

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2005

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2005 RM'000	30/09/2004 RM'000	30/09/2005 RM'000	30/09/2004 RM'000
Revenue	597,193	658,333	597,193	658,333
Operating expenses	(554,490)	(605,604)	(554,490)	(605,604)
Other operating expenses	(70,859)	(6,794)	(70,859)	(6,794)
Operating (loss) / profit	(28,156)	45,935	(28,156)	45,935
Interest income	1,594	3,296	1,594	3,296
Finance costs	(15,733)	(22,356)	(15,733)	(22,356)
Share of profit of associated companies	7,565	12,001	7,565	12,001
(Loss) / profit before taxation	(34,730)	38,876	(34,730)	38,876
Taxation	(2,528)	(1,569)	(2,528)	(1,569)
(Loss) / profit after taxation	(37,258)	37,307	(37,258)	37,307
Minority interest	(20,371)	(20,366)	(20,371)	(20,366)
Net (loss) / profit for the period	(57,629)	16,941	(57,629)	16,941
(Loss) / earnings per ordinary share (sen) :-				
(a) Basic	(27.34)	6.82	(27.34)	6.82
(b) Fully diluted	N/A	6.51	N/A	6.51

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2005

	As At End of Current Quarter	As At Preceding Financial Year End
	30/09/2005 RM'000	30/06/2005 RM'000
Property, plant and equipment	1,315,589	1,386,896
Investments in associated companies	85,819	79,705
Other investments	294,234	294,234
Intangible assets	438,252	437,365
Other assets	9,597	10,590
Deferred tax assets	6,590	3,306
Current assets		
Property assets	21,063	21,063
Inventories	225,383	241,172
Trade and other receivables	463,252	429,541
Tax recoverable	38,563	38,052
Short term investments	1,237	1,105
Deposits, cash and bank balances	277,880	400,487
	1,027,378	1,131,420
Current liabilities		
Trade and other payables	384,486	403,951
Short term borrowings and overdraft	439,540	504,010
Taxation	5,988	4,247
	830,014	912,208
Net current assets	197,364	219,212
	2,347,445	2,431,308
Share capital	112,901	112,901
Reserves	602,621	662,295
Treasury shares – at cost	(62,916)	(59,835)
Irredeemable convertible unsecured loan stocks 2002/2007 (“ICULS”)	203,975	203,975
	856,581	919,336
Minority shareholders’ interests	594,124	573,753
Long term and deferred liabilities		
Borrowings	495,693	538,590
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	117,386	117,386
Deferred tax liabilities	21,804	20,670
Retirement benefits	11,857	11,573
	896,740	938,219
	2,347,445	2,431,308
Net tangible assets per share (sen)	98	127

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2005

	Current Year- To-Date 30/09/2005 RM'000	Preceding Year Corresponding Period 30/09/2004 RM'000
(Loss) / profit before taxation	(34,730)	38,876
Adjustments for:-		
Share of profit of associated companies	(7,565)	(12,001)
Depreciation and amortisation	66,611	69,399
Non cash items	65,868	7,018
Net financing costs	14,139	19,060
Operating profit before changes in working capital	104,323	122,352
Changes in working capital		
Net change in long term / current assets	(37,365)	(40,221)
Net change in current liabilities	(21,505)	6,627
Net income taxes (paid) / refunded	(3,312)	5,013
Other operating income received	729	-
Net financing costs paid	(14,139)	(19,060)
Net cash generated from operating activities	28,731	74,711
Investing Activities		
Equity investments	-	(18)
Other investments	(41,548)	(98,592)
Net cash used in investing activities	(41,548)	(98,610)
Financing Activity		
Net (repayments) / proceeds of bank borrowings	(109,894)	91,977
Purchase of treasury shares	(3,081)	-
Net cash (used in) / generated from financing activities	(112,975)	91,977
Net change in cash and cash equivalents	(125,792)	68,078
Cash & cash equivalents at beginning of period	399,659	368,530
Effect of foreign exchange rate changes on cash and cash equivalents	658	(2,464)
Cash & cash equivalents at end of period	274,525	434,144
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	30/09/2005 RM'000	30/09/2004 RM'000
Deposits, cash and bank balances	277,880	465,076
Bank overdraft	(3,355)	(30,932)
	274,525	434,144

