

FINANCIAL STATEMENTS

statements



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DIRECTORS' REPORT

report

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2004.

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 |
|-----------------------------------|-----------------|-------------------|
| Net profit for the financial year | 108,427 | 130,743 |

Dividends

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

- (i) a first interim dividend of 2.50 sen per share less tax amounting to RM3,920,112 in respect of the financial year ended 30 June 2004 on 26 December 2003; and
- (ii) a second interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax amounting to RM6,648,329 in respect of the financial year ended 30 June 2004 on 25 June 2004.

The Directors do not recommend any final dividend for the financial year ended 30 June 2004.

Reserves And Provisions

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

Directors Of The Company

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

YBhg Tan Sri Quek Leng Chan (Executive Chairman)
Mr Kwek Leng San (President & Chief Executive Officer)
YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar
YBhg Dato' Ahmad Johari bin Tun Abdul Razak
Mr Chuah Chuan Thye
Mr David Edward Comley
Mr Ron Lim Kim Chai (Group Managing Director - Automotive Group) (Resigned on 31-12-2003)
YBhg Dato' Dr Agoes Salim (Resigned on 31-12-2003)

In accordance with Article 115 of the Company's Articles of Association, YBhg Tan Sri Quek Leng Chan and Mr Kwek Leng San retire by rotation from the Board and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT

report (cont'd)

Directors' Interests

No Director holding office at the end of the financial year had any beneficial interest in the ordinary shares and/or warrants/options/convertible unsecured loan stocks 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 RM | Number of ordinary shares/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks* | | | |
|---|-------------------------------------|---|---------------------------|-----------------------|-----------------|
| | | At 1-7-2003 | Acquired/ Bonus Issue+ | Sold | At 30-6-2004 |
| Shareholdings in which Directors have direct interests | | | | | |
| Interests of YBhg Tan Sri Quek Leng Chan in:- | | | | | |
| Hong Leong Company (Malaysia) Berhad | 1.00 | 390,000 | - | - | 390,000 |
| Hong Leong Credit Berhad | 1.00 | 10,887,600 | 159,000 | - | 11,046,600 |
| | - | 159,000* | - | 159,000* | - |
| Hong Leong Industries Berhad | 0.50 | 1,268,000 | - | - | 1,268,000 |
| | - | 40,000* | - | - | 40,000* |
| Guoco Group Limited | US\$0.50 | 1,656,325♦ | - | - | 1,656,325 |
| GuocoLand Limited | S\$1.00 | 14,047,224♦ | - | - | 14,047,224 |
| Malaysian Pacific Industries Berhad | 0.50 | 53,500 | - | - | 53,500 |
| Hong Leong Bank Berhad | 1.00 | 40,000 | - | - | 40,000 |
| Hume Industries (Malaysia) Berhad | 1.00 | 34,000 | 4,000,000 | - | 4,034,000 |
| Narra Industries Berhad (Formerly known as Hume Cemboard Berhad) | 1.00 | 8,231,400 | 32,925,600+ | 61,200 32,925,600ø | 8,170,200 |
| Interest of YBhg Dato’ Ahmad Johari bin Tun Abdul Razak in:- | | | | | |
| Hong Leong Industries Berhad | 0.50 | 17,600 | - | - | 17,600 |
| 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 |
| | - | 650,000* | - | - | 650,000* |
| Malaysian Pacific Industries Berhad | 0.50 | 315,000 | - | - | 315,000 |
| HLG Capital Berhad | 1.00 | 119,000 | - | - | 119,000 |
| Hong Leong Bank Berhad | 1.00 | 385,000 | - | - | 385,000 |
| Guoco Group Limited | US\$0.50 | 209,120♦ | - | - | 209,120 |

DIRECTORS' REPORT

report (cont'd)

Directors' Interests (cont'd)

