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HONG LEONG INDUSTRIES BERHAD ANNUAL REPORT 2001

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COMPANY PROFILE



Hong Leong Industries Berhad (“HLI”) is principally an investment holding company. Activities of HLI’s subsidiaries include manufacturing and distribution of ceramic tiles, leadframes, integrated circuits and semiconductor devices, assembly and distribution of motorcycles, motorcycle engines and components, manufacturing and distribution of duplex board boxes, flexible plastic packaging products and industrial plastic moulded products.

Associated companies are involved in shipbuilding and ship repairing, production of motorcycles, motorcycle engines and spare parts and holdings of strategic investments.

HLI is a public listed company and its shares are traded on the Main Board of the Kuala Lumpur Stock Exchange.

DIRECTORS

Y Bhg Tan Sri Quek Leng Chan
(Executive Chairman)

Mr Kwek Leng San
(President & Chief Executive Officer)

Mr Ron Lim Kim Chai
(Group Managing Director - Automotive Group)

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar

Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak

Y Bhg Dato' Dr Agoes Salim

Mr Chuah Chuan Thye

Mr David Edward Comley

CORPORATE INFORMATION

SECRETARIES

Ms Queek Chai Choo

Ms Joanne Leong Wei Yin

AUDITORS

Ling Kam Hoong & Co

No. 6-1 Jalan 3/64A

Udarama Complex

Off Jalan Ipoh

50350 Kuala Lumpur

Tel: 03-4042 3288

Fax: 03-4042 0149

REGISTRAR

Hong Leong Nominees Sendirian Berhad

Level 5, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel: 03-2164 1818

Fax: 03-2164 3703

REGISTERED OFFICE

Level 9, Wisma Hong Leong

18 Jalan Perak, 50450 Kuala Lumpur

Tel: 03-2164 2631

Fax: 03-2164 2514

DIRECTORS' PROFILE

Y Bhg Tan Sri Quek Leng Chan

Executive Chairman/Non-Independent

Aged 58, Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom in 1962. He has extensive business experience of 37 years in various business sectors, including financial services, manufacturing and real estate.

Tan Sri Quek is the Executive Chairman of HLI and was appointed to the Board of HLI on 12 May 1969. He is the Chairman of the Executive Share Option Scheme ("ESOS") Committee of HLI.

His other directorships in public companies are as follows:

- Executive Chairman of several public listed companies in the Hong Leong Group Malaysia, namely Hong Leong Credit Berhad, Hong Leong Properties Berhad, Hume Industries (Malaysia) Berhad ("HIMB"), Camerlin Group Berhad ("CGB") and Hume Cemboard Berhad ("HCB").
- Executive Chairman of Tasek Corporation Berhad, a public listed company.
- Chairman of Hong Leong Bank Berhad and HLG Capital Berhad, both public listed companies.
- Director of O.Y.L. Industries Bhd ("OYL"), a public listed company.
- Executive Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad ("HLCO(M)"), Executive Chairman of Guolene Packaging Industries Berhad ("GPIB"), Chairman of Hong Leong Finance Berhad ("HLF") and Hong Leong Assurance Berhad, all of which are public companies.

Tan Sri Quek has a direct shareholding of 2,185,000 ordinary shares and a warrantholding of 40,000 warrants in HLI. He also has an indirect warrantholding of 15,275,372 warrants in HLI. He has a direct shareholding of 53,500 and 36,000 ordinary shares in Malaysian Pacific Industries Berhad ("MPI") and GPIB, both subsidiaries of HLI, respectively. He is a deemed major shareholder of HLI and its subsidiaries by virtue of his interest in the holding company.

Tan Sri Quek attended all the Board meetings held during the financial year ended 30 June 2001.

He has no conflict of interest with HLI and has no convictions for offences within the past ten years.

DIRECTORS' PROFILE (CONTINUED)

Mr Kwek Leng San

President & Chief Executive Officer/Non-Independent

Aged 46, Mr Kwek Leng San, a Singaporean, obtained a Bachelor of Science (Engineering) degree from University of London in 1978 and a Master of Science (Finance) degree from City University, London in 1979. He was appointed as a Director of MPI, a public listed company on 20 July 1990 and subsequently as the Group Managing Director of MPI from September 1990 to August 1993. Presently, he is the Executive Chairman of MPI.

Mr Kwek was appointed to the Board of HLI on 1 September 1990 before assuming his present position as the President & Chief Executive Officer on 16 August 1993. He is a member of the ESOS Committee, Share Transfer Committee and Audit Committee of HLI.

His other directorships in public companies are as follows:

- President & Chief Executive Officer of HIMB, a public listed company.
- Group Managing Director of CGB, a public listed company.
- Director of HCB, OYL and Southern Steel Berhad ("SSB"), all public listed companies.
- Chairman of Industrial Concrete Products Berhad, a public listed company.
- Director of HLCO(M) and GPIB, both public companies.

He has a direct shareholding of 1,550,000 and 339,000 ordinary shares in HLI and MPI respectively and does not hold any warrants in HLI. He also does not hold any shares in the subsidiary companies of HLI. He has 400,000 options pursuant to the ESOS of HLI.

He attended all the Board meetings of HLI held during the financial year ended 30 June 2001.

Mr Kwek is a brother of Tan Sri Quek Leng Chan, the Executive Chairman and a deemed major shareholder of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

DIRECTORS' PROFILE (CONTINUED)

Mr Ron Lim Kim Chai

Group Managing Director (Automotive Group)/Non-Independent

Aged 54, Mr Ron Lim Kim Chai, a Malaysian, graduated from University of Canterbury with a Bachelor of Commerce degree in 1973. He is an Associate Chartered Accountant (ACA) of the Institute of Chartered Accountants of New Zealand and a Registered Accountant (Malaysia). Mr Ron Lim has more than 20 years of experience in the financial, manufacturing and trading sectors. He joined the Hong Leong Group Malaysia as the General Manager of Hong Leong Equipment Sdn Bhd and subsequently as the General Manager of Hong Leong Yamaha Distributors Sdn Bhd. Mr Ron Lim was promoted to the position of Senior General Manager, heading the motorcycles division prior to his appointment to the Board as Group Managing Director (Automotive Group) of HLI on 16 August 1993.

He is a member of the ESOS Committee and Share Transfer Committee of HLI. He is also a Director of HLLS Holdings Bhd, a public company.

Mr Ron Lim has a direct shareholding of 50,000 ordinary shares in HLI and 350,000 options pursuant to the ESOS of HLI. He does not hold any warrants in HLI nor any shares in the subsidiary companies of HLI.

He attended all the Board meetings held during the financial year ended 30 June 2001.

Mr Ron Lim has no family relationship with any other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar

Non-Executive Director/Independent

Aged 56, YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar, a Malaysian, graduated from University of Cairo with a Bachelor of Economics/Political Science degree in 1967. She also holds a Diploma in Public Relations from the Malaysian Institute of Public Relations in 1971. YAM Tunku Dara is a founder and governor of Kolej Tuanku Ja'afar and is a shareholder and Director of Syarikat Pesaka Antah.

YAM Tunku Dara was appointed to the Board of HLI on 19 June 1971. She is a member of the Audit Committee of HLI.

She attended all the Board meetings held during the financial year ended 30 June 2001.

YAM Tunku Dara does not hold any shares nor warrants in HLI and its subsidiary companies, has no family relationship with any other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

DIRECTORS' PROFILE (CONTINUED)

Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak

Non-Executive Director/Independent

Aged 46, Dato' Ahmad Johari bin Tun Abdul Razak, a Malaysian, graduated from University of Kent, United Kingdom with a Bachelor of Arts degree in law in 1975 and qualified as a Barrister-at-Law from Lincoln's Inn in 1976. Dato' Ahmad Johari has been the Group Managing Director of Ancom Berhad, a public listed company, since July 1994.

Dato' Ahmad Johari was appointed to the Board of HLI on 2 January 1981. He is the Chairman of the Audit Committee of HLI.

His other directorships in public companies are as follows:

- Chairman of Courts Mammoth Berhad, a public listed company.
- Director of Daiman Development Berhad and Nylex (M) Berhad, both public listed companies.
- Director of Daiman Golf Berhad, a public company.

Dato' Ahmad Johari has a direct shareholding of 17,600 ordinary shares in HLI. He does not hold any warrants in HLI nor any shares in the subsidiary companies of HLI.

He attended all the Board meetings held during the financial year ended 30 June 2001.

Dato' Ahmad Johari has no family relationship with any other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

Y Bhg Dato' Dr Agoes Salim

Non-Executive Director/Independent

Aged 67, Dato' Dr Agoes Salim, a Malaysian, graduated from University of Wisconsin, United States of America with a Doctorate of Philosophy in Agricultural Economics in 1966. Dato' Dr Agoes was in the Malaysian Administrative and Diplomatic Service from 1958 to 1973 and the Chairman and Managing Director of Bank Pertanian Malaysia from 1971 to 1981 before joining the private sector. Presently, he is the Executive Chairman of Ready Mixed Concrete Malaysia Sdn Bhd.

Dato' Dr Agoes was appointed to the Board of HLI on 2 January 1981. He does not sit on any committees of HLI.

He has a direct shareholding of 48,000 ordinary shares in HLI. He also has an indirect shareholding of 896,000 ordinary shares and a warrantholding of 140,000 warrants in HLI. He does not hold any shares in the subsidiary companies of HLI.

Of the four (4) Board meetings of HLI held during the financial year ended 30 June 2001, Dato' Dr Agoes attended all except for one for which he has extended his apologies.

He has no family relationship with any other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

DIRECTORS' PROFILE (CONTINUED)

Mr Chuah Chuan Thye

Non-Executive Director/Non-Independent

Aged 45, Mr Chuah Chuan Thye, a Malaysian, graduated from University of Massey, New Zealand with a Bachelor of Business Studies degree in 1978. He has more than 20 years experience in the business and finance sectors. Mr Chuah commenced employment as a manager in Hong Bee Hardware Co Sdn Bhd ("Hong Bee") in 1979 and subsequently appointed as a Director of Hong Bee in 1984. Presently, he is the Managing Director of Hong Bee Group of Companies.

Mr Chuah was appointed to the Board of HLI on 1 December 1993. He does not sit on any committees of HLI. He is also a Director of SSB, a public listed company and HLF, a public company.

He has an indirect shareholding of 1,998,800 ordinary shares and 291,875 warrants in HLI. He does not hold any shares in the subsidiary companies of HLI except for a direct shareholding of 3,000 ordinary shares in GPIB.

He attended all the Board meetings held during the financial year ended 30 June 2001.

Mr Chuah has no family relationship with any other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

Mr David Edward Comley

Non-Executive Director/Non-Independent

Aged 52, Mr David Edward Comley, a British, graduated from Lanchester Polytechnic with a Bachelor of Science (Electrical Engineering) degree in 1970. He started his career with Plessey Semiconductors for 17 years with the last position held as the Worldwide Assembly Manager, responsible for the management of Plessey's UK Assembly Facility and the Offshore Subcontractors in Malaysia, Hong Kong, Philippines and Taiwan. Prior to his appointment as the Group Managing Director of MPI, he was with ITEQ Europe and AMKOR ANAM Europe Ltd ("AMKOR"). In AMKOR, he was a Director of Operations before he was promoted to the position as Managing Director.

Mr David Comley was appointed to the Board of HLI on 1 May 1994. He does not sit on any committees of HLI.

He does not hold any shares nor warrants in HLI and its subsidiary companies except for a direct shareholding of 262,000 ordinary shares in MPI and 400,000 options pursuant to the ESOS of MPI.

Of the four (4) Board meetings of HLI held during the financial year ended 30 June 2001, Mr David Comley attended all except for two for which he has extended his apologies.

Mr David Comley has no family relationship with any other Directors or major shareholders of HLI, has no conflict of interest with HLI and has no convictions for offences within the past ten years.

AUDIT COMMITTEE REPORT

Constitution

The Audit Committee of HLI has been established since 21 March 1994.

Composition

Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak
(Chairman, Independent Non-Executive Director)

YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar
(Independent Non-Executive Director)

Mr Kwek Leng San
(Non-Independent Executive Director)

Secretary

The Secretary to the Audit Committee is Ms Queek Chai Choo, who is the Joint Company Secretary of HLI.

Meetings

The Audit Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary for urgent matters. All meetings to review the quarterly results and annual financial statements are held prior to such quarterly results and annual financial statements being presented to the Board for approval.

Two (2) members of the Audit Committee shall constitute a quorum.

During the financial year ended 30 June 2001, four (4) committee meetings were held and all the meetings were attended by all the Audit Committee members.

After each Audit Committee meeting, the Audit Committee reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendations to the Board.

AUDIT COMMITTEE REPORT (CONTINUED)

Activities

The Audit Committee carried out its duties in accordance with its Terms of Reference.

During the financial year, the Audit Committee reviewed the quarterly reports and financial statements of HLI and its subsidiaries (“the Group”). The Audit Committee had also met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management’s response and discussed recent developments on accounting and auditing standards issued by the Malaysian Accounting Standards Board. In addition, the Audit Committee approved the annual internal audit plan of the Group, reviewed the internal auditor’s audit findings and recommendations.

The Audit Committee also approved various related party transactions carried out by the Group.

Authority

The Audit Committee is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

Terms Of Reference

- To review, with the external auditors, the audit plan.
- To review, with the external auditors, the evaluation of the system of internal accounting controls and audit findings.
- To review, with the external auditors, the audit report.
- To review the assistance given by the Company's officers to the external auditors.
- To review the scope and results of the internal audit procedures.
- To review the financial statements of the Company and the consolidated financial statements submitted to the Audit Committee by the Company and thereafter to submit them to the Directors of the Company.
- To review any related party transactions that may arise within the Company or the Group.
- To nominate and recommend for the Board of Directors' approval, a person or persons as auditor(s).
- Other functions as may be agreed to by the Audit Committee and the Board of Directors.

Internal Audit

During the financial year ended 30 June 2001, the internal audit department carried out its duties in accordance with its annual audit plan covering business audit, system audit, fixed assets audit and operational and financial audit.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-eighth Annual General Meeting of Hong Leong Industries Berhad (“the Company”) will be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 October 2001 at 4.30 p.m. in order:

1. to receive and consider the audited financial statements for the year ended 30 June 2001 and the Directors’ and Auditors’ Reports thereon;
2. to approve the payment of Directors’ fees of RM260,000/- to be divided amongst the Directors in such manner as the Directors may determine;
3. to re-elect the following Directors retiring in accordance with the Company’s Articles of Association:
 - (a) Mr Kwek Leng San
 - (b) Mr Ron Lim Kim Chai
 - (c) Y Bhg Dato’ Ahmad Johari bin Tun Abdul Razak
 - (d) Y Bhg Dato’ Dr Agoes Salim;
4. to re-appoint Messrs Ling Kam Hoong & Co as Auditors of the Company and authorise the Directors to fix their remuneration;
5. as special business, to consider and, if thought fit, pass the following ordinary motion:

Authority To Directors To Issue Shares

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”; and

NOTICE OF ANNUAL GENERAL MEETING

(CONTINUED)

6. to consider any other business of which due notice shall have been given.