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2005

	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 2005							
At 1 July 2005	112,901	293,237	(17,545)	386,603	(59,835)	203,975	919,336
Net loss for the period	-	-	-	(57,629)	-	-	(57,629)
Interest on ICULS	-	-	-	(2,040)	-	-	(2,040)
Foreign currency translation differences	-	-	(5)	-	-	-	(5)
Purchase of treasury shares	-	-	-	-	(3,081)	-	(3,081)
At 30 September 2005	<u>112,901</u>	<u>293,237</u>	<u>(17,550)</u>	<u>326,934</u>	<u>(62,916)</u>	<u>203,975</u>	<u>856,581</u>
Preceding year corresponding period 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	<u>112,661</u>	<u>290,495</u>	<u>64,347</u>	<u>332,340</u>	<u>(59,835)</u>	<u>206,957</u>	<u>946,965</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

The figures have not been audited

1. Accounting policies and methods of computation

The interim financial report has been prepared in accordance with FRS 134 “Interim Financial Reporting” and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2005.

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 2005.

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 financial year-to-date.

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

During the current financial year-to-date, the Company bought back 964,600 of its own shares from the open market for a total consideration of RM3,081,000. The total number of shares bought back as at 30 September 2005 was 8,308,600 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

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

7. Dividend

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

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	Investment holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	151,855	147,725	297,178	435	597,193
Results					
Segment results	4,100	8,524	25,717	(2,273)	36,068
Share of profit of associated companies	7,565	-	-	-	7,565
	11,665	8,524	25,717	(2,273)	43,633
One-off write-down	(64,224)	-	-	-	(64,224)
	<u>(52,559)</u>	8,524	25,717	<u>(2,273)</u>	<u>(20,591)</u>
Interest income					1,594
Finance costs					<u>(15,733)</u>
Loss before taxation					<u>(34,730)</u>
Taxation					<u>(2,528)</u>
Loss after taxation					<u>(37,258)</u>
Minority interest					<u>(20,371)</u>
Net loss for the period					<u><u>(57,629)</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.

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

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2005

The figures have not been audited

11. Changes in the composition of the Group (cont'd)

- (ii) The Company had, on 1 August 2005, acquired 2 ordinary shares of RM1.00 each fully paid, representing 100% of the equity interest in Confident Wheels Sdn Bhd for a total consideration of RM2.00. It subsequently changed its name to MZ Motorrad Group Sdn Bhd ("MSGSB"). MZGSB is currently dormant and its intended principal activity is the provision of management services. The authorized share capital of MZGSB is RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each and the paid up share capital is RM2.00.
- (iii) MPI Property Sdn Bhd ("MPI Property"), a wholly-owned subsidiary of the Company, had been placed under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co had been appointed as liquidator of MPI Property.

The liquidator of MPI Property had, on 25 July 2005, distributed 5,000,000 ordinary shares of RM1.00 each, representing MPI Property's entire equity interest in Kilatas Sdn Bhd, to Taman Terang, another wholly-owned subsidiary of the Company.

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 of RM597.2 million for the current quarter under review as compared with the revenue of RM658.3 million in the preceding year's corresponding quarter. The decline is mainly attributable to the lost of revenue from the Group's packaging and polyester resin businesses following the completion of the disposals of the said businesses during the second and fourth quarters of the preceding financial year respectively.

During the quarter under review, the Group undertook a restructuring exercise in its MZ operations in Germany, which involves downscaling of its manufacturing activity so that the activity can be undertaken in Malaysia to take advantage on its lower cost platform. In view of this, the Group has made a one-off write-down of RM64.2 million to account for this restructuring exercise. Consequently, the Group recorded a loss before taxation ("LBT") of RM34.7 million as compared with the profit before tax ("PBT") of RM38.9 million in the preceding year's corresponding quarter. If the write-down were excluded, the Group would have recorded a PBT of RM29.5 million for the current quarter under review.

14. Material changes in profit before taxation

As disclosed in note 13 above, LBT of RM34.7 million recorded in the current quarter under review included a one-off write down of RM64.2 million.

PBT for the preceding quarter of RM18.7 million included a gain of RM21.1 million arising from the disposal of the Group's polyester resin business during the preceding quarter.

Other than as mentioned above, the increase in PBT as compared with the preceding quarter is mainly attributable to the higher profits of the semiconductors and motorcycles sectors.

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15. Prospects

Barring any unforeseen circumstances, the Group expects its performance to be satisfactory for the current financial year ending 30 June 2006.