| | | Number of ordinary shares/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks* | | | |
|---|----------------------------|---|------------------------|------------|--------------|
| | Nominal Value Per Share RM | At 1-7-2003 | Acquired/ Bonus Issue+ | Sold | At 30-6-2004 |
| Shareholdings in which Directors have direct interests | | | | | |
| Interest of Mr David Edward Comley in:- | | | | | |
| Malaysian Pacific Industries Berhad | 0.50 | 262,000 | - | - | 262,000 |
| | - | 400,000* | - | - | 400,000* |
| Shareholdings in which Directors have indirect interests | | | | | |
| Interests of YBhg Tan Sri Quek Leng Chan in:- | | | | | |
| Hong Leong Company (Malaysia) Berhad | 1.00 | 7,487,100 | - | - | 7,487,100 |
| Hong Leong Fund Management Sdn Bhd | 1.00 | 1,400,000 | - | - | 1,400,000 |
| MEHY Sdn Bhd | 1.00 | 650,000 | - | - | 650,000 |
| Hong Leong Credit Berhad | 1.00 | 830,111,754 | 3,745,300 | 20,033,500 | 813,823,554 |
| HLG Capital Berhad | 1.00 | 92,590,545 | - | - | 92,590,545 |
| Hong Leong Bank Berhad | 1.00 | 960,801,500 | - | 9,228,000 | 951,573,500 |
| Hong Leong Industries Berhad | 0.50 | 130,571,000 | 1,563,500 | 2,000,000 | 130,134,500 |
| | - | 39,439,435* | 3,000* | 2,000* | 39,440,435* |
| 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 | 1,680,000 | - | 19,600,000 |
| Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation) | 1.00 | 1,750,000 | - | - | 1,750,000 |
| Guocera Tile Industries (Labuan) Sdn Bhd | 1.00 | 6,545,001 | - | - | 6,545,001 |
| Varinet Sdn Bhd (Formerly known as Quayline Fairprice Sdn Bhd) (In members' voluntary liquidation) | 1.00 | 9,600,000 | 960,627 | - | 10,560,627 |
| RZA Logistics Sdn Bhd | 1.00 | 9,195,270 | - | - | 9,195,270 |
| Malaysian Pacific Industries Berhad | 0.50 | 122,939,009 | 1,479,300 | 10,440,700 | 113,977,609 |
| Carter Realty Sdn Bhd | 1.00 | 7 | - | - | 7 |

DIRECTORS' REPORT

report (cont'd)

Directors' Interests (cont'd)

| | | Number of ordinary shares/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks* | | | |
|---|----------------------------|---|------------------------|---------------------------|--------------------------------|
| | Nominal Value Per Share RM | At 1-7-2003 | Acquired/ Bonus Issue+ | Sold | At 30-6-2004 |
| Shareholdings in which Directors have indirect interests | | | | | |
| Interest of YBhg Tan Sri Quek Leng Chan in:- | | | | | |
| Carsem (M) Sdn Bhd | 1.00 | 84,000,000 | - | - | 84,000,000 |
| | 100 | 22,400 | - | - | 22,400 |
| | | (Redeemable Preference Shares) | | | (Redeemable Preference Shares) |
| Guolene Packaging Industries Berhad | 1.00 | 69,886,350 | 34,178 | - | 69,920,528 |
| Guolene Plastic Films Sdn Bhd | 1.00 | 9,350,002 | - | - | 9,350,002 |
| Hume Industries (Malaysia) Berhad | 1.00 | 111,328,294 | 8,700,000 | 4,422,400 | 115,605,894 |
| Hume Furniture Industries Sdn Bhd | 1.00 | 11,880,000 | 1,320,000 | - | 13,200,000 |
| Narra Industries Berhad (Formerly known as Hume Cemboard Berhad) | 1.00 | 42,710,000 | 168,744,400+ | 4,406,000 168,744,400ø | 38,304,000 |
| Guoco Group Limited | US\$0.50 | 210,808,572◆ | 7,360,312 | - | 218,168,884 |
| GuocoLand Limited | S\$1.00 | 458,785,229◆ | - | - | 458,785,229 |
| First Changi Development Pte Ltd | S\$1.00 | 40,002,075◆ | - | - | 40,002,075 |
| First Garden Development Pte Ltd | S\$1.00 | 72,000,000◆ | - | - | 72,000,000 |
| Melville Park Development Pte Ltd | S\$1.00 | 57,840,000◆ | - | - | 57,840,000 |
| Sanctuary Land Pte Ltd | S\$1.00 | 54,000,000◆ | - | - | 54,000,000 |
| Beijing Minghua Property Development Co., Ltd | ^ | 150,000,000◆ | - | - | 150,000,000 |
| Beijing Xinhaoyi Property Development Co., Ltd | ^ | 138,000,000◆ | - | - | 138,000,000 |
| Shanghai Xinhaozhong Property Development Co., Ltd | # | 19,600,000◆ | - | - | 19,600,000 |
| Lam Soon (Hong Kong) Limited | HK\$1.00 | 140,008,659∞ | - | - | 140,008,659 |
| Kwok Wah Hong Flour Company Limited | HK\$100 | 9,800∞ | - | - | 9,800 |
| LS Golden Oils & Fats Limited | HK\$1.00 | 185,000,000∞ | - | - | 185,000,000 |
| M.C. Packaging Offshore Limited | HK\$0.01 | 471,793∞ | - | - | 471,793 |
| Lam Soon Ball Yamamura Inc | NT\$10 | 23,725,995∞ | - | - | 23,725,995 |