By Order of the Board

Queek Chai Choo
Joanne Leong Wei Yin
Secretaries

Kuala Lumpur
4 October 2001

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy but not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. A member may appoint any other person to be his proxy without limitation and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Pursuant to Paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
3. **Resolution On Authority To Directors To Issue Shares**

In line with the Company's plan for expansion/diversification, the Company is actively looking into prospective areas so as to broaden the operating base and earning potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to call for a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued capital. In order to avoid any delay and cost involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Kuala Lumpur Stock Exchange)

1. Directors who are standing for re-election at the Thirty-eighth Annual General Meeting of the Company

Pursuant to Article 109 of the Company's Articles of Association

- (a) Mr Kwek Leng San;
- (b) Mr Ron Lim Kim Chai;
- (c) Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak; and
- (d) Y Bhg Dato' Dr Agoes Salim.

2. Details of attendance of Directors at Board Meetings

There were four (4) Board meetings held during the financial year ended 30 June 2001. Details of attendance of the Directors are set out in the Directors' Profile appearing on pages 4 to 8 of the Annual Report.

3. Place, Date and Time of Board Meetings

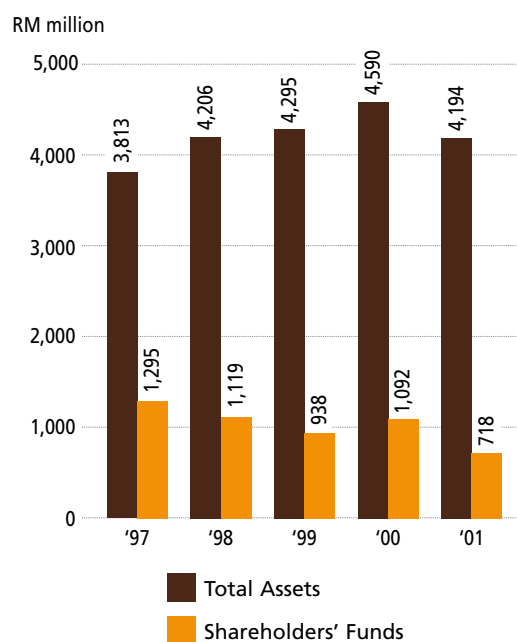
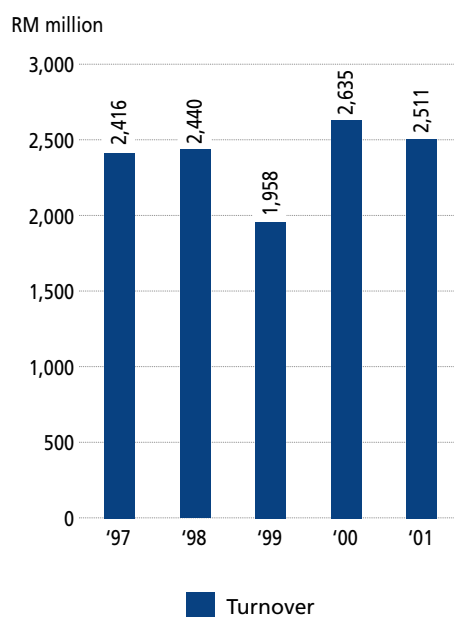
All Board meetings during the financial year ended 30 June 2001 were held at Level 11, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur. The date and time of the Board meetings held were as follows:-

<u>Date of Meetings</u>	<u>Time</u>
21 August 2000	2.45 p.m.
23 October 2000	3.25 p.m.
7 February 2001	3.15 p.m.
8 May 2001	3.30 p.m.

4. Further details of Directors who are standing for re-election

Details of Directors who are standing for re-election are set out in the Directors' Profile appearing on pages 4 to 8 of the Annual Report.

GROUP FINANCIAL HIGHLIGHTS



FOR THE YEAR ENDED 30 JUNE

	2001	2000	1999	1998	1997
Turnover (RM Million)	2,511	2,635	1,958	2,440	2,416
Profit / (Loss) Before Tax (RM Million)	127	513	(75)	(123)	265
Profit / (Loss) After Tax (RM Million)	110	473	(63)	(136)	241

AS AT 30 JUNE

Total Assets (RM Million)	4,194	4,590	4,295	4,206	3,813
Shareholders' Funds (RM Million)	718	1,092	938	1,119	1,295
Capital Expenditure (RM Million)	384	454	228	323	277
Gross Earnings / (Loss) Per Share (sen)	(30)	98	(68)	(79)	79
Net Earnings / (Loss) Per Share (sen)	(32)	87	(63)	(73)	67
Net Dividend Per Share (sen)	21	19	7	8	10
Net Assets Value Per Share (RM)	3.25	4.85	4.18	4.98	5.77

CORPORATE GOVERNANCE

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders.”

Finance Committee on Corporate Governance

The manner in which the Corporate Governance framework is applied is summarised as follows:

1. Directors

The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The Board of Directors comprises eight (8) Directors, five (5) of whom are non-executive. The profiles of the members of the Board are provided in the Annual Report.

The Board met four (4) times during the financial year ended 30 June 2001.

Supply of Information

To fulfil the responsibilities set out above, all Directors have access to the advice and services of the Company Secretaries as well as to independent professional advice, including the internal auditor.

Re-election

All Directors are required to submit themselves for re-election every three (3) years. The details of the retiring Directors are set out in the Annual Report.

2. Directors' Remuneration

Procedure

The fees of Directors, including non-executive Directors, are endorsed by the Board for approval by the shareholders of the Company at the Annual General Meeting.

Disclosure

The aggregate remuneration of Directors for the financial year ended 30 June 2001 are as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	326,000	3,711,000	4,037,000
Non-Executive Directors	223,000	4,270,000	4,493,000

CORPORATE GOVERNANCE (CONTINUED)

Disclosure (continued)

The number of Directors whose remuneration fall into the following bands are as follows:

Range of remuneration (RM)	Executive	Non-Executive
50,000 and below	-	3
50,001 - 100,000	1	1
100,001 - 750,000	-	-
750,001 - 800,000	1	-
800,001 - 3,150,000	-	-
3,150,001 - 3,200,000	1	-
3,200,001 - 4,300,000	-	-
4,300,001 - 4,350,000	-	1

3. Accountability And Audit

The financial reporting and internal control system of the Group is overseen by the Audit Committee, which comprises two (2) non-executive Directors. The primary responsibilities of the Audit Committee are set out in the Audit Committee Report.

The Audit Committee met four (4) times during the financial year ended 30 June 2001.

Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements of the Group and of the Company from the Audit Committee, which reviews the said statements with the assistance of the external auditors.

Internal Controls

The Board has overall responsibility for maintaining a system of internal controls, which provides reasonable assessment of effective and efficient operations, internal controls and compliance with laws and regulations. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

Relationship with Auditors

The appointment of the external auditors are recommended by the Audit Committee, which determines the remuneration of the external auditors. The external auditors meet with the Audit Committee to:

- present the scope of the financial audit before the commencement of audit; and
- review the results of the said audit as well as the management letter after the conclusion of the audit.

4. Directors' Responsibility In Financial Reporting

The Revamped Listing Requirements of the Kuala Lumpur Stock Exchange require the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of financial year and of the results and cash flows of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 30 June 2001, the Group has used the appropriate accounting policies and applied them consistently. The Directors also consider that relevant approved accounting standards have been followed in the preparation of these financial statements.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2001.

Operating Environment

The operating environment for the current financial year under review has changed drastically. The still conducive environment in the first half of the financial year turned into a severe economic slowdown in the second half.

GDP growth for first quarter of 2001 slowed sharply to 3.2% from 6.3% in the fourth quarter of 2000. The manufacturing sector that contributes about a third of GDP and the main engine of growth for the past three years grew 3.7%, down from 16.4% in the fourth quarter of 2000.

The Electronics & Electrical ("E&E") sector that accounts for 60% of Malaysian exports continues its downward trend. With the uncertainty of the US economy, E&E output continues to contract and hence drags down the Industrial Production Index (IPI).

Financial Review

The Group recorded a profit before taxation of RM126.6 million as compared with a profit of RM513.1 million in the previous financial year and recorded a net loss of RM70.1 million as compared with a profit of RM196.3 million in the previous financial year due principally to share of losses in an associated company amounting to RM131.4 million.

At Company level, pre-tax level recorded a loss before taxation of RM274.5 million as compared with a profit of RM91.1 million in the previous financial year, mainly due to the write down of investment in an associated company amounting to RM323.7 million.

Business Review

Semiconductor

Business for the first two quarters of the financial year was slightly down from the peak seen in the final quarter of the preceding financial year. The traditional surge in the second quarter's revenue, fuelled by Christmas and New Year consumer spending, did not materialise in this financial year. Concerns of a slow-down in the US economy have dampened consumer confidence and sentiments. This coupled with high oil prices and lower than expected personal computers and cell-phones

reduction in factory overheads and requiring all employees to take mandatory annual or unpaid leave. In addition, curtailment of discretionary expenses will continue to be strictly enforced to ensure that the company sustains through this industry downturn. Prudent management of capital expenditure and continued investments in next-generation technology will ensure the group emerge stronger in the next technology cycle.

Revenue for the six months ended 31 December 2000 reached a commendable RM820.2 million. However, revenues for the second half-year declined sharply by 38% to record RM512.4



sales, resulted in many companies in the technology sector being over-stocked.

The beginning of 2001 saw the start of the biggest decline in the history of the semiconductor industry. The speed and severity of this decline caught the whole industry by surprise. Even as we ended the financial year, there were still no clear signs of the industry having reached the bottom as companies worldwide continue to report falling demands and excess capacities. This is compounded by fears of a US-led global economic slow-down. The deceleration in business affected all market sectors, with the telecommunications sector being the worst affected.

MPI reacted swiftly to the business downturn by implementing numerous major austerity initiatives to counter the impact of economic slowdown. These include hiring freeze, zero overtime, repatriation of foreign workers, natural attrition,

million. Year-on-year, turnover amounted to just over of RM1.3 billion, a decrease of 13% from last year.

Profit attributable to shareholders for the financial year under review was RM201.0 million, a drop of 38% from the preceding financial year to record an earnings per share of 100.6 sen, representing a decline of 37% from the previous financial year. In spite of the adverse business conditions for the second half of the financial year, this sector achieved a return on shareholders' funds of 24%.

MPI continued its share buy back scheme during the financial year with the aim to achieve an optimum capital structure. The company was able to maintain a healthy cash position of RM259.0 million even after utilising a further RM80.0 million on share buy back and a higher dividend payout of RM130.9 million.

CHAIRMAN'S STATEMENT

(CONTINUED)

Building Materials

For the financial year under review, the construction industry activities were centred primarily on public sector projects in infrastructure and amenities such as schools, housing for teachers, colleges and hospitals but with little sign of recovery in the private sector.

With clear strategies, the Building Materials Division has been able to harness the best from this economical backdrop and continues with its positive trend in operational and financial indicators. For the financial year under review, the division registered an improved turnover of RM477.0 million, a 5% improvement as compared with last financial year.

On the domestic front, the division's attention is to continuously review and improve on its core programmes with the objective of promoting "Ceramiche Guocera" as a premier brand. Programmes like dealer development programme have helped to expand and strengthen Guocera network into the retail market whilst the promotion of lifestyle products and merchandising has created visible and strong brand awareness. The presence of a modern and prestigious showroom modeling the latest lifestyle tiles concept has augur well towards the building of a strong brand presence. The continuous inculcation of quality philosophy and work method and aggressive R & D will continue to provide Guocera with strong competitive edge.

In the export initiatives, the building of strong partnership with corporation with similar business culture has resulted in positive in-road into countries like Australia, Singapore and United Kingdom. The e-enablement of supply chain so as to ensure speed to market and improve business efficiency would be an added tool towards market entrenchment.

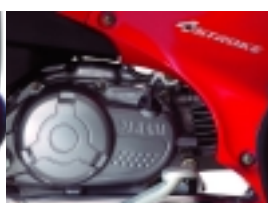


Motorcycles

The financial year ended 30 June 2001 has been both exciting and challenging for the motorcycles group as it rode the wave of economic recovery and then to quickly grapple with a slowdown as the US economy started to moderate.

On the local front, motorcycles demand contracted 8.4% year-on-year as a result of the slowdown in the economy, registering sales of 243,141 units for the financial year ended 30 June 2001.

Notwithstanding a contraction, year-on-year, in the overall demand for motorcycles, the



Yamaha division registered a 9.5% improvement in turnover and the operations returned to the black. This was

achieved on the back of the successful launch of a new 4 stroke moped, the SR Lagenda, aggressive cost down programmes carried out, the benefit of

a weaker Japanese Yen and a breakthrough in exports.

To remain a leader in the domestic motorcycles market and with the impending threat of foreign competition brought about by Asean Free Trade Area (AFTA) in year 2005, the division has initiated programmes to ensure global competitiveness of its products.

MZ Motorrad- und Zweiradwerk GmbH ("MZ") remains in its investment phase, with focus on building the MZ brand and development of new products, and hence for the financial year under review, still turned in a loss.



During the financial year, MZ also successfully launched the Enduro and Funbike in the 125cc segment in April 2001. MZ now has a range of low displacement motorcycles to enter the mass markets in Asia. The development of a larger capacity motorcycle is in progress and would be ready for launch in 2002. This would widen MZ's product range to compete in the US and European markets.

MZ's active marketing activities and development of new and innovative products have given the MZ brand greater visibility and is now recognised as a reputable motorcycle brand.

Barring any unforeseen circumstances, we expect the performance of the next financial year to improve further with new product launches in the pipeline and with our continuous efforts to stay globally competitive.



CHAIRMAN'S STATEMENT

(CONTINUED)

Packaging

The Group has reduced its involvement in the packaging business since the previous financial year with the disposal of certain investments in subsidiary and associated companies.

The Company has on 13 July 2001, served a notice of voluntary offer on the Board of Directors of GPIB to acquire all the remaining 38,424,105 ordinary shares not already owned directly by the Company representing approximately 26.5% equity interest in GPIB at a cash offer price of RM1.00 per share ("Offer"). The Offer is currently pending the approval of the relevant authorities.

Significant Investments

Malaysian Newsprint Industries

During the financial year, Malaysian Newsprint Industries Sdn Bhd ("MNI") issued an Islamic Private Debts Securities Issuance Programme ("Programme") of RM923.0 million which was utilised to refinance its existing loans and to finance the acquisition of the purposed built Combined Heat and Power Plant from Laras Perkasa Sdn Bhd.

With the improvement in the machine operation and cost control for chemicals, materials and labour, MNI has successfully achieved a profit before taxation of RM42.7 million for the financial year under review.



Camerlin Group

The Group has a 28.9% stake in Camerlin Group Berhad ("Camerlin"), which in turn has a 22.3% stake in Brierley Investments Limited ("BIL"), a company with primary listing on the Singapore Stock Exchange and secondary listings on the New Zealand, Australia and London Stock Exchanges. During the financial year, Camerlin secured an additional Board representative in BIL and hence, the investment in BIL has been reclassified from a simple long term investment to an investment in associated company in which the effects of the equity accounting ("Effects") amounting to RM713.4 million have been adjusted against the reserve brought forward of the associate. Consequently, the Group has taken into account its share of the Effects, amounting to RM192.3 million and adjusted the sum against the brought forward reserve accordingly.

