

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2005

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2005

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2005 RM'000	31/03/2004 RM'000	31/03/2005 RM'000	31/03/2004 RM'000
Revenue	560,874	627,212	1,793,349	1,779,196
Operating expenses	(549,353)	(563,029)	(1,711,378)	(1,605,577)
Other operating income	15,952	6,656	19,573	9,238
Operating profit	27,473	70,839	101,544	182,857
Interest income	2,522	3,159	9,956	10,438
Finance cost	(20,564)	(21,539)	(67,084)	(66,754)
Share of profits of associated companies	10,211	5,545	33,995	13,637
Profit before taxation	19,642	58,004	78,411	140,178
Taxation	1,473	4,513	2,746	(560)
Profit after taxation	21,115	62,517	81,157	139,618
Minority interest	(12,685)	(33,586)	(42,917)	(74,493)
Net profit for the period	8,430	28,931	38,240	65,125
Earnings per share (sen) :-				
(a) Basic	2.93	12.34	14.70	27.03
(b) Fully diluted	NA	11.28	14.53	25.22

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2005

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CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2005

	As at end of current quarter	As at preceding financial year end
	31/03/2005 RM'000	30/06/2004 RM'000
Property, plant and equipment	1,430,513	1,483,051
Investment in associated companies	91,654	242,727
Other investments	294,234	371,596
Intangible assets	439,394	460,088
Other assets	11,868	73,921
Deferred tax assets	3,660	4,853
Current assets		
Property assets	21,063	21,063
Inventories	272,341	273,669
Trade and other receivables	437,825	502,454
Tax recoverable	31,566	80,594
Short term investments	1,105	1,105
Deposits, cash and bank balances	523,923	373,091
	1,287,823	1,251,976
Current liabilities		
Trade and other payables	317,254	509,612
Short term borrowings and overdraft	620,242	1,017,169
Taxation	5,592	6,539
	943,088	1,533,320
Net current assets / (liabilities)	344,735	(281,344)
	2,616,058	2,354,892
Share capital	112,902	112,661
Reserves	653,628	678,331
Treasury shares	(59,835)	(59,835)
Irredeemable Convertible Unsecured Loan Stocks 2002/2007 ("ICULS")	203,975	206,957
	910,670	938,114
Minority shareholders' interests	594,000	587,250
Long term and deferred liabilities		
Borrowings	676,938	241,250
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	117,386	279,224
Deferred tax liabilities	55,611	46,386
Retirement benefits	11,453	12,668
	1,111,388	829,528
	2,616,058	2,354,892
Net tangible assets per share (sen)	122	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 31 MARCH 2004

	Current Year To-Date	Preceding Year Corresponding Period
	31/03/2005 RM'000	31/03/2004 RM'000
Profit before taxation	78,411	140,178
Adjustments for:-		
Depreciation and amortisation	209,869	198,907
Share of profits of associated companies	(33,995)	(13,637)
Non cash items	(18,841)	(6,198)
Net financing cost	57,128	56,316
Operating profit before working capital changes	292,572	375,566
Changes in working capital		
Net change in long term / current assets	17,938	(118,012)
Net change in current liabilities	(159,350)	1,193
Tax refunded	61,343	6,926
Net dividend received	3,039	1,798
Net financing cost paid	(57,128)	(56,316)
Retirement benefit paid	(285)	-
Net cash flows generated from operating activities	158,129	211,155
Investing Activities		
Equity investments	313,561	245,584
Other investments	(188,351)	(231,787)
Net cash flows generated from investing activities	125,210	13,797
Financing Activities		
Dividend paid	(36,454)	(34,883)
ICULS interest Paid	(4,049)	(4,197)
Repayment of bank borrowings	(90,326)	(94,722)
Net cash flows used in financing activities	(130,829)	(133,802)
Net change in cash and cash equivalents	152,510	91,150
Cash & cash equivalents at beginning of period	368,530	210,391
Effect of foreign exchange rate changes on cash and cash equivalents	472	646
Cash & cash equivalents at end of period	521,512	302,187
Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:		
	31/03/2005 RM'000	31/03/2004 RM'000
Deposits, cash and bank balances	523,923	346,484
Bank overdraft	(2,411)	(44,297)
	521,512	302,187

