the weighted average number of ordinary shares (diluted) outstanding during the quarter / year-to-date of RM251,358,000.

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25. **Earning Per Share (cont'd)**

Diluted earnings per share (cont'd)

Net profit attributable to ordinary shareholders (diluted)

	Current Year Quarter	Current Year- To-Date
	30/09/2004 '000	30/09/2004 '000
Net profit attributable to ordinary shareholders	14,871	14,871
After tax effect of interest savings on ICULS	1,490	1,490
Net profit attributable to ordinary shareholders (diluted)	<u>16,361</u>	<u>16,361</u>

Weighted average number of ordinary shares (diluted)

	Current Year Quarter	Current Year- To-Date
	30/09/2004 '000	30/09/2004 '000
Weighted average number of ordinary shares (basic)	217,977	217,977
Effect of shares to be issued on conversion of ICULS	33,381	33,381
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
25 November 2004