Concurrently, Camerlin also wrote down its investment in an associated company to its market value by RM454.0 million whereby the Group's share of losses amounts to RM131.4 million has been taken into account in the financial year.

Corporate Developments

During The Financial Year

The following significant corporate developments took place in the financial year under review:

- (a) the Company had undertaken a RM300 million Commercial Paper/Medium Term Notes ("Notes") issuance programme ("Programme") which consist of a seven (7)-year programme involving the issuance of short or medium term promissory notes of between one (1) to eighty-four (84) months maturity provided that the maturity dates of the Notes fall within the availability period of the Programme;

- (b) the Company disposed of its entire 70% equity interest in Autonet Sdn Bhd comprising 1,260,000 ordinary shares of RM1.00 each fully paid to Auto Concessionaires Sdn Bhd, for a total cash consideration of RM126.00;
- (c) the Company filed an affidavit with the Kuala Lumpur High Court for the stay of the voluntary winding up of Mai Kah Corporation Sdn Bhd, a wholly-owned subsidiary, ("Stay of Winding-up") and the Kuala Lumpur High Court had, on 13 April 2001, approved the Stay of Winding-up;
- (d) the Company extended the put option date of its USD73,480,000 Zero Coupon EuroConvertible Bonds due 2006 ("ECB") from 25 October 2001 to 25 October 2005 and revised certain terms and conditions of the ECB;
- (e) the Securities Commission approved the Company's redirection of its unutilised fund of RM3.563 million ("Unutilised Amount") raised from the Company's fund raising exercise in 1997 for the Group's working capital purpose and also the extension of time of up to 31 March 2001 to fully utilise the Unutilised Amount;
- (f) the Company issued RM361,125,000 Islamic Private Debt Securities comprising seven (7)-year Primary Notes having face amount of RM250,000,000 and a series of Secondary Notes having face amount of RM111,125,000 pursuant to the Syariah Financing Principles of Al Bai' Bithaman Ajil; and
- (g) the Company subscribed for an additional 207,998 ordinary shares of RM1.00 each in HLI-HUME Management Co Sdn Bhd, a wholly-owned subsidiary, on 30 June 2001, for cash consideration at par.

The Future and Prospects

The performance of the Group is dependent on the recovery of the semiconductor sector which is expected to show a moderate growth in the second quarter, spurred by the festive season. However, it is difficult for the Board to predict as to whether the growth is sustainable. Saved for the semiconductor activity, other activities should be favourable and, barring any unforeseen circumstances, the Board expects them to perform satisfactorily in the coming financial year.

Dividend

The Company has declared and paid a first and second interim dividend totaling 20% tax exempt and 30% special less tax during the financial year. As a second interim dividend was paid during the financial year in lieu of a final dividend, the Board does not recommend any final dividend for the financial year ended 30 June 2001.

Appreciation

On behalf of the Board, I take this opportunity to extend my sincere appreciation to the management team and all employees for their invaluable contribution to the Group throughout the year.

Our appreciation is also extended to our valued customers, business associates, suppliers, financiers, authorities and to the shareholders for their continued support and confidence in the Group.



QUEK LENG CHAN

Chairman

Kuala Lumpur

27 August 2001

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the year	70,024	269,625

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- (i) a final dividend of 25% less tax and 10% tax exempt amounting to RM31,165,470 on 15 November 2000 in respect of the previous financial year;
- (ii) a first interim dividend of 10% tax exempt and a further special interim dividend of 15% less tax amounting to RM22,649,588 on 13 March 2001 in respect of the financial year ended 30 June 2001; and
- (iii) a second interim dividend of 10% tax exempt and a further special interim dividend of 15% less tax amounting to RM22,649,588 on 18 June 2001.

There is a write back of RM351,596 being unpaid final dividend for the year ended 30 June 2000 in respect of the Company's shares bought back and held as treasury shares.

The Directors do not recommend any final dividend for the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:-

Y Bhg Tan Sri Quek Leng Chan (Executive Chairman)
 Mr Kwek Leng San (President & Chief Executive Officer)
 Mr Ron Lim Kim Chai (Group Managing Director - Automotive Group)
 YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar
 Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak
 Y Bhg Dato' Dr Agoes Salim
 Mr Chuah Chuan Thye
 Mr David Edward Comley

In accordance with Article 109 of the Company's Articles of Association, Mr Kwek Leng San, Mr Ron Lim Kim Chai, Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak and Y Bhg Dato' Dr Agoes Salim retire by rotation from the Board and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

No director holding office at the end of the financial year had any beneficial interest in the ordinary shares and/or stock units and/or warrants/options of the Company and/or its related corporations during the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act 1965, except as follows:-

	Nominal value per share/ stock unit<	Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options*			
		At 1-7-2000	Bonus Issue~/ Acquired	Sold	At 30-6-2001
	RM				
Shareholdings in which Directors have direct interests					
Interests of Y Bhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Credit Berhad	1.00	3,218,000	1,233,000	-	4,451,000
	-	496,000*	-	-	496,000*
					(See Note 1)
	-	400,000*	-	-	400,000*
Hong Leong Industries Berhad	0.50	1,096,000	1,089,000	-	2,185,000
	-	40,000*	-	-	40,000*
Malaysian Pacific Industries Berhad	0.50	53,500	-	-	53,500
Hong Leong Bank Berhad	1.00	20,000	20,000~	-	40,000
Guolene Packaging Industries Berhad	1.00	36,000	-	-	36,000
Hume Industries (Malaysia) Berhad	1.00<	50,000	-	-	50,000
GuoNet Limited	USD1.00	1,200	-	-	1,200
Hume Cemboard Berhad	1.00	5,625,000	-	-	5,625,000

Interest of

Y Bhg Dato' Ahmad Johari

bin Tun Abdul Razak in:

Hong Leong Industries Berhad	0.50	17,600	-	-	17,600
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Interest of

Y Bhg Dato' Dr Agoes Salim in:

Hong Leong Industries Berhad	0.50	48,000	-	-	48,000
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DIRECTORS' REPORT

	Nominal value per share/ stock unit<	Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options*			
		At 1-7-2000	Acquired	Sold	At 30-6-2001
	RM				
Shareholdings in which Directors have direct interests					
Interests of Mr Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	0.50	1,550,000	-	-	1,550,000
	-	400,000*	-	-	400,000*
Malaysian Pacific Industries Berhad	0.50	309,000	30,000	-	339,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	-	385,000	-	385,000
Interests of Mr David Edward Comley in:					
Malaysian Pacific Industries Berhad	0.50	257,000	5,000	-	262,000
	-	400,000*	-	-	400,000*
Interest of Mr Chuah Chuan Thye in:					
Guolene Packaging Industries Berhad	1.00	3,000	-	-	3,000
Interests of Mr Ron Lim Kim Chai in:					
Hong Leong Industries Berhad	0.50	50,000	-	-	50,000
	-	350,000*	-	-	350,000*

DIRECTORS' REPORT

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options*			
	Nominal value per share/stock unit<	At 1-7-2000	Bonus Issues~/Acquired	Sold	At 30-6-2001
RM					
Shareholdings in which Directors have indirect interests					
Interests of Y Bhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	7,487,100	-	-	7,487,100
Brisk & Kindle Property Limited	£1.00	120,000	-	120,000	-
Allied Precision Components Sdn Bhd	1.00	10	-	10**	-
Hong Leong Fund Management Sdn Bhd	1.00	1,400,000	-	-	1,400,000
Beachline Holdings Sdn Bhd	1.00	70,000	-	70,000@	-
GuoNet Limited	USD1.00	10,800	-	-	10,800
MEHY Sdn Bhd	1.00	650,000	-	-	650,000
Hong Leong Credit Berhad	1.00	337,165,645	3,850,000	3,198,000	337,817,645
	-	48,607,200*	-	-	48,607,200* (See Note 1)
Hong Leong Assurance Berhad	1.00	90,000,000	-	-	90,000,000
Bradstock Insurance Brokers Sdn Bhd	1.00	750,000	-	-	750,000
Bradstock Asia Insurance Brokers (L) Bhd	USD1.00	300,000	-	-	300,000
	-	1,500 (preference)	-	-	1,500 (preference)
Bradstock Aurora Insurance Brokers Inc	P100.00	30,000	-	-	30,000
Bradstock Suntek Insurance Brokers Pte Ltd	S\$1.00	255,000	-	-	255,000
AutoWeb Sdn Bhd	1.00	208,000	200,000	-	408,000
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
HLG Futures Sdn Bhd	1.00	3,500,000	-	-	3,500,000
Hong Leong Bank Berhad	1.00	413,042,584	153,267,333	-	979,410,501
			413,100,584~		
Hong Leong Properties Berhad	0.50	368,088,211	-	11,714,000	356,374,211
	-	34,322,420*	-	-	34,322,420*
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000

DIRECTORS' REPORT

	Nominal value per share/ stock unit<	Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options*			
		At 1-7-2000	Acquired	Sold	At 30-6-2001
	RM				
Shareholdings in which Directors have indirect interests					
Interests of Y Bhg Tan Sri Quek Leng Chan in:					
HLL-Guoco Vietnam Co Limited	^	5,000,592	-	-	5,000,592
Treacher Development Sdn Bhd	1.00	14,000,000	-	-	14,000,000
JB Parade Sdn Bhd	1.00	18,000,000	-	-	18,000,000
		685,940	-	-	685,940
		(preference)			(preference)
Hong Leong Industries Berhad	0.50	132,816,800	724,000	46,200	133,494,600
	-	33,234,046*	-	17,958,674*	15,275,372*
Hong Leong Yamaha Distributors Sdn Bhd	1.00	10,360,000	-	-	10,360,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	17,920,000	-	-	17,920,000
Hong Leong Maruken Sdn Bhd	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	13,090,001	-	-	13,090,001
Quayline Fairprice Sdn Bhd	1.00	9,600,000	-	-	9,600,000
RZA Logistics Sdn Bhd	1.00	8,540,000	-	-	8,540,000
Autonet Sdn Bhd	1.00	1,260,000	-	1,260,000	-
Malaysian Pacific Industries Berhad	0.50	122,142,009	2,193,000	815,000	123,520,009
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	42,000,000	-	-	42,000,000
Carsem Semiconductor Sdn Bhd	1.00	70,000,000	-	-	70,000,000
Guolene Packaging Industries Berhad	1.00	116,521,944	116,666	-	116,638,610
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	-	9,350,002
Hume Industries (Malaysia) Berhad	1.00<	123,750,455	15,910,000	43,600	139,616,855
Hume Fibreboard Sdn Bhd	1.00	42,000,000	-	-	42,000,000
	-	37,700,000	-	-	37,700,000
		(preference)			(preference)
Hume Cemboard Berhad	1.00	37,876,000	2,008,000	-	39,884,000

DIRECTORS' REPORT

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options*			
	Nominal value per share/stock unit<	At 1-7-2000	Acquired	Sold	At 30-6-2001
RM					
Shareholdings in which Directors have indirect interests					
Interests of Y Bhg Tan Sri Quek Leng Chan in:					
Hume Wood Resources Sdn Bhd	1.00	2,400,000	1,600,000	-	4,000,000
Nanyang Press Holdings Berhad	1.00	41,840,902	-	41,840,902	-
The China Press Berhad	1.00	4,234,201	-	4,234,201	-
Cittabella (Malaysia) Sdn Bhd	1.00	510,000	-	510,000	-
Nanyang Online Sdn Bhd	1.00	100	2,499,900	1,875,000	625,000@
O.Y.L. Industries Bhd	1.00	84,868,828	-	-	84,868,828
O.Y.L. - Condair Industries Sdn Bhd	1.00	5,100,000	-	-	5,100,000
York (Malaysia) Sales & Service Sdn Bhd	1.00	700,000	-	-	700,000
O.Y.L. Steel Centre Sdn Bhd	1.00	3,750,000	-	-	3,750,000
AAF Manufacturing (M) Sdn Bhd	1.00	825,000	-	825,000@	-
Wuhan McQuay Air-Conditioning & Refrigeration Co Ltd	^	7,500,000	-	-	7,500,000
McQuay Air-conditioning Limited	HK\$1.00	2,265,000	-	-	2,265,000
O.Y.L. - J.M. Co Ltd	NT\$10.00	1,800,000	-	-	1,800,000
P.T. O.Y.L. Sentra Manufacturing	Rp2,106,000.00	1,200	-	-	1,200
or					
USD1,000.00					
Shanghai McQuay					
Air Conditioning Co, Ltd	^	248,500	101,500	-	350,000
Shenzhen McQuay	^	6,040,000	-	-	6,040,000
Air Conditioning Co, Ltd					
AF Technology Ltd	W5000.00	107,455	54,270	-	161,725

DIRECTORS' REPORT

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options*			
	Nominal value per share/stock unit<	At 1-7-2000	Bonus Issues~/Acquired	Sold	At 30-6-2001
RM					
Shareholdings in which Directors have indirect interests					
Interests of Y Bhg Tan Sri Quek Leng Chan in:					
McQuay Meditteranean LLC	#	88,500	-	-	88,500
OYL Way Electronic (Shenzen) Co Ltd	^	200,000	-	-	200,000
McQuay Philippines Sales & Service Inc	P1.00	20,000,000	-	-	20,000,000
Interests of Mr Chuah Chuan Thye in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Credit Berhad	1.00	4,400,833	42,000	-	4,442,833
	-	677,897*	-	-	677,897* (See Note 1)
Hong Leong Industries Berhad	0.50	1,998,800	-	-	1,998,800
	-	291,875*	-	-	291,875*
Hume Cemboard Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	-	70,000 50,000~	-	120,000
Interests of Y Bhg Dato' Dr Agoes Salim in:					
Hong Leong Industries Berhad	0.50	896,000	-	-	896,000
	-	140,000*	-	-	140,000*

Legend:

^ Capital contribution in USD

@ Company was dissolved by members' voluntary liquidation

** Company was struck off by the Registrar of Companies

® Company ceased to be a related company during the financial year

LCC interest in USD

Note 1: Subscription of Replacement Warrants to replace Warrants 1997/2001



DIRECTORS' REPORT

DIRECTORS' BENEFITS

No director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of related companies) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for Y Bhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties, and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company and its related corporations or corporations in which Y Bhg Tan Sri Quek Leng Chan is deemed to have interest and Mr Chuah Chuan Thye who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between companies in the Hong Leong Industries Berhad Group and corporations in which Mr Chuah Chuan Thye is deemed to have interest.