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 31 MARCH 2005

	Share capital	Share premium	Other reserves	Retained profits	Treasury shares	ICULS	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 31 March 2005							
At 1 July 2004	112,661	290,495	70,367	317,469	(59,835)	206,957	938,114
Net profit for the period	-	-	-	38,240	-	-	38,240
Dividends	-	-	-	(6,650)	-	-	(6,650)
Interest on ICULS	-	-	-	(6,176)	-	-	(6,176)
Foreign currency translation differences	-	-	(52,858)	-	-	-	(52,858)
Conversion of ICULS into shares	241	2,741	-	-	-	(2,982)	-
Realisation of other reserves	-	-	(23,038)	23,038	-	-	-
Transfer to capital redemption reserves	-	-	56	(56)	-	-	-
At 31 March 2005	112,902	293,236	(5,473)	365,865	(59,835)	203,975	910,670
Preceding year corresponding period ended 31 March 2004							
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
Dividends	-	-	-	(3,920)	-	-	(3,920)
Interest on ICULS	-	-	-	(6,254)	-	-	(6,254)
Foreign currency translation differences	-	-	26,773	-	-	-	26,773
Conversion of ICULS into shares	71	803	-	-	-	(874)	-
Transfer to capital redemption reserves	-	-	45	(45)	-	-	-
At 31 March 2004	112,635	290,199	68,350	282,867	(59,835)	207,279	901,495

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2005

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

- (i) Guolene Packaging Industries Berhad ("GPIB"), a 96.4% subsidiary of the Company, had, on 26 January 2005, completed the disposal of its entire equity interests in Guolene Packaging & Printing Sdn Bhd, Guolene Woven Products (Melaka) Sdn Bhd, Guolene Plastic Films Sdn Bhd and Packaging Research Centre Sdn Bhd for a cash consideration of RM56,300,000, RM62,400,000, RM12,700,000 and RM1,600,000 respectively to San Miguel Corporation. The disposal had resulted in an exceptional gain of RM54.2 million to the Group;
- (ii) The Company had, on 24 March 2005, completed the disposal by HLI and HLI Trading Limited ("HLI Trading"), a wholly-owned subsidiary of HLI, of an aggregate of 80,827,163 ordinary shares of RM1.00 each, representing 27.07% equity interest in Camerlin Group Berhad ("CGB") and RM54,520,949 nominal value of 5.5% 5-year irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS"), representing 43.98% of the outstanding ICULS in CGB, to Brightspring Holdings Limited for an aggregate cash consideration of RM153.7 million. The disposal had resulted in an exceptional loss of RM26.0 million to the Group; and
- (iii) The Group has written off the goodwill in relation to its investments in the MZ motorcycles' operation amounting to RM8.0 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2005

The figures have not been audited

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

During the current year-to-date, RM2,982,200 nominal value of ICULS were converted into 481,000 new ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 31 March 2005 was RM203,974,500.

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

7. Dividend

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

	Current year-to-date
	RM'000
Gross dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax paid on 30 December 2004	6,650

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	370,375	376,093	835,578	101,737	109,566	1,793,349
Results						
Segment results	(10,215)	28,372	60,496	4,146	18,745	101,544
Share of profits of associated companies	31,247				2,748	33,995
Operating profit	21,032	28,372	60,496	4,146	21,493	135,539
Interest income						9,956
Finance cost						(67,084)
Profit before taxation						78,411
Taxation						2,746
Profit after taxation						81,157
Minority interest						(42,917)
Net profit for the period						38,240

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2005

The figures have not been audited

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.

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 and disclosed in note 20:-

(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) Mai Kah Corporation Sdn Bhd, a wholly-owned subsidiary;
- (b) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
- (c) Kasih Sayang Realty Sdn Bhd, a wholly-owned subsidiary;
- (d) Varinet Sdn Bhd, a 60% subsidiary; and
- (e) Allied Auto Parts Sdn Bhd, a 69.4% indirect subsidiary.

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

(ii) GPIB, a 96.4% subsidiary of the Company, had completed the disposal of its entire equity interests in Guolene Packaging & Printing Sdn Bhd, Guolene Woven Products (Melaka) Sdn Bhd, Guolene Plastic Films Sdn Bhd and Packaging Research Centre Sdn Bhd.