DIRECTORS' REPORT

report (cont'd)

Directors' Interests (cont'd)

| | | Number of ordinary shares/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks* | | | |
|---|----------------------------|---|------------------------|----------|--------------|
| | Nominal Value Per Share RM | At 1-7-2003 | Acquired/ Bonus Issue+ | Sold | At 30-6-2004 |
| Shareholdings in which Directors have indirect interests | | | | | |
| Interests of YBhg Tan Sri Quek Leng Chan in:- | | | | | |
| Guangzhou Lam Soon Food Products Limited | Ω | 6,570,000∞ | - | - | 6,570,000 |
| Shekou Lam Soon Silo Company Limited | # | 8,464,500∞ | - | - | 8,464,500 |
| Shenzhen Lam Soon Edible Oils Company Limited | # | 11,400,000∞ | - | - | 11,400,000 |
| Interests of Mr Chuah Chuan Thye in:- | | | | | |
| Hong Leong Company (Malaysia) Berhad | 1.00 | 154,650 | - | - | 154,650 |
| Hong Leong Credit Berhad | 1.00 | 9,284,949 | - | - | 9,284,949 |
| Hong Leong Industries Berhad | 0.50 | 1,998,800 | - | - | 1,998,800 |
| | - | 529,778* | - | 188,000* | 341,778* |
| Narra Industries Berhad (Formerly known as Hume Cemboard Berhad) | 1.00 | 10,000 | 40,000+ | 40,000∅ | 10,000 |
| Hong Leong Bank Berhad | 1.00 | 120,000 | - | - | 120,000 |

Legend:

- ∅ Cancellation pursuant to capital reduction.
- ◆ Shareholding as at 6 April 2004 as the corporation became a related corporation.
- ∞ Shareholding as at 23 April 2004 as the corporation became a related corporation.
- ∧ Capital contribution in RMB.
- # Capital contribution in US\$.
- Ω Capital contribution in HK\$.

DIRECTORS' REPORT

report (cont'd)

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 as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) 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 YBhg 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 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 or its related corporations and corporations in which YBhg 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 related corporations 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" or "Scheme")

The shareholders of the Company approved the implementation of the Scheme at the Extraordinary General Meeting held on 14 December 1999. On 12 November 2002, shareholders approved a proposal to extend the duration of the Scheme for an additional period of 5 years from 24 December 2004 up to and including 23 December 2009 and to amend the Bye-Laws of the Scheme to inter alia incorporate revisions to Securities Commission Guidelines in relation to employee share option scheme, introduce new performance criteria as a basis for prime value options to key executives and provide flexibility to the Company to issue new shares and/or transfer existing shares to option holders upon the exercise of their options.

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

1. Eligible executives are those executives (including full-time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of 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 Scheme shall be in force for a period of ten (10) years from 24 December 1999.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.50.
5. An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.
6. The options granted to eligible executives will lapse when they are no longer in employment of the Group.

DIRECTORS' REPORT

report (cont'd)

Executive Share Option Scheme ("ESOS" or "Scheme") (cont'd)

The details of options over ordinary shares of the Company granted under the ESOS are as follows:-

| | Offer Date | Balance at 1-7-2003 | No. of unissued ordinary shares of RM0.50 each under the ESOS | | | Balance at 30-6-2004 |
|-------------------------|------------|---------------------|---|----------------|-------------------|----------------------|
| | | | Options Granted | Options Lapsed | Options Exercised | |
| Option price of RM8.83 | 28-12-1999 | 4,006,400 | - | 174,600 | - | 3,831,800 |
| Option price of RM15.64 | 17-04-2000 | 606,000 | - | 79,000 | - | 527,000 |
| | | 4,612,400 | - | 253,600 | - | 4,358,800 |

Share Capital And Debenture

During the financial year, the issued and paid-up share capital of the Company was increased from 225,128,500 ordinary shares of RM0.50 each to 225,321,416 ordinary shares of RM0.50 each arising from the conversion of RM1,196,080 nominal value of irredeemable convertible unsecured loan stocks ("ICULS") at the conversion price of RM6.20 per share by the ICULS holders.

There was no share buy back from the open market during the financial year. As at 30 June 2004, the total number of shares bought back was 7,344,000 shares which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Warrants

The Company had, on 30 June 1997, issued 35,083,500 detachable warrants together with the 1996/2001 Bonds (redeemed since November 2001).