There were no arrangements during and at the end of the financial year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

EXECUTIVE SHARE OPTION SCHEME ("ESOS")

The shareholders of the Company approved the implementation of an ESOS at the Extraordinary General Meeting held on 14 December 1999.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives, who have served the Group for a period of at least one (1) year and have been confirmed in service on the date of offer, and full time executive directors of the Company, whose maximum allowable allotments have been approved by the Company in a general meeting.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being.
3. The ESOS shall be in force for a period of five (5) years commencing from 24 December 1999, subject however to any extension for a further period of five (5) years provided that the requisite approvals have been obtained for such extension.
4. The option price shall be the average of the mean market quotation of the shares of the Company as quoted on the Kuala Lumpur Stock Exchange for the five (5) market days preceding the date of offer, or at the par value of the shares of the Company of RM0.50, whichever is higher.
5. A grantee may exercise up to 20% of shares comprised in an option in any one (1) year and the number of shares to be exercised shall be in multiples of and not less than 1,000 shares provided that if the grantee's balance of shares is less than 1,000 shares, the balance of shares must be exercised in a single tranche.
6. No executive shall be eligible to participate in more than one (1) ESOS implemented by the subsidiaries within the Hong Leong Company (Malaysia) Berhad Group.

DIRECTORS' REPORT

The movements in the Company's unissued ordinary shares under the ESOS during the financial year are as follows:-

			No. of unissued ordinary shares of RM0.50 each under the ESOS			
	Offer Date	Balance at 1-7-2000	Options Granted	Options Lapsed	Options Exercised	Balance at 30-6-2001
Option price of RM8.83	28-12-1999	4,797,400	-	(111,400)	(4,600)	4,681,400
Option price of RM15.64	17-04-2000	739,000	-	(40,000)	-	699,000
		5,536,400	-	(151,400)	(4,600)	5,380,400

SHARE CAPITAL

During the financial year, the issued and paid-up capital of the Company was increased from RM112,561,950 to RM112,564,250 by way of an issue of 4,600 new ordinary shares of RM0.50 each at an option price of RM8.83 per ordinary share pursuant to the ESOS of the Company. The new shares issued rank pari passu in all respects with the existing issued ordinary shares of the Company.

During the financial year, the Company bought back 7,344,000 of its issued share capital from the open market. The average price paid for the shares bought back during the financial year was RM8.15 per ordinary share. The share buy back transactions were financed by internally generated funds. The shares bought back are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act 1965.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that:-

- (i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- (ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the directors are not aware of any circumstances:-

- (i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and the Company inadequate to any substantial extent; or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2001 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs Ling Kam Hoong & Co, have indicated their willingness to accept re-appointment.

On behalf of the Board,

KWEK LENG SAN

RON LIM KIM CHAI

Kuala Lumpur

27 August 2001

BALANCE SHEETS

AS AT 30 JUNE 2001

	Notes	Group 2001 RM'000	2000 RM'000	Company 2001 RM'000	2000 RM'000
PROPERTY, PLANT AND EQUIPMENT	4	1,649,431	1,603,896	-	724
INVESTMENTS	5	702,055	1,120,465	1,726,790	2,124,502
INTANGIBLE ASSETS	6	513,391	468,732	-	-
CURRENT ASSETS					
Property assets	7	49,903	1,662	-	-
Inventories	8	218,469	237,908	-	-
Trade and other receivables	9	616,473	705,193	84,843	152,229
Short term investments	5	1,215	4,917	-	-
Deposits, cash and bank balances	10	443,228	447,096	77	76
		1,329,288	1,396,776	84,920	152,305
CURRENT LIABILITIES					
Trade and other payables	11	706,618	813,535	151,443	398,790
Borrowings	12	626,683	573,541	338,873	248,626
Proposed dividend		-	31,517	-	31,517
Taxation		48,891	69,348	-	-
		1,382,192	1,487,941	490,316	678,933
NET CURRENT LIABILITIES		(52,904)	(91,165)	(405,396)	(526,628)
		2,811,973	3,101,928	1,321,394	1,598,598
SHARE CAPITAL AND RESERVES					
Share capital	13	112,564	112,562	112,564	112,562
Reserves		665,321	979,866	352,369	666,903
Treasury shares - at cost	14	(59,835)	-	(59,835)	-
		718,050	1,092,428	405,098	779,465
MINORITY SHAREHOLDERS' INTERESTS		690,344	696,067	-	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings	12	561,967	497,400	264,100	175,309
Deferred taxation	15	46,554	29,976	-	-
Retirement benefits		18,494	17,863	632	630
EuroConvertible Bonds	16	276,564	268,194	276,564	268,194
Redeemable Bonds	17	500,000	500,000	375,000	375,000
		1,403,579	1,313,433	916,296	819,133
		2,811,973	3,101,928	1,321,394	1,598,598

The notes on pages 41 to 68 form part of these financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

	Notes	Group 2001 RM'000	2000 RM'000	Company 2001 RM'000	2000 RM'000
REVENUE	18	2,510,654	2,635,233	135,913	145,719
OPERATING PROFIT	18	397,871	549,584	134,491	191,649
Net financing costs	19	(102,180)	(116,653)	(73,161)	(80,387)
Exceptional items	20	(4,985)	84,085	(335,855)	(20,181)
Share of losses of associated companies	21	(164,119)	(3,939)	-	-
PROFIT/(LOSS) BEFORE TAXATION		126,587	513,077	(274,525)	91,081
Taxation	22	(16,471)	(40,176)	4,900	(4,000)
PROFIT/(LOSS) AFTER TAXATION		110,116	472,901	(269,625)	87,081
Less: Minority interests		(180,140)	(276,566)	-	-
(LOSS)/ PROFIT FOR THE YEAR		(70,024)	196,335	(269,625)	87,081
Basic (loss)/earnings per ordinary share (sen)	23	(31.7)	87.4		
Diluted (loss)/earnings per ordinary share (sen)	23	(31.7)	84.3		
Dividends per share (sen)	24	20.8	19.0		

The notes on pages 41 to 68 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2001

	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Distributable Reserve RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
The Group									
At 1 July 1999	112,268	284,463	948	(14,773)	5,506	30,593	519,243	-	938,248
Net profit for the year	-	-	-	-	-	-	196,335	-	196,335
Dividends (Note 24)	-	-	-	-	-	-	(42,763)	-	(42,763)
Disposal of sub-subsidiaries	-	-	-	-	-	(1,182)	-	-	(1,182)
Foreign currency translation differences	-	-	-	(3,398)	-	-	-	-	(3,398)
Conversion of warrants	1	2	-	-	-	-	-	-	3
Exercise of ESOS	293	4,892	-	-	-	-	-	-	5,185
At 30 June 2000	112,562	289,357	948	(18,171)	5,506	29,411	672,815	-	1,092,428
Net loss for the year	-	-	-	-	-	-	(70,024)	-	(70,024)
Dividends (Note 24)	-	-	-	-	-	-	(44,948)	-	(44,948)
Foreign currency translation differences	-	-	-	(6,406)	-	-	-	-	(6,406)
Realisation of disposal/ dissolution of associates and/or subsidiaries	-	-	-	(1,461)	-	(876)	1,461	-	(876)
Share of associated company's brought forward reserve	-	-	-	13,124	-	-	(205,454)	-	(192,330)
Shares buy back	-	-	-	-	-	-	-	(59,835)	(59,835)
Exercise of ESOS	2	39	-	-	-	-	-	-	41
At 30 June 2001	112,564	289,396	948	(12,914)	5,506	28,535	353,850	(59,835)	718,050
	(Note 13)						(Note 14)		

The notes on pages 41 to 68 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2001

	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Distributable Reserve RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
The Company									
At 1 July 1999	112,268	284,463	-	-	-	3,943	329,285	-	729,959
Net profit for the year	-	-	-	-	-	-	87,081	-	87,081
Dividends (Note 24)	-	-	-	-	-	-	(42,763)	-	(42,763)
Conversion of warrants	1	2	-	-	-	-	-	-	3
Exercise of ESOS	293	4,892	-	-	-	-	-	-	5,185
At 30 June 2000	112,562	289,357	-	-	-	3,943	373,603	-	779,465
Net loss for the year	-	-	-	-	-	-	(269,625)	-	(269,625)
Dividends (Note 24)	-	-	-	-	-	-	(44,948)	-	(44,948)
Shares buy back	-	-	-	-	-	-	-	(59,835)	(59,835)
Exercise of ESOS	2	39	-	-	-	-	-	-	41
At 30 June 2001	112,564	289,396	-	-	-	3,943	59,030	(59,835)	405,098
	(Note 13)						(Note 14)		

*Non Distributable

CASH FLOW STATEMENT

FOR YEAR ENDED 30 JUNE 2001

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	126,587	513,077	(274,525)	91,081
Adjustments for:-				
Gain on disposal of shares in subsidiary	-	(182,344)	-	-
Loss retained in associated companies	164,119	3,939	-	-
Depreciation and amortisation of property, plant and equipment	272,043	247,917	45	153
Dividend income	(3,908)	(4,601)	(135,397)	(145,203)
(Gain)/Loss on disposal of plant and equipment	(257)	3,245	-	1
Written off of plant and equipment	2,434	59,669	-	27
Provision for retirement benefits	2,598	3,929	51	48
Foreign currency translation gain	(2,458)	(1,174)	(310)	-
Interest income	(29,534)	(27,345)	(142)	(510)
Interest expenses	131,714	143,998	73,303	80,897
Gain on disposal of investment	(2,682)	(14,714)	-	(20,966)
Gain on disposal of associated company/ subsidiaries	(2,327)	(9,860)	-	-
Amortisation/Write off of development expenditure	5,811	5,489	-	-
Written off of investment	-	19,615	-	-
Provision for diminution/Write down in value of investment	1,134	2,643	330,885	1,260
Provision for EuroConvertible Bond Put Premiums	4,985	20,181	4,985	20,181
Bad and doubtful debts	(3,478)	607	-	-
(Write back)/Provision for obsolete inventories	(10,096)	1,799	-	-
Other non-cash items	2,735	17,600	-	-
Waiver of loan	-	-	-	(30,994)
Operating profit/(loss) before working capital changes	659,420	803,670	(1,105)	(4,025)
Decrease/(Increase) in working capital:				
Inventories	29,535	(35,730)	-	-
Trade and other receivables	97,037	(181,376)	74,376	28,572
Trade and other payables	(109,745)	70,773	(252,332)	(72,604)
Cash generated from/(used in) operations	676,247	657,337	(179,061)	(48,057)
Income taxes(paid)/refunded	(28,916)	(13,219)	12,391	-
Net interest paid	(93,810)	(108,261)	(64,791)	(71,995)
Net dividend received	3,908	9,509	120,917	134,200
Retirement benefits paid	(1,968)	(1,865)	(49)	(41)
Net cash generated from/(used in) operating activities	555,461	543,501	(110,593)	14,107

CASH FLOW STATEMENT

FOR YEAR ENDED 30 JUNE 2001

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Addition of development expenditure	(7,038)	(6,386)	-	-
Proceeds from redemption of preference shares	80,760	-	80,760	-
Pre-acquisition dividend received from subsidiaries	-	-	10,440	7,514
Purchase of plant and equipment	(384,298)	(454,341)	(48)	(29)
Proceeds from disposal of plant and equipment	11,573	17,917	727	170
Proceeds from disposal of shares in subsidiary	-	229,115	-	-
Proceeds from disposal of investment	34,189	206	-	17
Proceeds from disposal of associated company	3,655	47,668	-	26,249
Proceeds from disposal of subsidiary	-	32,135	-	-
Additional equity investment in subsidiaries	(8,013)	(13)	(19,175)	(44,112)
Purchase of investments	(42,426)	(76,287)	(362)	(37,346)
Investment in associated companies	(4,836)	(41,137)	(4,836)	(36,094)
Shares buy back				
- subsidiary	(79,920)	(68,569)	-	-
- company	(59,835)	-	(59,835)	-
Net cash (used in)/generated from investing activities	(456,189)	(319,692)	7,671	(83,631)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividend paid to:				
- shareholders	(76,465)	(21,081)	(76,465)	(21,081)
- minority shareholders	(148,845)	(92,038)	-	-
Net proceeds from borrowings	124,761	22,274	221,891	108,307
Proceeds from issue of new shares	41	5,188	41	5,188
Proceeds from shares issued to minority shareholders	820	8,872	-	-
Net cash (used in)/generated from financing activities	(99,688)	(76,785)	145,467	92,414
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(416)	147,024	42,545	22,890
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	283,158	136,134	(141,551)	(164,441)
CASH AND CASH EQUIVALENTS AT END OF YEAR	282,742	283,158	(99,006)	(141,551)

CASH FLOW STATEMENT

FOR YEAR ENDED 30 JUNE 2001

	2001 RM'000	Group 2000 RM'000	2001 RM'000	Company 2000 RM'000
CASH AND CASH EQUIVALENTS COMPRISE:-				
Deposits held with:				
- Licensed banks	244,104	169,442	-	-
- Other corporations	15,073	47,500	-	-
Cash and bank balances	184,051	230,154	77	76
Bank overdrafts	(160,486)	(163,938)	(99,083)	(141,627)
	282,742	283,158	(99,006)	(141,551)
ANALYSIS OF THE DISPOSAL OF SUBSIDIARIES				
Property, plant and equipment		73,893		
Intangible assets		212		
Current assets		47,798		
Current liabilities		(56,290)		
Long term liabilities		(44,919)		
Net assets disposed		20,694		
Gain on disposal		9,860		
Consideration received in cash		30,554		
Cash and cash equivalent disposed		1,581		
Cash flow on disposal, net of cash disposed		32,135		

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

(a) Basis of accounting

The financial statements of the Group and the Company are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and in compliance with applicable approved accounting standards in Malaysia.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies as listed under Note 3.

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

All significant inter-company balances and transactions are eliminated on consolidation.

(c) Associated companies

An associated company is a company not being a subsidiary, in which the Group has a substantial and long term equity interest and where the Group is in a position to exercise significant influence in its management through Board representation.

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost/valuation less depreciation and impairment losses.

Certain freehold and leasehold properties and plant and equipment of certain subsidiary companies were revalued by the Directors based upon an independent professional valuation determined on the open market value basis as disclosed in Note 4 to the financial statements.

Additions to land and buildings and plant and equipment subsequent to the latest valuation are stated at cost in the financial statements.

Impairment assessment will be conducted annually on the carrying value of property, plant and equipment to determine whether there has been any impairment in value and, if so, an estimate is made of the recoverable amount and the extent of impairment where the carrying value exceeds the recoverable amount. For the purpose of determining the recoverable amount, the discounted future cash flow is estimated. An impairment loss is charged to the income statement except where there is a previous revaluation, in which case the impairment loss is charged to equity to the extent of previously recognised revaluation surplus. Subsequent increases in the recoverable amount is recognised in the income statement except for previously revalued items in which case the increase is taken to equity to the extent of previous impairment loss

NOTES TO THE FINANCIAL STATEMENTS

(d) Property, plant and equipment and depreciation (*continued*)

charged to equity. An increase in the recoverable amount is recognised to the extent that the carrying amount shall not exceed the amount net of amortisation on depreciation had no impairment loss been previously recognised.

Freehold land and capital work-in-progress are not amortised. Other properties, plant and equipment are amortised or depreciated on the straight line basis over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

Leasehold land	Over period of lease
Buildings	2 - 5%
Building improvements	10%
Plant and equipment and motor vehicles	10 - 50%

(e) Intangible assets

(i) Goodwill

Goodwill arising on consolidation, representing the excess of the cost of investment over the fair value of the net assets of the subsidiaries at acquisition dates is carried forward at cost less the previous amounts written off. Goodwill is written off when there has been a permanent impairment in its value.