(iii) Plaspac Marketing Sdn Bhd ("Plaspac"), a wholly-owned subsidiary of GPIB, which in turn is a 96.4% subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. Mr Ling Kam Hoong of Messrs Ling Kam Hoong, has been appointed as liquidator of Plaspac.

(iv) The Company had incorporated a wholly-owned subsidiary in Bermuda known as MZ Motorrad Group Limited ("MZB"). The intended principal activity of MZB is investment holding. The authorised and issued share capital of MZB 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.

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The figures have not been audited

13. Review of Performance

The Group recorded a revenue and profit before tax (“PBT”) of RM560.9 million and RM19.6 million respectively for the current quarter under review as compared with RM627.2 million and RM58.0 million respectively in the preceding year’s corresponding quarter.

The decline in revenue is mainly attributable to the decline in revenue of the semiconductor sector coupled with the loss of revenue from the packaging sector following the completion of the disposal by GPIB of its entire equity interests in four (4) of its subsidiary companies as disclosed in note 4(i) above (“Disposal by GPIB”).

As disclosed in note 4 above, PBT for the quarter under review included an exceptional gain of RM54.2 million arising from the Disposal by GPIB, an exceptional loss of RM26.0 million arising from the disposal of the Group’s entire equity interest in CGB’s shares and CGB’s ICULS and a goodwill write off of RM8.0 million.

The decline in PBT, in comparison with the preceding year’s corresponding quarter, is mainly attributable to the decline in profits of the semiconductor and building materials sectors, partly offset by the higher profits from an associated company.

14. Material changes in profit before taxation

The Group recorded a PBT of RM19.6 million for the quarter under review as compared with RM19.9 million in the preceding quarter.

As disclosed in note 13 above, PBT for the quarter under review included an exceptional gain of RM54.2 million arising from the Disposal by GPIB, an exceptional loss of RM26.0 million arising from the disposal of the Group’s entire equity interest in CGB’s shares and CGB’s ICULS and a goodwill write off of RM8.0 million.

The decline in PBT in comparison with the preceding quarter is mainly due to the decline in profits of the semiconductor and building materials sectors.

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.

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17. Taxation

Taxation comprise :-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
	31/03/2005 RM'000	31/03/2004 RM'000	31/03/2005 RM'000	31/03/2004 RM'000
Current taxation				
Malaysian				
- current	(4,917)	1,480	(4,333)	472
- prior years	1,666	(6,045)	(7,530)	(5,929)
Foreign				
- current	28	12	70	38
Deferred taxation				
Malaysian				
- current	1,980	438	9,116	7,210
- prior years	53	(634)	97	(1,057)
Foreign				
- current	(377)	-	-	-
Share of associated companies' taxation	94	236	(166)	(174)
	(1,473)	(4,513)	(2,746)	560

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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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
	31/03/2005 RM'000	31/03/2005 RM'000
Disposal		
Sale proceeds	12,241	12,241
Cost of investment	(3,971)	(3,971)
Gain on disposal	8,270	8,270

- (b) Particulars of investments in quoted securities as at 31 March 2005:-

	RM'000
Short term investments:	
At cost	1,237
At book value	1,105
At market value	1,182

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) The Company had, on 24 March 2005, announced that HLI and HLI Trading, had on even date, completed the disposal of an aggregate of 80,827,163 ordinary shares of RM1.00 each, representing 27.07% equity interest in Camerlin Group Berhad ("CGB") and RM54,520,949 nominal value of 5.5% 5-year irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS"), representing 43.98% of the outstanding ICULS in CGB, to Brightspring Holdings Limited for an aggregate cash consideration of RM153.7 million.
- (ii) The Company had, on 16 March 2005, announced that the shareholders of HLI had approved the proposed transfer by GPIB of its entire equity interests in Guolene Paper Products Sdn Bhd and Guolene Plastic Products Sdn Bhd to HLI for a total cash consideration of RM41,602,000 ("Proposed Transfers").

The Proposed Transfers were completed on 31 March 2005.

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20. Corporate Proposals (cont'd)

- (iii) The Company had, on 26 April 2005, announced that GPIB proposes to be voluntarily wound-up pursuant to Section 254(1)(b) of the Companies Act, 1965 and Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co. be appointed as liquidator of GPIB (“Proposed GPIB Winding-Up”).

The completion of the Proposed GPIB Winding-Up is subject to the approval of the shareholders of GPIB.