16. Profit forecast / profit guaranteed

This note is not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2005 RM'000	30/09/2004 RM'000	30/09/2005 RM'000	30/09/2004 RM'000
Current tax				
Malaysian				
- current	7,081	4,761	7,081	4,761
- prior years	(2,563)	(8,224)	(2,563)	(8,224)
Overseas				
- current	34	27	34	27
	<u>4,552</u>	<u>(3,436)</u>	<u>4,552</u>	<u>(3,436)</u>
Deferred tax				
Malaysian				
- current	(1,898)	5,555	(1,898)	5,555
- prior years	(252)	-	(252)	-
	<u>(2,150)</u>	<u>5,555</u>	<u>(2,150)</u>	<u>5,555</u>
Share of taxation of associated companies	126	(550)	126	(550)
	<u>2,528</u>	<u>1,569</u>	<u>2,528</u>	<u>1,569</u>

The Group's effective tax rate of the current quarter / year-to-date are higher than the statutory tax rate due mainly to expenses of certain subsidiaries which are not tax deductible which however partly offset by tax incentives / allowances granted to other 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.

(b) Particulars of investments in quoted securities as at 30 September 2005:-

	RM'000
Short term investments:	
At cost	1,237
At book value	1,237
At market value	1,357

20. Corporate Proposals

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

The Company had, on 14 October 2005, announced that the shareholders of HLI had approved the establishment of a new Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company ("Proposal").

The Proposal is subject to the approval being obtained from Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme.

21. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2005 are as follows:-

	RM'000
(i) Unsecured short term borrowings and overdraft	439,540
(ii) Unsecured long term borrowings	863,079
	1,302,619

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

	RM'000
USD borrowings	527,203
Euro borrowings	11,355

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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 financial instruments with off balance sheet risk as at 14 November 2005 are as follow :-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>268,432</u>

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 interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax for the quarter ended 30 September 2005 of the financial year ending 30 June 2006 (2004/2005 : 1.25 sen per share tax exempt and 2.50 sen per share less tax) to be paid on 27 December 2005 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 12 December 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 12 December 2005 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, a total gross dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax has been declared (2004/2005: 1.25 sen per share tax exempt and 2.50 sen per share less tax).

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25. (Loss) / Earnings Per Ordinary Share

Basic (loss) / earnings per share

The calculation of basic (loss) / earnings per ordinary share for the current quarter / year-to-date are based on the net loss attributable to ordinary shareholders of RM59,669,000 (2004/2005: net profit of RM14,871,000), being the net loss of RM57,629,000 (2004/ 2005 : net profit of RM16,941,000) less interest on the ICULS of RM2,040,000 (2004/2005 : RM2,070,000) and the weighted average number of ordinary shares outstanding during the quarter / year-to-date of 218,260,000 (2004/2005: 217,977,000).

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
	30/09/2005 '000	30/09/2004 '000	30/09/2005 '000	30/09/2004 '000
Issued ordinary shares at beginning of period	218,458	217,977	218,458	217,977
Effect of purchase of treasury shares	(198)	-	(198)	-
Weighted average number of ordinary shares	218,260	217,977	218,260	217,977

Diluted earnings per share

The Group has no dilution in its loss per ordinary share in the current quarter / year-to-date as the conversion of the potential ordinary shares would reduce the basic loss per ordinary share.

The calculation of diluted earnings per ordinary share for the preceding year corresponding quarter / period were 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 preceding corresponding quarter / period of 251,357,000.

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
	30/09/2005 RM'000	30/09/2004 RM'000	30/09/2005 RM'000	30/09/2004 RM'000
Net profit attributable to ordinary shareholders	N/A	14,871	N/A	14,871
After tax effect of interest savings on ICULS	N/A	1,490	N/A	1,490
Net profit attributable to ordinary shareholders (diluted)	N/A	16,361	N/A	16,361

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25. (Loss) / Earnings Per Ordinary Share (cont'd)

Diluted earnings per share (cont'd)

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
	30/09/2005 '000	30/09/2004 '000	30/09/2005 '000	30/09/2004 '000
Weighted average number of ordinary shares (basic)	N/A	217,977	N/A	217,977
Effect of shares to be issued on conversion of ICULS	N/A	33,380	N/A	33,380
Weighted average number of ordinary shares (diluted)	N/A	251,357	N/A	251,357

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
21 November 2005