(ii) Development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statement as incurred.

Expenditure on development activities, for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed to the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Capitalised development expenditure is amortised over a period of ten years on a straight line basis.

(f) Investments

Long term investments are stated at cost. A provision is made when the directors are of the view that there is a permanent diminution or impairment in the value of an investment.

Short term investments are marked on an investment portfolio basis.

(g) Property assets

Property assets consist of freehold and leasehold land and buildings and condominium units which are stated at lower of cost or book carrying value and net realisable value and are held for sale.

(h) Inventories

Raw materials, consumables, work-in-progress and finished goods are valued at the lower of cost mainly determined by the weighted average basis and net realisable value. For work-in-progress and finished goods, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

NOTES TO THE FINANCIAL STATEMENTS

(i) Receivables

Known bad debts are written off and specific provision is made for any considered to be doubtful of collection.

(j) Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. Deferred tax benefits are only recognised where there is reasonable expectation of realisation in the near future.

(k) Retirement benefits - Executive staff

The Group operates a defined contribution scheme for eligible executives which is administered by the Hong Leong Group Executive Retirement Benefit Fund. The benefits payable on retirement are based on a fixed percentage contribution of the salary of the executive as accrued monthly in the executive's nominal account.

The cost and liability in respect of the defined contribution scheme will be determined by an actuarial valuation to be conducted once in every three years by a qualified actuary. The last valuation was carried out in June 2001.

(l) Foreign currencies

Foreign currency transactions are converted into Malaysian Ringgit at the rates of exchange approximating to those ruling at the dates of the transactions or by reference to forward contracted exchange rates. Assets and liabilities in foreign currencies at balance sheet date are converted into Malaysian Ringgit at rates of exchange approximate to those ruling at the balance sheet date or by reference to forward contracted exchange rates. Profits or losses on foreign exchange arising from translation of short term monetary items are dealt with in the income statements.

Exchange differences on long term foreign currency term loans relating to imported machinery of certain completed capital projects was capitalised into plant and machinery.

The assets and liabilities of the foreign subsidiaries have been translated into Malaysian Ringgit at rates of exchange approximating those ruling on 30 June 2001 and the results of their operations have been translated at the average rates of exchange applicable for the year. Unrealised translation gains or losses arising therefrom are carried to Exchange Equalisation Reserve.

The closing rates used in translation are as follows:-

USD	RM3.80
HK\$	RM0.50
S\$	RM2.09
DM	RM1.64

NOTES TO THE FINANCIAL STATEMENTS

(m) Bond issue expenses and put premium

Expenditure attributable to the issue of Redeemable Bonds and EuroConvertible Bonds (“ECB”) is amortised over the tenure of the Bonds.

Effective January 2000, additional provision is made for the contingency of a put premium of 20.3% of the principal amount of the ECB in progressive instalments until date on which the rights to the put premium may be exercised, on or nearest to 25 October 2001. Upon extension of the exercise date of the put option to 25 October 2005 (Note 16), the unprovided portion of the put premium of RM26,521,662 at 1 July 2000 is provided for progressively until 25 October 2005. Upon expiry of the rights to exercise the put option, the amount of the provision made for put premium for any and each of the unexercised rights shall be credited back to the income statement.

(n) Capitalisation of interest

Interest on borrowed funds utilised to acquire assets that require a substantial period of time to construct and complete for their intended use is capitalised as part of the cost of the assets up to the date the assets are ready for use.

(o) Revenue recognition

Revenue from provision of management services are recognised when services are rendered whereas the dividend income is recognised when the right to receive payment is established. Sales of goods and services are recognised upon delivery of production or performance of services, net of discount. Sales of investment are accounted for when the contracts are executed. Rental and interest income are recognised on accrual basis and after eliminating within the Group.

(p) Cash and cash equivalents

Cash and cash equivalents comprise deposits, cash and bank balances and bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

3. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Hong Leong Industries Berhad are shown below:-

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2001 %	2000 %	
Subsidiary companies				
Guocera Tile Industries (Kluang) Sdn Bhd	Malaysia	100.0	100.0	Manufacture of ceramic tiles.
Guocera Tile Industries (Kapar) Sdn Bhd	Malaysia	100.0	100.0	Manufacture of mosaic and ceramic tiles.
Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	64.0	64.0	Manufacture of ceramic tiles.
*Guocera Tile Industries (Labuan) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of mosaic and ceramic tiles.
Guocera Marketing Sdn Bhd	Malaysia	100.0	100.0	Distribution of mosaic and ceramic tiles.
•*Guocera Marketing Singapore Pte Ltd	Singapore	100.0	100.0	Distribution of ceramic tiles.
Ceramic Research Company Sdn Bhd	Malaysia	100.0	100.0	Research and development of ceramic tiles and related products.
Hong Leong Marketing Co Berhad	Malaysia	100.0	100.0	Distribution of building materials.
Hong Leong Yamaha Distributors Sdn Bhd	Malaysia	74.0	74.0	Distribution of motorcycles and spare parts.
Hong Leong Yamaha Motor Sdn Bhd	Malaysia	69.4	69.4	Assembly of motorcycles and investment holding.
•Allied Auto Parts Sdn Bhd	Malaysia	69.4	69.4	Dormant.
*MZ Motorrad- und Zweiradwerk GmbH	Germany	100.0	100.0	Manufacture and distribution of motorcycles.
*Malaysian Pacific Industries Berhad	Malaysia	61.1	60.1	Investment holding.
•*Carsem (M) Sdn Bhd	Malaysia	42.8	42.1	Manufacture and sale of semiconductor devices and electronic components.
•*Carsem Semiconductor Sdn Bhd	Malaysia	42.8	42.1	Manufacture and sale of semiconductor devices and electronic components.
•*Carter Realty Sdn Bhd	Malaysia	42.8	42.1	Investment holding.
•*Signal Technology Sdn Berhad	Malaysia	42.8	42.1	In member's voluntary liquidation.
•*Carsem Inc	USA	42.8	42.1	Marketing of semiconductor devices and electronic components.
•*Dynacraft Industries Sdn Bhd	Malaysia	61.1	60.1	Manufacture and sale of leadframes.

NOTES TO THE FINANCIAL STATEMENTS

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2001 %	2000 %	
Subsidiary companies				
•*Dyna-Craft Industries, Inc	USA	61.1	60.1	Manufacture and sale of leadframes.
•*Dyna-Craft Marketing, Inc	USA	61.1	60.1	Marketing of leadframes.
•*MPI (BVI) Limited	British Virgin Islands	61.1	60.1	Investment trading.
•*Classic Products Sdn Bhd	Malaysia	61.1	60.1	Dormant.
•*Carsem Advanced Technologies Sdn Bhd	Malaysia	61.1	60.1	Dormant.
*Guolene Packaging Industries Berhad	Malaysia	75.7	75.6	Investment holding.
•*Guolene Packaging & Printing Sdn Bhd	Malaysia	75.7	75.6	Manufacture and sale of duplex board boxes and flexible packaging materials.
•*Guolene Woven Products (Melaka) Sdn Bhd	Malaysia	75.7	75.6	Manufacture and sale of polypropylene and polyethylene woven bags and fabrics.
•*Guolene Plastic Films Sdn Bhd	Malaysia	51.5	51.4	Manufacture and sale of high and low density polyethylene and biaxially oriented polypropylene products.
•*Packaging Research Centre Sdn Bhd	Malaysia	75.7	75.6	Research and development on packaging products.
•Joint Steel Works Sdn Bhd	Malaysia	75.7	75.6	Investment holding.
•Guolene Plastic Products Sdn Bhd	Malaysia	75.7	75.6	Dormant.
•*Guolene Paper Products Sdn Bhd	Malaysia	75.7	75.6	Dormant.
•*Guolene Packaging & Printing (Duplex) Sdn Bhd	Malaysia	75.7	75.6	Dormant.
*MPI Property Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
•*MPI Polyester Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of polyester resin.
•*MPI Paper Mill Sdn Bhd	Malaysia	100.0	100.0	Dormant.
Hong Leong Equipment Sdn Bhd	Malaysia	100.0	100.0	Sale of heavy equipment and spare parts and provision of after-sales services.
Megah Court Condominium Development Sdn Bhd	Malaysia	100.0	100.0	Property management.

NOTES TO THE FINANCIAL STATEMENTS

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2001 %	2000 %	
Subsidiary companies				
Taman Terang Sdn Bhd	Malaysia	100.0	100.0	Investment holding and property management.
HLI-HUME Management Co Sdn Bhd	Malaysia	100.0	100.0	Provision of management services.
*HLI Trading Limited	Hong Kong	100.0	100.0	Investment trading.
Kasih Sayang Realty Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
*Guotrade (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
*HLI Overseas Limited	Jersey, Channel Islands	100.0	100.0	Investment holding.
*HLI Holdings Inc	Philippines	100.0	100.0	Investment holding.
*MZ Motorrad Sdn Bhd	Malaysia	100.0	100.0	Dormant.
Mai Kah Corporation Sdn Bhd	Malaysia	100.0	100.0	Dormant.
*RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Dormant.
Hong Leong Maruken Sdn Bhd	Malaysia	70.0	70.0	Dormant.
Associated companies				
*Camerlin Group Berhad	Malaysia	28.9	28.9	Investment holding.
*Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	Malaysia	30.0	30.0	Manufacture and assembly of motorcycle engines.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	49.0	49.0	Provision of research and development services.
*Yamaha Motor Vietnam Co Ltd	Vietnam	24.0	24.0	Manufacture and assemble motorcycles, spare parts and components, and provision of maintenance and repair service for motorcycles.
*Jiangxi Hongdu HongLeong Motor Co Ltd	China	30.0	30.0	Manufacture and sale of motorcycles, engines and related parts.
*Hunza Packaging (Sarawak) Sdn Bhd (formerly known as Guolene Paper Products (Kuching) Sdn Bhd)	Malaysia	-	37.8	Manufacture and sale of corrugated fibreboard cartons.
*HLLS Holdings Bhd	Malaysia	35.0	35.0	Shipbuilding and ship repairing.
*Picop Holdings Inc	Philippines	40.0	40.0	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS

The financial year-end of the associated companies are co-terminous with the Company except for the following:-

Name of Company	Financial year-end
Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	31 March
+HLLS Holdings Bhd	31 December
+Camerlin Group Berhad	31 December
+Jiangxi Hongdu HongLeong Motor Co Ltd	31 December
+Southern Iron & Steel Centre Sdn Bhd	31 December
+Yamaha Motor Vietnam Co Ltd	31 December

+Group share of profit is based on last audited financial statements for the year to 31 December and latest management financial statements available.

The investments in these subsidiaries and associated companies have not been consolidated or equity accounted for in the Group's financial statements as they are immaterial to the Group or have been written off:-

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2001 %	2000 %	
Quayline Fairprice Sdn Bhd	Malaysia	60.0	60.0	Dormant.
*Quayline Company Pte Ltd	Singapore	100.0	100.0	In member's voluntary liquidation.
HLI Vinyl Industries Sdn Bhd	Malaysia	100.0	70.0	Dormant.
•*HLI Holdings Limited	Jersey, Channel Islands	100.0	100.0	Dormant.
•*Jadipack Industries Sdn Bhd	Malaysia	75.6	75.6	In member's voluntary liquidation.
•*Ramus Holdings Plc	United Kingdom	-	100.0	Wound up.
Guotrade Holdings Sdn Bhd	Malaysia	-	100.0	Dormant.
*Southern Iron & Steel Centre Sdn Bhd	Malaysia	36.0	36.0	Investment holding.
*Autonet Sdn Bhd	Malaysia	-	70.0	Distribution and servicing of auto vehicles.
Jasa Court Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.

*The financial statements of these subsidiaries and associated companies are not audited by the auditors of the Company.

•Sub-subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Land, Improvements & Buildings RM'000	Long Leasehold Land, Improvements & Buildings RM'000	Short Leasehold Land, Improvements & Buildings RM'000	Plant & Equipment & Plant Held For Operating Lease RM'000	Capital Work-In- Progress RM'000	Total RM'000
Cost/Valuation						
At 1-7-2000						
- valuation	2,406	21,988	4,366	7,622	-	36,382
- cost	258,481	194,576	782	2,138,643	51,979	2,644,461
Translation differences	(529)	-	-	(3,499)	(2,539)	(6,567)
Additions	623	8,750	-	297,954	76,971	384,298
Disposals	(5,570)	-	-	(13,258)	-	(18,828)
Written off	-	-	-	(24,914)	-	(24,914)
Reclassification	(24)	355	-	48,041	(48,372)	-
Reclassification to property assets	(15,380)	(41,222)	(5,148)	(1,695)	-	(63,445)
At 30-6-2001	240,007	184,447	-	2,448,894	78,039	2,951,387
Accumulated Depreciation						
Cost/Valuation						
At 1-7-2000	30,692	49,161	1,875	995,219	-	1,076,947
Translation differences	(83)	-	-	(1,730)	-	(1,813)
Charge for the year	4,238	8,001	-	259,804	-	272,043
Disposals	(286)	-	-	(7,226)	-	(7,512)
Written off	-	-	-	(22,480)	-	(22,480)
Reclassification to property assets	(5,644)	(6,077)	(1,875)	(1,633)	-	(15,229)
At 30-6-2001	28,917	51,085	-	1,221,954	-	1,301,956
Net Book Value						
At 30-6-2001	211,090	133,362	-	1,226,940	78,039	1,649,431
Net Book Value						
At 30-6-2000	230,195	167,403	3,273	1,151,046	51,979	1,603,896
Depreciation charge for the year ended						
30-6-2000	5,688	7,286	11	234,932	-	247,917

NOTES TO THE FINANCIAL STATEMENTS

	Equipment & Motor Vehicles RM'000
Company	
Cost	
At 1-7-2000	2,306
Additions	48
Transfers to subsidiary company	(2,339)
Written off	(15)
At 30-6-2001	-
Accumulated Depreciation	
At 1-7-2000	1,582
Charge for the year	45
Transfers to subsidiary company	(1,612)
Written off	(15)
At 30-6-2001	-
Net Book Value	
At 30-6-2001	-
Net Book Value	
At 30-6-2000	724
Depreciation charge for the year ended 30-6-2000	153

Details of independent professional valuations of fixed assets of the Group at 30 June 2001 are as follows:-

GROUP

Year of Valuation	Description of Property	Landed Properties RM'000	Plant & Machinery RM'000
1990	Long leasehold land and buildings	6,196	-
	Plant and equipment	-	5,378
1985	Freehold land	655	-
	Long leasehold land and buildings	1,127	-
	Plant and equipment	-	1,380
1984	Long leasehold land and buildings	1,087	-
1983	Long leasehold land and buildings	13,578	-
1982	Freehold land	1,415	-
1981	Short leasehold land and buildings	4,366	-
1980	Freehold land and buildings	336	-
	Plant and equipment	-	864
		28,760	7,622

The valuation were made on the open market value basis with the exception of the certain plant and equipment of subsidiary companies stated at valuation of RM864,000.00 which were determined on the replacement value basis.