- (iv) The Company had, on 11 March 2005, announced that pursuant to an internal reorganisation, MZB had, on even date, entered into separate Sale and Purchase Agreements with MZ Motorrad- und Zweiradwerk GmbH, another wholly-owned subsidiary of the Company incorporated in Germany, to acquire an aggregate of:

- (i) 2 shares of Euro500,000.00, representing 100% of the paid in capital of MZ Engineering GmbH for cash consideration of Euro1.00; and
- (ii) 200 shares of capital stock, constituting 100% of the stock inventory and the entire issued and paid up capital stock of MuZ North America Inc for cash consideration of USD1.00

collectively referred to as “Proposed Transfers”.

The Proposed Transfers were completed on even date.

21. Group’s borrowings and debt securities

Particulars of the Group’s borrowings and debts securities as at 31 March 2005 are as follows:-

(i) Unsecured short term borrowings and overdraft	RM'000 620,242
(ii) Unsecured long term borrowings	1,044,324
	<u>1,664,566</u>

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

USD borrowings	RM'000 880,740
Euro borrowings	16,373

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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 9 May 2005 are as follow:-

	Contract amount
	RM'000
Foreign exchange forward contracts	193,900

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 has declared a gross second interim dividend of 2.50 sen per share tax exempt and 2.50 sen per share less tax for the quarter ended 31 March 2005 of the financial year ending 30 June 2005 (2003/2004: 1.25 sen per share tax exempt and 2.50 sen per share less tax) to be paid on 22 June 2005 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 6 June 2005.

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 6 June 2005 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 3.75 sen per share tax exempt and 5.00 sen per share less tax has been declared (2003/2004: 1.25 sen per share tax exempt and 5.00 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 is based on the net profit attributable to ordinary shareholders of RM6,388,000 (2003/2004: RM26,874,000), being the net profit of RM8,430,000 (2003/2004 : RM28,931,000) less the interest on the ICULS of RM2,042,000 (2003/2004 : RM2,057,000) and the weighted average number of ordinary shares outstanding during the quarter of 218,233,000 (2003/2004: 217,861,000).

The calculation of basic earnings per ordinary share for the current year-to-date is based on the net profit attributable to ordinary shareholders of RM32,064,000 (2003/2004 : RM58,871,000), being the net profit of RM38,242,000 (2003/2004 : RM65,125,000) less the interest on the ICULS of RM6,176,000 (2003/2004 : RM6,254,000) and the weighted average number of ordinary shares outstanding during the period of 218,067,000 (2003/2004: 217,810,000).

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
	31/03/2005 '000	31/03/2004 '000	31/12/2004 '000	31/03/2004 '000
Issued ordinary shares at beginning of period	218,018	217,785	217,977	217,785
Effect of conversion of ICULS	215	76	90	25
Weighted average number of ordinary shares	218,233	217,861	218,067	217,810

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share for the current year quarter as the assumed issue of ordinary shares arising from the conversion of ICULS is anti-dilutive.

The calculation of diluted earnings per ordinary share for the preceding year's corresponding quarter was based on the net profit attributable to ordinary shareholders (diluted) of RM28,355,000 and the weighted average number of ordinary shares (diluted) outstanding during the quarter of 251,293,000.

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 RM36,511,000 (2003/2004: RM63,374,000) and the weighted average number of ordinary shares (diluted) outstanding during the year-to-date of 251,358,000 (2003/2004: 251,242,000).

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25 **Earnings Per Share (cont'd)**

Diluted earnings per share (cont'd)

Net profit attributable to ordinary shareholders (diluted)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2005 '000	31/03/2004 '000	31/03/2005 '000	31/03/2004 '000
Net profit attributable to ordinary shareholders	NA	26,874	32,064	58,871
After tax effect of interest savings on ICULS	NA	1,481	4,447	4,503
Net profit attributable to ordinary shareholders (diluted)	NA	28,355	36,511	63,374

Weighted average number of ordinary shares (diluted)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2005 '000	31/03/2004 '000	31/03/2005 '000	31/03/2004 '000
Weighted average number of ordinary shares (basic)	NA	217,861	218,067	217,810
Effect of shares to be issued on conversion of ICULS	NA	33,432	33,291	33,432
Weighted average number of ordinary shares (diluted)	NA	251,293	251,358	251,242

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
16 May 2005