The details of the warrants are as follows:-

- (a) The warrants were constituted by a Deed Poll dated 22 October 1996 supplemented by a Supplemental Deed Poll dated 5 May 1997 and a Second Supplemental Deed Poll dated 15 June 1999 (collectively referred to as the "Deed Poll").

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share. The subscription of the outstanding warrants was extended for a further period of 5 years from the existing expiry date of 13 November 2001 to 13 November 2006.

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.
- (c) There were no conversion of warrants into new ordinary shares during the financial year. As at the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2003: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

DIRECTORS' REPORT

report (cont'd)

Loan Stocks

The Company issued RM208,152,780 nominal value of 4% Five (5)-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2002/2007 at 100% nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 each held as at 21 May 2002.

The ICULS were constituted by the Trust Deed dated 22 May 2002.

The ICULS, which are irredeemable, have a maturity date of 28 June 2007 and carry a coupon rate of 4% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM0.50 each in the Company at any time from the date of issuance and all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares after the maturity date. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion. Upon conversion, all new ordinary shares rank pari passu with the ordinary shares then in issue except that these shares shall not be entitled to any rights and/or distributions, the entitlement date of which precedes or falls on the relevant conversion date and any dividends declared in respect of the financial quarter(s) immediately preceding the relevant conversion date.

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

Other Statutory Information

Before the income statements and balance sheets 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

report (cont'd)

Other Statutory Information (cont'd)

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, except as disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2004 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

David Edward Comley

Kuala Lumpur
26 August 2004

BALANCE SHEETS

sheets as at 30 June 2004

| | | Group | | Company | |
|--|------|------------------|----------------|------------------|----------------|
| | Note | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| PROPERTY, PLANT AND EQUIPMENT | 4 | 1,483,051 | 1,434,430 | - | - |
| INVESTMENTS IN SUBSIDIARIES | 5 | - | - | 1,171,367 | 1,180,986 |
| INVESTMENTS IN ASSOCIATED COMPANIES | 6 | 242,727 | 189,243 | 180,306 | 182,762 |
| OTHER INVESTMENTS | 7 | 371,596 | 512,844 | 348,203 | 419,579 |
| INTANGIBLE ASSETS | 8 | 460,088 | 494,300 | - | - |
| OTHER ASSETS | 9 | 73,921 | - | 11,243 | - |
| DEFERRED TAX ASSETS | 22 | 4,853 | 1,500 | - | - |
| CURRENT ASSETS | | | | | |
| Property assets | 10 | 21,063 | 25,285 | - | - |
| Inventories | 11 | 273,669 | 249,427 | - | - |
| Trade and other receivables | 12 | 502,454 | 502,541 | 39,612 | 18,693 |
| Tax recoverable | | 80,594 | 84,720 | 61,614 | 70,333 |
| Short term investments | 13 | 1,105 | 41,271 | 1,105 | - |
| Deposits, cash and bank balances | 14 | 373,091 | 277,236 | 103,156 | 169 |
| | | 1,251,976 | 1,180,480 | 205,487 | 89,195 |
| CURRENT LIABILITIES | | | | | |
| Trade and other payables | 15 | 509,612 | 413,654 | 70,518 | 66,145 |
| Borrowings | 16 | 767,169 | 869,372 | 308,939 | 374,263 |
| Redeemable bonds | 17 | 250,000 | - | 125,000 | - |
| Taxation | | 6,539 | 6,282 | - | - |
| | | 1,533,320 | 1,289,308 | 504,457 | 440,408 |
| NET CURRENT LIABILITIES | | (281,344) | (108,828) | (298,970) | (351,213) |
| | | 2,354,892 | 2,523,489 | 1,412,149 | 1,432,114 |
| SHARE CAPITAL AND RESERVES | | | | | |
| Share capital | 18 | 112,661 | 112,564 | 112,661 | 112,564 |
| Reserves | | 678,331 | 558,889 | 458,126 | 345,173 |
| Treasury shares - at cost | 19 | (59,835) | (59,835) | (59,835) | (59,835) |
| Irredeemable convertible unsecured loan stocks ("ICULS") | 20 | 206,957 | 208,153 | 206,957 | 208,153 |
| | | 938,114 | 819,771 | 717,909 | 606,055 |
| MINORITY SHAREHOLDERS' INTERESTS | | 587,250 | 543,231 | - | - |

BALANCE SHEETS

sheets as at 30 June 2004 (cont'd)

| | Note | Group | | Company | |
|------------------------------------|------|----------------|----------------|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| LONG TERM AND DEFERRED LIABILITIES | | | | | |
| Borrowings | 16 | 241,250 | 297,027 | 164,597 | 170,797 |
| Redeemable Bonds | 17 | 250,000 | 500,000 | 250,000 | 375,000 |
| EuroConvertible Bonds | 21 | 279,224 | 279,224 | 279,224 | 279,224 |
| Deferred tax liabilities | 22 | 46,386 | 63,013 | - | - |
| Retirement benefits | 23 | 12,668 | 21,223 | 419 | 1,038 |
| | | 829,528 | 1,160,487 | 694,240 | 826,059 |
| | | 2,354,892 | 2,523,489 | 1,412,149 | 1,432,114 |

The financial statements were approved and authorised for issue by the Board of Directors on 26 August 2004.