NOTES TO THE FINANCIAL STATEMENTS

5. INVESTMENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Long term:-				
Subsidiary Companies				
At cost:				
- Malaysian quoted shares	-	-	607,111	607,111
- Unquoted shares	-	-	578,627	569,907
- Provision for diminution	-	-	(7,200)	-
	-	-	571,427	569,907
	-	-	1,178,538	1,177,018
Associated companies				
At cost:				
- Malaysian quoted shares	511,250	511,250	472,080	472,080
- Unquoted shares	34,352	31,606	34,352	29,515
Share of capital reserve	13,754	2,625	-	-
Share of (losses)/profits	(361,452)	7,252	-	-
	197,904	552,733	506,432	501,595
Less: Write down of Malaysian quoted shares	-	-	(323,670)	-
	197,904	552,733	182,762	501,595
Other investments				
At cost:				
- Malaysian quoted related companies	66,429	67,101	-	-
- Foreign quoted shares	14,402	14,402	-	-
- Unquoted shares	365,855	446,264	365,092	445,491
- Unquoted convertible preferred stock and loan stock	1,045	1,045	398	398
- Unquoted floating rate note	56,420	38,920	-	-
	504,151	567,732	365,490	445,889
	702,055	1,120,465	1,726,790	2,124,502

NOTES TO THE FINANCIAL STATEMENTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Short term:-				
At cost:				
- Malaysian quoted shares	1,847	1,848	-	-
Add: Unrealised (loss)/gain	(632)	3,069	-	-
	1,215	4,917	-	-
Investment in associated companies is represented by:				
Share of net assets other than goodwill of the associated companies	189,013	561,802		
Premium/(Discount) on acquisition	8,891	(9,069)		
	197,904	552,733		
Market value of quoted securities:-				
Long term:				
- Subsidiary company	-	-	1,578,263	4,663,049
- Associated company	119,017	314,660	104,773	277,002
- Malaysian related companies	46,450	64,181	-	-
- Foreign quoted shares	26,450	9,063	-	-
Short term:				
- Malaysian quoted shares	1,215	4,917	-	-

During the year, the Company wrote down the cost of investment in an associated company by the sum of RM323,670,000 on account of losses sustained by the associated company. The write down is eliminated on consolidation as the losses of the associated has already been equity accounted for in the Group accounts.

The Company has unquoted investments in Malaysian Newsprint Industries Sdn Bhd ("MNI") and Laras Perkasa Sdn Bhd ("LPSB") amounting to RM364,378,068 (2000: RM363,028,067) and RM464,208 (2000: RM82,212,588) respectively. These investments represent 33.65% (2000: 33.65%) and 30% (2000: 30%) equity interests in the respective investees. MNI is principally engaged in the production of newsprint and related paper products and LPSB transferred its power generation facility to MNI during the year and remained dormant thereafter.

The Board of Directors has decided that the investments in MNI and LPSB should not be treated as investment in associated companies but should be treated as ordinary unquoted investments in the financial statements as the Board deemed these investments not to be permanent in nature.

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS

	Goodwill RM'000	Deferred Expenditure RM'000	Development Expenditure RM'000	Total RM'000
Group				
2001				
Cost				
At 1 July 2000	451,653	-	17,079	468,732
Goodwill arising from changes in equity interest in subsidiaries	43,943	-	-	43,943
Additions	-	-	7,038	7,038
Exchange differences	-	-	(511)	(511)
Written off	-	-	(2,326)	(2,326)
Amortisation	-	-	(3,485)	(3,485)
At 30 June 2001	495,596	-	17,795	513,391
2000				
Cost				
At 1 July 1999	452,808	16,182	-	468,990
Goodwill arising from changes in equity interest in subsidiaries	2,259	-	-	2,259
Disposal of sub-subsidiaries	(3,414)	-	-	(3,414)
Additions	-	-	6,386	6,386
Reclassification	-	(12,299)	12,299	-
Written off	-	(3,883)	-	(3,883)
Amortisation	-	-	(1,606)	(1,606)
At 30 June 2000	451,653	-	17,079	468,732

NOTES TO THE FINANCIAL STATEMENTS

7. PROPERTY ASSETS

	2001 RM'000	Group 2000 RM'000
At cost:		
*Freehold land and industrial building	10,391	-
*Leasehold land and industrial building	37,850	-
Long leasehold condominium units	1,662	1,662
	49,903	1,662

*These represent property held for sale reclassified from property, plant and equipment.

8. INVENTORIES

	2001 RM'000	Group 2000 RM'000
Raw materials and consumables	89,644	111,575
Work-in-progress	34,655	30,120
Finished goods	94,170	96,213
	218,469	237,908

9. TRADE AND OTHER RECEIVABLES

	2001 RM'000	Group 2000 RM'000	2001 RM'000	Company 2000 RM'000
Trade receivables	362,891	428,040	-	-
Less: Provision for doubtful debts	(18,536)	(22,014)	-	-
	344,355	406,026	-	-
Amount due from:				
- subsidiary companies	-	-	175	19,021
- related companies	97,136	72,521	206	304
- associated companies	12,123	12,071	-	5
Other receivables, deposits and prepayments	162,859	214,575	84,462	132,899
	616,473	705,193	84,843	152,229

The amounts due from subsidiary companies, related companies and associated companies are unsecured, have no fixed terms of repayment with interest charged from 9.7% to 13.5% (2000: interest at 9.7% to 13.5%).

NOTES TO THE FINANCIAL STATEMENTS

10. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deposits held with:				
- licensed financial institutions	244,104	169,442	-	-
- other corporations	15,073	47,500	-	-
Cash and bank balances	184,051	230,154	77	76
	443,228	447,096	77	76

Included in the Group's and Company's deposits, cash and bank balances are the following balances with related parties arising from normal business transactions:-

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Deposits held with licensed financial institutions	366	4,350	-	-
Cash and bank balances	116,777	118,631	74	73

11. TRADE AND OTHER PAYABLES

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Trade payables	141,859	180,822	-	-
Bankers acceptances	336,226	369,297	-	-
Amount due to				
- subsidiary companies	-	-	104,262	344,251
- related companies	8,430	8,124	77	233
- associated companies	13,302	557	-	-
Other payables and accrued liabilities	206,801	254,735	47,104	54,306
	706,618	813,535	151,443	398,790

Interest charged on bankers acceptances during the year range from 3.0% to 5.0% (2000: 3.1% to 5.0%). The amounts due to subsidiary companies were unsecured and have no fixed terms of repayment with interest charged range from 3.0% to 8.5% (2000: 4.0% to 8.5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

12. BORROWINGS (UNSECURED)

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Short term:-				
Term loans				
- bank loans	287,534	370,643	105,790	96,999
- other loans	178,663	38,960	134,000	10,000
Bank overdrafts	160,486	163,938	99,083	141,627
	626,683	573,541	338,873	248,626
Long term:-				
Term loans				
- bank loans	642,501	801,043	162,890	205,308
- other loans	207,000	67,000	207,000	67,000
	849,501	868,043	369,890	272,308
Repayable within 12 months	(287,534)	(370,643)	(105,790)	(96,999)
Repayable after 12 months	561,967	497,400	264,100	175,309

The term loans bear interest from 3.8% to 8.5% (2000: 3.8% to 8.5%) per annum.

The term loans are repayable in varying installments and at various dates during the years 2001 to 2004. Included in term loans are foreign currency term loans amounting to RM137.3 million (2000: RM480.8 million).

Included in other loans are commercial paper and medium term notes of RM114 million and RM160 million respectively.

13. SHARE CAPITAL

	Group and Company	
	Number of Shares	RM
AUTHORISED:-		
600,000,000 ordinary shares of 50 sen each	600,000,000	300,000,000
ISSUED AND FULLY PAID:-		
At 1-7-2000	225,123,900	112,561,950
Shares issued		
- Exercise of Executive Share Option Scheme	4,600	2,300
At 30-6-2001	225,128,500	112,564,250

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE CAPITAL *(Continued)*

(i) Warrants

During the financial year ended 30 June 1997, the Company issued 35,083,500 detachable warrants together with the 1997/2001 Bonds as stated in Note 17(i). The warrants were constituted by a Deed Poll dated 22 October 1996, a Supplemental Deed Poll dated 5 May 1997 and a second Supplemental Deed Poll dated 15 June 2000. Each warrant gives the registered holder the right at any time during the exercise period to subscribe for one fully paid ordinary share of RM0.50 each at an exercise price of RM8.00 per new share.

At an Extraordinary General Meeting and Adjourned Warrantholders' Meeting held on 19 May 1999 and 14 June 1999 respectively, the shareholders and warrantholders of the Company had approved the extension of the subscription period of its outstanding warrants for a further period of 5 years from the existing expiry date of 13 November 2001 to 13 November 2006, subject to the condition that the warrants are deemed not to be "in-the-money" for each of the 30 market days up to 13 August 2001.

As at 30 June 2001, 2,300 (2000: 2,300) warrants had been exercised.

(ii) Executive Share Option Scheme ("ESOS")

As at 30 June 2001, the Company has outstanding options issued under the Group's ESOS as follows:-

		No. of unissued ordinary shares of RM0.50 each under the ESOS				
	Offer Date	Balance at 1-7-2000	Options Granted	Options Lapsed	Options Exercised	Balance at 30-6-2001
Option price of RM8.83	28-12-1999	4,797,400	-	(111,400)	(4,600)	4,681,400
Option price of RM15.64	17-04-2000	739,000	-	(40,000)	-	699,000
		5,536,400	-	(151,400)	(4,600)	5,380,400

14. TREASURY SHARES - AT COST

During the financial year, the Company bought back 7,344,000 of its issued share capital from the open market. The average price paid for the shares bought back during the year was RM8.15 per ordinary share. The share buy back transactions were financed by internally generated funds. The shares bought back were held as treasury shares and carried at cost. The number of outstanding shares in issue after deducting treasury shares held at financial year end was 217,784,500 ordinary shares of RM0.50 each. The rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

NOTES TO THE FINANCIAL STATEMENTS

15. DEFERRED TAXATION

	2001 RM'000	Group 2000 RM'000
At 1-7-2000	29,976	33,111
Disposal of subsidiary companies	-	(723)
Transfer from/(to) income statements	16,578	(2,412)
At 30-6-2001	46,554	29,976

16. EUROCONVERTIBLE BONDS

	2001 RM'000	Group 2000 RM'000	Company 2001 RM'000	2000 RM'000
Zero Coupon EuroConvertible				
Bonds due 2006 ("ECB")				
- US\$73,480,000	279,224	279,224	279,224	279,224
Unexpired portion of prepaid discount on issue of ECB	(2,660)	(11,030)	(2,660)	(11,030)
	276,564	268,194	276,564	268,194

The Zero Coupon EuroConvertible Bonds due 2006 ("ECB") was issued during the financial year ended 30 June 1997 at 85% of its nominal value.

During the year, the ECB Bondholders and the Securities Commission, approved the extension of the exercise date of the Put Option from 25 October 2001 to 25 October 2005 ("extension"). The Company will at the option of the Bondholders, redeem the ECB at 120.3% of its principal amount on the nearest half-year date following on or nearest to 25 October 2005, in which event the Company will be liable to pay an additional sum of approximately RM56,682,472 based on the current exchange rate of RM3.80 to US\$1.00. The accumulated provision for the Put Option liability stands at RM35,145,571 (2000: RM30,160,810) at 30 June 2001 and the remaining balance of RM21,536,901 will be provided for progressively until 25 October 2005.

Each ECB entitles the holder to convert into fully paid ordinary shares of RM0.50 each at an initial conversion price of RM8.20 per share at the fixed exchange rate of RM2.50508 to US\$1.00 during the conversion period commencing 11 March 1997 to 25 September 2006.

Concurrently, with the extension, the right to redeem the ECB at their nominal value at the option of the Company has been extended from after 25 October 2001 to 25 October 2005. The company may also buy back the ECB at 120.3% of its nominal value at each interest payment date falling after 25 October 2001 to 25 October 2005.

Upon extension, the ECB bears interest at 0.45% until 25 October 2001 and thereafter at 1.40% per annum over an inter-bank offer rate on 120.3% of the principal amount until 25 October 2005.

The ECB are listed and quoted on the Luxembourg Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

17. REDEEMABLE BONDS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
(i) 4.5% Unsecured Redeemable				
Bonds 1997/2001	250,000	250,000	250,000	250,000
(ii) 8.5% Unsecured Redeemable				
Bonds 2000/2004	250,000	250,000	125,000	125,000
	500,000	500,000	375,000	375,000

- (i) The RM250,000,000 4.5% Unsecured Redeemable Bond 1997/2001 ("1997/2001 Bonds") was issued with 35,083,500 detachable warrants on a "bought deal" basis at 100% nominal amount. The warrants are listed on the Kuala Lumpur Stock Exchange. The 1997/2001 Bonds are redeemable in cash at nominal amount on maturity of the bonds in 2001.

The 1997/2001 Bonds are continued to be classified as long term liability as the Company has on 23 July 2001 entered into an agreement to refinance the bonds by way of an issuance of Islamic Private Debt Securities which includes the issue of 7-year primary notes of face value RM250,000,000 pursuant to the Syariah Financing Principles of Al Bai' Bithaman Ajil.

- (ii) In December 1999, the Company together with its subsidiary company, Malaysian Pacific Industries Berhad ("MPI"), each issued RM125,000,000 nominal amount of 8.5% Unsecured Redeemable Bond 2000/2004 ("2000/2004 Bonds") which has a maturity date for repayment in cash at its nominal amount in December 2004.

NOTES TO THE FINANCIAL STATEMENTS

18. OPERATING PROFIT

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Revenue				
- Sales of goods and services	2,474,577	2,608,835	-	-
- Management fees	-	-	516	516
- Rental income	2,194	1,091	-	-
- Sales of investments	29,949	21,561	-	-
- Interest receivable	24	-	-	-
- Dividend receivable	3,910	3,746	135,397	145,203
	2,510,654	2,635,233	135,913	145,719
Cost of sales	(1,926,247)	(1,870,771)	-	-
Gross profit	584,407	764,462	135,913	145,719
Distribution costs	(69,235)	(64,068)	-	-
Administration expenses	(108,731)	(134,069)	(4,468)	(4,894)
Other operating expenses	(37,020)	(54,760)	-	-
Other operating income	28,450	38,019	3,046	50,824
Operating income	397,871	549,584	134,491	191,649
Operating profit is arrived at after:-				
Crediting:-				
Gross dividend income				
- Shares quoted in Malaysia	25	478	-	-
- Associated companies quoted in Malaysia	-	-	(2,153)	4,306
- Subsidiary company quoted in Malaysia	-	-	83,696	71,739
- Unquoted subsidiary companies	-	-	52,146	65,691
- Others	3,883	4,123	1,708	3,467
Rental income	2,297	2,964	-	-
Gain on disposal of investments	2,682	14,714	-	20,966
Gain on disposal of associated company/subsidiary company	2,327	9,860	-	-

NOTES TO THE FINANCIAL STATEMENTS

18. OPERATING PROFIT *(Continued)*

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
And charging:-				
Auditors' remuneration				
- current year	672	686	44	42
- prior year	17	-	2	4
Depreciation and amortisation of property, plant and equipment	272,043	247,917	45	153
Directors' fee:				
- current year	565	594	260	320
- prior year	(16)	(15)	(14)	-
Directors' emoluments				
- current year	7,951	3,323	1,775	1,306
- prior year	30	-	30	-
Written off of unquoted investment	-	452	-	-
Rental of plant and equipment	1,122	580	-	-
Rental of premises	5,551	3,690	-	-
Bad and doubtful debts	(3,478)	607	-	-
Written off of plant and equipment	2,434	754	-	27
(Gain)/Loss on disposal of plant and equipment	(257)	3,245	-	1
Provision for diminution/Write down in value of investment	1,134	2,643	-	1,260
Loss/(Gain) on foreign exchange	504	1,521	(733)	(153)
Provision for retirement benefits	2,598	3,929	51	48
(Write back)/Provision for obsolete inventories	(10,096)	1,799	-	-

NOTES TO THE FINANCIAL STATEMENTS

18. OPERATING PROFIT *(Continued)*

Identity of related parties

The Company has related party relationship with its immediate holding company, fellow subsidiaries, and with its Directors and key management personnel and the close members of their families.

Related party transactions

Significant related party transactions other than as disclosed elsewhere in the financial statements are as follows:-

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest expenses	180	-	7,961	22,714
Interest income	(8,475)	(11,777)	(83)	(505)
Rental expenses	804	624	151	250
Rental income	(152)	(240)	-	-
Waiver of loan	-	-	-	(30,994)
Management fee receivable	-	-	(516)	(516)
Management and professional fees payable	11,738	11,875	336	121
Insurance premium payable	5,813	4,842	7	6
Purchases	167,850	88,775	-	-
Sales	(32,280)	(36,157)	-	-
Disposal of plant and equipment	-	-	727	168

The above related party transactions were entered into in the normal course of business on commercial terms.

19. NET FINANCING COSTS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Interest payable:				
Bank overdrafts	1,674	607	501	1,124
Related companies' interest	180	-	7,961	22,714
Term loans	44,100	48,964	6,641	6,930
Others	85,760	94,427	58,200	50,129
	131,714	143,998	73,303	80,897
Interest receivable:				
Deposit held with licensed financial institutions and other corporations	(21,059)	(15,568)	(142)	(44)
Related companies' interest	(8,475)	(11,777)	-	(466)
	(29,534)	(27,345)	(142)	(510)
	102,180	116,653	73,161	80,387

NOTES TO THE FINANCIAL STATEMENTS

20. EXCEPTIONAL ITEMS

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Provision for EuroConvertible Bond Put Premiums	(4,985)	(20,181)	(4,985)	(20,181)
Written off of plant and equipment	-	(58,915)	-	-
Written off of investment in associated company	-	(19,163)	-	-
Written down of investment in associated company	-	-	(323,670)	-
Provision for diminution in value of subsidiary company	-	-	(7,200)	-
Gain on disposal of shares in value of subsidiary company	-	182,344	-	-
	(4,985)	84,085	(335,855)	(20,181)

21. SHARE OF LOSSES OF ASSOCIATED COMPANIES

Share of losses of associated companies for the year consists of the following:-

	The Group	
	2001 RM	2000 RM
Share of losses before exceptional item	(32,779)	(3,939)
*Share of exceptional item	(131,340)	-
	(164,119)	(3,939)

*This represents share of the exceptional losses of an associated company in respect of its write down of an investment to market value.

NOTES TO THE FINANCIAL STATEMENTS

22. TAXATION

The taxation charge for the year consists of the following:-

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Current taxation				
- Malaysia	(1,891)	52,793	(4,060)	4,000
- Foreign	90	-	-	-
Deferred taxation	17,273	(1,595)	-	-
Share of associated companies' taxation	1,168	32	-	-
	16,640	51,230	(4,060)	4,000
Under/(Over) provision of prior years' tax:				
- Taxation	526	(10,237)	(840)	-
- Deferred taxation	(695)	(817)	-	-
	16,471	40,176	(4,900)	4,000

The Group's effective tax rate is lower than the statutory tax rate due to pioneer status and reinvestment allowances granted to certain subsidiaries and capital gain on disposals of investments which is not subject to taxation.

There is no tax charge for current year. The Company's previous year taxation charge is low due to tax exempt dividends from certain subsidiaries.

The Company has estimated unabsorbed losses and unabsorbed capital allowances of RM10,019,469 (2000: RM6,940,981) and RM1,552,956 (2000: RM1,552,956) respectively available to offset future business taxable profits.

The Group's and the Company's tax recoverable credit was in relation to tax deducted at source for dividend income.

Subject to the agreement of the Inland Revenue Board, the Company has sufficient tax exempt credit and tax credit under Section 108 of the Income Tax Act 1967 to frank the payment of dividends out of all its retained profits at 30 June 2001.

NOTES TO THE FINANCIAL STATEMENTS

23. (LOSS)/EARNINGS PER ORDINARY SHARE

The basic (loss)/earnings per ordinary share is calculated by dividing the Group loss after taxation and minority shareholders' interests of RM70,024,000 (2000: profit of RM196,335,000) by the weighted average number of ordinary shares during the financial year of 221,005,938 (2000: 224,739,556).

The diluted earnings per share is calculated by dividing the loss of RM70,024,000 (2000: Profit of RM196,335,000) by the diluted weighted average number of 221,005,938 (2000: 232,972,596) ordinary shares that would be in issue on 1 July 2000 had all the dilutive options been exercised at that date. For the year, the basis and diluted loss per share is the same for reason that all of the potential ordinary shares are anti-dilutive and are therefore ignored in the calculation of the diluted loss per share.

24. DIVIDENDS

	Group and Company	
	2001 RM'000	2000 RM'000
Ordinary		
First interim		
- 10% tax exempt and a further special interim dividend of 15% less tax (2000: 10% tax exempt)	22,650	11,246
Second interim		
- 10% tax exempt and a further special interim dividend of 15% less tax (2000: Nil)	22,650	-
Final proposed		
- Nil (2000: 25% less tax and 10% tax exempt)	-	31,517
Write back of previous year final dividend in respect of shares bought back and held as treasury shares	(352)	-
	44,948	42,763

25. HOLDING COMPANY

The immediate and ultimate holding company is Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

26. COMMITMENTS

	2001 RM'000	Group and Company 2000 RM'000
Capital commitments:		
Authorised and contracted for	77,004	233,859
Authorised but not contracted for	98,265	93,095
Operating lease commitments:		
Expiring within one year	1,641	1,645
Expiring between one to five years	4,726	5,611
Expiring after five years	46,303	47,000
	52,670	54,256

27. SEGMENTAL REPORT

	Turnover RM'000	Profit Before Tax RM'000	Total Assets RM'000
2001			
Semiconductor	1,332,153	326,030	2,133,436
Motorcycles	356,007	(6,929)	339,695
Building materials	476,926	28,929	471,813
Packaging	188,408	16,535	216,727
Investment holdings and others	157,160	(73,859)	1,032,494
	2,510,654	290,706	4,194,165
Share of losses of associated companies	-	(164,119)	-
	2,510,654	126,587	4,194,165
2000			
Semiconductor	1,526,157	518,622	2,196,732
Motorcycles	292,303	(18,817)	304,942
Building materials	454,459	5,090	485,804
Packaging	224,988	15,108	222,523
Investment holdings and others	137,326	(2,987)	1,379,868
	2,635,233	517,016	4,589,869
Share of losses of associated companies	-	(3,939)	-
	2,635,233	513,077	4,589,869

Segmental reporting by geographical location has not been prepared as the Group's operations are substantially carried out in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

28. EMPLOYEES INFORMATION

	Group		Company	
	2001 RM'000	2000 RM'000	2001 RM'000	2000 RM'000
Staff costs	365,591	333,765	1,187	1,414

The number of employees of the Group and the Company at the end of the year was 14,041 (2000: 14,428) and 11 (2000: 19) respectively.

29. SIGNIFICANT EVENTS DURING THE YEAR

During the year:-

- (a) the Company had undertaken a RM300 million Commercial Paper/Medium Term Notes ("Notes") issuance programme ("Programme") which consist of a seven (7)-year programme involving the issuance of short or medium term promissory notes of between one (1) to eighty-four (84) months maturity provided that the maturity dates of the Notes fall within the availability period of the Programme;
- (b) the Company disposed of its entire 70% equity interest in Autonet Sdn Bhd comprising 1,260,000 ordinary shares of RM1.00 each fully paid to Auto Concessionaires Sdn Bhd, for a total cash consideration of RM126.00;
- (c) the Company filed an affidavit with the Kuala Lumpur High Court for the stay of the voluntary winding up of Mai Kah Corporation Sdn Bhd, a wholly-owned subsidiary, ("Stay of Winding-up") and the Kuala Lumpur High Court had, on 13 April 2001, approved the Stay of Winding-up;
- (d) the Company extended the put option date of its USD73,480,000 Zero Coupon EuroConvertible Bonds due 2006 ("ECB") from 25 October 2001 to 25 October 2005 and revised certain terms and conditions of the ECB;
- (e) the Securities Commission approved the Company's redirection of its unutilised fund of RM3.563 million ("Unutilised Amount") raised from the Company's fund raising exercise in 1997 for the Group's working capital purpose and also the extension of time of up to 31 March 2001 to fully utilise the Unutilised Amount;
- (f) the Company issued RM361,125,000 Islamic Private Debt Securities comprising seven (7)-year Primary Notes having face amount RM250,000,000 and a series of Secondary Notes having face amount of RM111,125,000 pursuant to the Syariah Financing Principles of Al Bai' Bithaman Ajil; and
- (g) the Company subscribed for an additional 207,998 ordinary shares of RM1.00 each in HLI-HUME Management Co Sdn Bhd, a wholly-owned subsidiary, on 30 June 2001, for cash consideration at par.

NOTES TO THE FINANCIAL STATEMENTS

30. SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE SHEET DATE

- (a) the Company entered into an agreement to dispose of 75% of its equity interest in Hong Leong Equipment Sdn Bhd comprising 1,500,000 ordinary shares of RM1.00 each to Kobelco International (S) Pte Ltd ("KOBELCO") and Ricon Private Ltd ("RICON") (KOBELCO and RICON collectively referred to as "Purchasers") in the following proportions:-

<u>Name of Purchasers</u>	<u>Number of Ordinary Shares</u>
KOBELCO	1,300,000
RICON	200,000,

for a total cash consideration of RM1.5 million;

- (b) the Company served a notice on the Board of Directors of Guolene Packaging Industries Berhad ("GPIB") to extend a voluntary offer to acquire all the remaining 38,424,105 ordinary shares of RM1.00 each in GPIB not already owned directly by the Company, representing approximately 26.50% equity interest in GPIB at a cash offer price of RM1.00 per share ("Offer"). The Offer is currently pending the approval of the relevant authorities;
- (c) the Company entered into an agreement with MPI Property Sdn Bhd, a wholly-owned subsidiary, to acquire its entire equity interest in MPI Polyester Industries Sdn Bhd comprising 40,000,000 ordinary shares of RM1.00 each, for a cash consideration of RM2.00; and
- (d) the Company extended the subscription period of its outstanding 1996/2001 warrants ("Warrants") for a further period of five (5) years from the existing expiry date of 13 November 2001 to 13 November 2006 as the Warrants were deemed not "in-the-money" for each of the 30 market days, the last of which occurred on 13 August 2001.

31. COMPARATIVE FIGURES

Following the adoption of MASB Standards in the preparation of this set of financial statements, the presentation and classification of certain items in the financial statements have been amended. Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current financial year.

STATEMENT BY DIRECTORS

We, Kwek Leng San and Ron Lim Kim Chai, being two of the directors of HONG LEONG INDUSTRIES BERHAD state that in the opinion of the directors, the financial statements set out on pages 34 to 68 are drawn up in compliance with applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Group and of the Company at 30 June 2001 and of the results of the business of the Group and of the Company and the cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board,

KWEK LENG SAN

RON LIM KIM CHAI

Kuala Lumpur

27 August 2001

STATUTORY DECLARATION

PURSUANT TO SUB-SECTION (16) OF SECTION 169 OF THE COMPANIES ACT 1965

I, Soon Seong Keat, being the officer primarily responsible for the financial management of HONG LEONG INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 34 to 68 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared)	
by the abovenamed Soon Seong Keat)	SOON SEONG KEAT
at Kuala Lumpur in the Federal)	
Territory on 27 August 2001)	

Before me

TEONG KIAN MENG

Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 34 to 68 of HONG LEONG INDUSTRIES BERHAD. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing issued by the Malaysian Institute of Accountants. These standards require that we plan and perform the audit to obtain all the information and explanation, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatements. Our audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company at 30 June 2001 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the year ended on that date; and
- (b) the accounting and other records and the registers required by the Companies Act 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiaries of which we have not acted as auditors are indicated on pages 45 to 48. We have considered the financial statements of the subsidiaries and the auditors' report thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Act.

LING KAM HOONG & CO
AF: 0106
PUBLIC ACCOUNTANTS, MALAYSIA

LING KAM HOONG
161/5/02 (J/PH)

Kuala Lumpur
27 August 2001

OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2001

Location	Tenure	Existing use	Date/Year of Last Revaluation/ Acquisition	Approx. Area (Sq Ft)	Approx. Age of Building (Years)	Net Book Value as at 30 June 2001 (RM'000)
5 1/2 miles, Jalan Kapar Rantau Panjang, 42100 Klang Selangor Darul Ehsan	Freehold	Factory Buildings	1982	667,513	10 - 32	22,735
5 1/2 miles, Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Factory Buildings	1982	871,600	20	22,766
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Factory Buildings	17-Apr-85	261,633	16	6,087
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Factory Buildings	17-Apr-85	1,061,775	11	6,845
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Factory Buildings	17-Apr-85	747,108	8	22,707
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Industrial Land	17-Apr-85	256,187	-	259
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouses	17-Apr-85	907,790	6	15,839
Ranca-Ranca Industrial Estate, Labuan	Leasehold (31/12/2043)	Factory Buildings	1990	457,790	17	2,693
CL-205228842, Lot 5331 Labuan, Sabah	Leasehold (01/01/2057)	Industrial Land	17-Jun-93	243,936	-	1,200
No 367 A & B Jalan Melaka Raya 4 Taman Melaka Raya 75000 Melaka	Leasehold (04/10/2082)	3 storey Mid Terraced Shop Office	29-Aug-96	1,399	18	188
Lot 14/70, Jalan Utas 40000 Shah Alam Selangor Darul Ehsan	Leasehold (11/06/2071)	Factory Buildings (Property Assets)	1983	456,000	20	13,489
Lot 57, Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Factory Buildings	14-Apr-94	1,577,316	5	58,667

OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2001 (continued)

Location	Tenure	Existing use	Date/Year of Last Revaluation/ Acquisition	Approx. Area (Sq Ft)	Approx. Age of Building (Years)	Net Book Value as at 30 June 2001 (RM'000)
PF 70, Alte Marienberger Strasse, 30-35, 09401 Zschopau-Hohndorf, Germany	Freehold	Factory Buildings, Office Building and Store	1-Sep-96	823,338	6-20	3,476
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (20/04/2074)	Factory Building and Office Building	21-Sept-98	158,297	5-26	14,418
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (15/08/2081)	Factory Building and Office Building	21-Sept-98	64,469	3-13	9,993
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (23/05/2082)	Factory Building and Office Building	21-Sept-98	19,849	5-13	2,276
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (08/05/2039)	Industrial Land (Factory under construction)	28-Jan-99 and 30-Mar-98	53,274	-	8,482
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (08/05/2078)	Industrial Land	24-Feb-98	61,676	-	1,348
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (08/05/2039)	Factory Building and Office Building	7-Apr-89	45,680	7	7,031
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	Leasehold (29/10/2091)	Factory Building and Office Building	30-Oct-92	1,344,579	10	48,807
Lot 2367, Bayan Lepas Pulau Pinang	Leasehold (2031)	Factory Buildings, Office Building and Store	1996	257,000	8	26,235
Lot 8, Bayan Lepas Pulau Pinang	Leasehold (16/06/2058)	Factory Buildings, Office Building and Store	1996	105,000	3	17,082
194, Goodview Drive Apollo, Pennsylvania USA	Freehold	Factory Buildings, Office Building and Store	09-Jul-97	22,700	41	5,385
4060, Norbatrol Ave Murrysville, Pennsylvania USA	Freehold	Factory Buildings, Office Building and Store	22-Jan-96	51,000	37	2,329
Lot 5035 & Lot 5037 Jalan Teluk Datuk 28/40 40000 Shah Alam, Selangor	Freehold	Vacant Industrial Land (Property Assets)	1981	180,338	-	1,244

OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2001 (continued)

Location	Tenure	Existing use	Date/Year of Last Revaluation/ Acquisition	Approx. Area (Sq Ft)	Approx. Age of Building (Years)	Net Book Value as at 30 June 2001 (RM'000)
Lot 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Freehold	Vacant Factory Building, Office Building and Store (Property Assets)	1981	440,278	8-12	9,147
Lot 295-297, Mukim No. 1 Kawasan Perusahaan Prai Prai Industrial Complex 13600 Seberang Prai, Penang	Leasehold (01/04/2041)	Factory Building, Office Building and Store (Property Assets)	1981	55,234	12	780
Lot 295-297, Mukim No. 1 Kawasan Perusahaan Prai Prai Industrial Complex 13600 Seberang Prai, Penang	Leasehold (31/10/2035)	Factory Building, Office Building and Store (Property Assets)	1981	130,244	12	1,838
Lot 5078 & 5079 Jalan Jenjarom 28/39 Seksyen 28 40000 Shah Alam Selangor Darul Ehsan	Freehold	Factory Building, Office Building and Store	1985	233,024	7-9	14,895
Lot 3, Mukim Batu Batu Caves Industrial Estate Selangor Darul Ehsan	Leasehold (05/09/2074)	Factory Building	1985	43,479	26	1,034
Plots 75 & 76, 83-85 Kawasan Perindustrian Peringkat III Mukim Bukit Katil State of Melaka	Leasehold (04/01/2082) (30/10/2077)	Factory Building, Office Building and Store	1983	390,959	17-18	4,910
D127, Ground Floor, Block D Tanjung Biru Condominium Port Dickson Negeri Sembilan Darul Khusus	Freehold	Condominium for staff use	22-Nov-83	840	17	104
Lot 9-10, Ayer Keroh Industrial Estate 75450 Melaka	Leasehold (30/06/2071)	Factory Building, Office Building and Store	14-May-79	194,863	24	3,698
D128, Ground Floor, Block D Tanjung Biru Condominium Port Dickson Negeri Sembilan Darul Khusus	Freehold	Condominium for staff use	22-Nov-83	840	17	124

OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2001 (continued)

Location	Tenure	Existing use	Date/Year of Last Revaluation/ Acquisition	Approx. Area (Sq Ft)	Approx. Age of Building (Years)	Net Book Value as at 30 June 2001 (RM'000)
Lot No 1, Jalan Gunggun 28/30 Seksyen 28, 40000 Shah Alam Selangor Darul Ehsan	Freehold	Factory Building, Office Building and Store	28-Jun-93	548,856	5	32,542
Lot 223, Jalan Utas 15/7 Shah Alam Industrial Estate 40702 Shah Alam Selangor Darul Ehsan	Leasehold (19/04/2075)	Vacant Factory Building (Property Assets)	30-Jul-91	261,360	19	8,512
Unit 3-1-1 & 3-2-3, Block 3 Conlay Court Condominiums Section 63 City of Kuala Lumpur	Leasehold (17/07/2083)	Condominium (Property Assets)	1996	4,238	5	1,662
Lot 31, Section 7, Phase 1A Pulau Indah Industrial Park West Port Selangor Darul Ehsan	Leasehold (24/02/2097)	Vacant Industrial Land (Property Assets)	3-Jan-96	871,200	-	13,231

2. Analysis Of Shareholdings As At 30 August 2001

Class of Share : Ordinary share of RM0.50 each

Voting rights

- On show of hands : 1 vote
- On a poll : 1 vote for each share held

Distribution Schedule of Shareholders

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 1,000	127	3.17	49,474	0.02
1,000 – 10,000	3,369	83.97	8,583,435	3.94
10,001 – 100,000	384	9.57	11,878,214	5.45
100,001 – less than 5% of issued shares	128	3.19	123,495,377	56.71
5% and above of issued shares	4	0.10	73,778,000	33.88
	4,012	100.00	217,784,500	100.00

OTHER INFORMATION

2. Analysis Of Shareholdings As At 30 August 2001 (continued)

Thirty Largest Shareholders

Name of Shareholders	No. of Shares	%
1. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	33,195,000	15.24
2. HLG Nominee (Asing) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	14,064,000	6.46
3. Employees Provident Fund Board	13,789,000	6.33
4. DB (Malaysia) Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	12,730,000	5.84
5. RC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	8,000,000	3.67
6. RHB Capital Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	7,000,000	3.21
7. Arab-Malaysian Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,700,000	3.08
8. PAB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,700,000	3.08
9. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,243,600	2.87
10. Citicorp Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	5,700,000	2.62
11. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	2.39
12. SimeSecs Nominees (Asing) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	4,400,000	2.02
13. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Assurance Berhad	4,026,600	1.85
14. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,900,000	1.79
15. Alliance Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,650,000	1.67
16. Overseas Assurance Corporation (Malaysia) Berhad	3,606,000	1.65
17. HSBC Nominees (Asing) Sdn Bhd - The Government of Kuwait	3,000,000	1.38
18. Malaysia Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	2,850,000	1.31
19. UOBM Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,200,000	1.01
20. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,060,125	0.95

OTHER INFORMATION

2. Analysis Of Shareholdings As At 30 August 2001 (continued)

Thirty Largest Shareholders (continued)

Name of Shareholders	No. of Shares	%
21. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,000,475	0.92
22. Hong Bee Hardware Company Sdn Bhd	1,770,000	0.81
23. HLG Nominee (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.71
24. Chase Malaysia Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	1,490,000	0.68
25. Universal Trustee (Malaysia) Berhad - BHLB Pacific High Growth Fund	1,330,000	0.61
26. Perbadanan Nasional Berhad	1,310,000	0.60
27. PAB Nominee (Tempatan) Sdn Bhd - Quek Leng Chan	1,254,000	0.58
28. Scotia Nominees (Asing) Sdn Bhd - TMT Global Limited	1,244,000	0.57
29. Amanah Raya Nominees (Tempatan) Sdn Bhd - Kuala Lumpur Growth Fund	1,128,000	0.52
30. Rothputra Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	1,100,000	0.51
	163,190,800	74.93

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2001 are as follows:-

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
1. Hong Leong Company (Malaysia) Berhad	127,813,200	58.69	5,681,400*	2.61*
2. Y Bhg Tan Sri Quek Leng Chan	2,185,000	1.00	133,494,600**	61.30**
3. HL Holdings Sdn Bhd	-	-	133,494,600**	61.30**
4. Hong Realty (Private) Limited	-	-	133,494,600**	61.30**
5. Hong Leong Investment Holdings Pte Ltd	-	-	133,494,600**	61.30**
6. Kwek Holdings Pte Ltd	-	-	133,494,600**	61.30**
7. Mr Kwek Leng Beng	-	-	133,494,600**	61.30**
8. Employees Provident Fund Board	18,618,000	8.55	-	-

Notes:-

* Deemed interests through subsidiary companies

** Deemed interests through Hong Leong Company (Malaysia) Berhad

OTHER INFORMATION

3. Analysis Of Warrantholdings As At 30 August 2001

Voting rights

- On show of hands : 1 vote
- On a poll : 1 vote for each warrant held

Distribution Schedule of 1996/2006 Warrantholders

Size of Holdings	No. of 1996/2006 Warrantholders	%	No. of 1996/2006 Warrants	%
Less than 1,000	147	4.52	56,247	0.16
1,000 – 10,000	2,883	88.60	6,992,129	19.93
10,001 – 100,000	206	6.33	5,582,324	15.91
100,001 – less than 5% of issued 1996/2006 warrants	16	0.49	4,483,500	12.78
5% and above of issued 1996/2006 warrants	2	0.06	17,967,000	51.22
	3,254	100.00	35,081,200	100.00

Thirty Largest 1996/2006 Warrantholders

Name of 1996/2006 Warrantholders	No. of 1996/2006 Warrants	%
1. EB Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	13,700,000	39.05
2. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	4,267,000	12.16
3. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	1,500,000	4.28
4. Malaysian Assurance Alliance Berhad	320,000	0.91
5. Chase Malaysia Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	312,500	0.89
6. Hong Bee Hardware Company Sdn Bhd	272,000	0.78
7. Universal Trustee (Malaysia) Berhad - BHLB Pacific Savings Fund	239,000	0.68
8. HSBC Nominees (Asing) Sdn Bhd - Tenacious Hold Limited	233,000	0.66
9. Arab-Malaysian Nominees (Tempatan) Sdn Bhd - BHLB Pacific Dana Al-Ihsan	224,000	0.64
10. Citicorp Nominees (Tempatan) Sdn Bhd - Susy Ding	224,000	0.64
11. Straits Nominees (Asing) Sdn Bhd - Tan Yan Tin	217,000	0.62

OTHER INFORMATION

3. Analysis Of Warrantholdings As At 30 August 2001 (continued)

Thirty Largest 1996/2006 Warrantholders (continued)

Name of 1996/2006 Warrantholders	No. of 1996/2006 Warrants	%
12. HLG Nominee (Asing) Sdn Bhd - Cheng Fu Zay	185,000	0.53
13. RHB Capital Nominees (Tempatan) Sdn Bhd - Susy Ding	165,000	0.47
14. Mayban Nominees (Tempatan) Sdn Bhd - Susy Ding	160,000	0.46
15. Rothputra Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	155,000	0.44
16. KPM Securities Sdn Bhd	140,000	0.40
17. Mayban Nominees (Tempatan) Sdn Bhd - Saham Amanah Sabah	112,000	0.32
18. Lai Kui Yin	105,000	0.30
19. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad	100,000	0.29
20. TCL Nominees (Tempatan) Sdn Bhd - Tay Ah Moi @ Tey Ah Moy	100,000	0.29
21. DB (Malaysia) Nominee (Asing) Sdn Bhd - Cablestar Limited	99,000	0.28
22. SBBAM Nominees (Tempatan) Sdn. Bhd. - Pertubuhan Keselamatan Sosial	94,000	0.27
23. Senawang Land Sdn Bhd	85,000	0.24
24. Gun Bee Leh @ Gan Hwee Peng	81,000	0.23
25. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Limited	78,000	0.22
26. SBBAM Nominees (Tempatan) Sdn Bhd - Yayasan Tunku Abdul Rahman	78,000	0.22
27. SBBAM Nominees (Tempatan) Sdn Bhd - Yayasan Mohd Noah	76,000	0.22
28. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	75,372	0.21
29. Lim Kim Huat @ Lim Kee Chooi	75,000	0.21
30. SBBAM Nominees (Tempatan) Sdn Bhd - South East Asia Insurance Berhad	75,000	0.21
	23,546,872	67.12

OTHER INFORMATION

4. Directors' Interests As At 30 August 2001

Subsequent to the financial year end, there is no change as at 30 August 2001 to the Directors' interests in the ordinary shares and/or stock units and/or warrants/options of the Company and/or its related corporations (other than wholly-owned subsidiary companies), appearing in the Directors' Report on pages 25 to 30 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

Name of Directors	Direct Interest		Deemed Interest	
	No.	%	No.	%
Y Bhg Tan Sri Quek Leng Chan				
Hong Leong Assurance Berhad	-	-	100,000,000	100.00
Hong Leong Credit Berhad	5,196,000	0.99	399,762,843	76.60
	420,000*	N/A	-	-
	521,269*#	N/A	51,083,381*#	N/A
Hong Leong Bank Berhad	40,000	0.003	977,910,501	68.48
Hume Industries (Malaysia) Berhad	50,000	0.02	140,402,855	57.73
Hume Cemboard Berhad	5,625,000	9.20	39,930,000	65.32
Mr Chuah Chuan Thye				
Hong Leong Credit Berhad	-	-	5,183,305	0.99
	-	-	712,434*#	N/A

Notes:-

Replacement Warrants

5. Share Buy Back Schedule For The Financial Year Ended 30 June 2001

	No. of shares bought back	Highest price paid (RM)	Lowest price paid (RM)	Average price paid (RM)	Total Consideration (RM)
August 2000	287,000	12.50	12.30	12.52	3,592,975.75
September 2000	1,735,000	12.30	8.70	9.69	16,794,603.77
October 2000	571,000	9.20	8.30	7.74	5,071,989.67
November 2000	1,157,000	8.95	7.00	8.23	9,099,141.81
December 2000	3,594,000	7.05	6.50	6.99	25,276,882.56



Hong Leong Industries Berhad

(5486-P)
A Member of the Hong Leong Group Malaysia
(Incorporated in Malaysia)

FORM OF PROXY

I/We _____

of _____

being a member/members of HONG LEONG INDUSTRIES BERHAD, hereby appoint _____

of _____

or failing him/her _____

of _____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-eighth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 October 2001 at 4.30 p.m. and at any adjournment thereof.

My/Our proxy is to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1. To receive the audited Financial Statements and Reports		
2. To approve the payment of Directors' fees		
3. To re-elect the following as Directors: (a) Mr Kwek Leng San; (b) Mr Ron Lim Kim Chai; (c) Y Bhg Dato' Ahmad Johari bin Tun Abdul Razak; and (d) Y Bhg Dato' Dr Agoes Salim		
4. To re-appoint Messrs Ling Kam Hoong & Co as Auditors and authorise the Directors to fix their remuneration		
5. As special business, to approve the ordinary resolution pursuant to the authority to Directors to issue shares		

Dated this day of 2001

Number of shares held

Signature of Member(s)

Notes:

1. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
2. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
3. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
4. A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Pursuant to Paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
6. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time for holding the meeting or adjourned meeting.