The notes on pages 38 to 82 form part of these financial statements.

INCOME STATEMENTS

statements for the financial year ended 30 June 2004

| | | Group | | Company | |
|--|------|------------------|----------------|-----------------|----------------|
| | Note | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| REVENUE | 24 | 2,438,572 | 2,044,420 | 155,908 | 99,457 |
| OPERATING PROFIT | 24 | 241,532 | 135,383 | 180,253 | 88,487 |
| Interest income | | 15,300 | 16,199 | 5,364 | 3,104 |
| Finance cost | | (89,010) | (99,003) | (57,374) | (62,897) |
| Share of profit/(losses) in associated companies | | 31,427 | (1,378) | - | - |
| PROFIT BEFORE TAXATION | 25 | 199,249 | 51,201 | 128,243 | 28,694 |
| Taxation | 26 | 31,686 | 6,916 | 2,500 | (12,927) |
| PROFIT AFTER TAXATION | | 230,935 | 58,117 | 130,743 | 15,767 |
| Less: Minority interests | | (122,508) | (49,110) | - | - |
| NET PROFIT FOR THE FINANCIAL YEAR | | 108,427 | 9,007 | 130,743 | 15,767 |
| Basic earnings per ordinary share (sen) | 27 | 45.95 | 0.28 | | |
| Diluted earnings per ordinary share (sen) | 27 | 42.21 | 0.28 | | |
| Dividends per ordinary share - net (sen) | 28 | 4.85 | 1.80 | | |

The notes on pages 38 to 82 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

of changes in equity for the financial year ended 30 June 2004

| | 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 | ICULS RM'000 | Total RM'000 |
|---|----------------------------|-----------------------------|-----------------------------------|--|------------------------------------|-------------------|-------------------------------|------------------------------|-----------------|-----------------|
| Group | | | | | | | | | | |
| At 1 July 2002 | 112,564 | 289,396 | 948 | (22,808) | 5,506 | 28,535 | 234,376 | (59,835) | 208,153 | 796,835 |
| Net profit for the financial year | - | - | - | - | - | - | 9,007 | - | - | 9,007 |
| Dividends (Note 28) | - | - | - | - | - | - | (3,920) | - | - | (3,920) |
| Interest on ICULS | - | - | - | - | - | - | (8,395) | - | - | (8,395) |
| Realisation of foreign currency reserve | - | - | - | 2,448 | - | - | (2,448) | - | - | - |
| Change of equity in associated company | - | - | - | (673) | - | - | - | - | - | (673) |
| Foreign currency translation differences | | | | | | | | | | |
| - subsidiaries | - | - | - | 4,247 | - | - | - | - | - | 4,247 |
| - associated companies | - | - | - | 23,286 | - | - | (616) | - | - | 22,670 |
| Transfer | - | - | - | - | (5,506) | 5,549 | (43) | - | - | - |
| At 30 June 2003 | 112,564 | 289,396 | 948 | 6,500 | - | 34,084 | 227,961 | (59,835) | 208,153 | 819,771 |
| Net profit for the financial year | - | - | - | - | - | - | 108,427 | - | - | 108,427 |
| Dividends (Note 28) | - | - | - | - | - | - | (10,568) | - | - | (10,568) |
| Interest on ICULS | - | - | - | - | - | - | (8,321) | - | - | (8,321) |
| Realisation of foreign currency reserve | - | - | - | (451) | - | - | - | - | - | (451) |
| Foreign currency translation differences | - | - | - | 2,303 | - | - | - | - | - | 2,303 |
| Associated companies | - | - | - | 28,628 | - | (1,836) | - | - | - | 26,792 |
| Change in equity in subsidiary company | - | - | - | 161 | - | - | - | - | - | 161 |
| Conversion of ICULS into shares | 97 | 1,099 | - | - | - | - | - | - | (1,196) | - |
| Transfer of capital reserve | - | - | - | (48) | - | 78 | (30) | - | - | - |
| At 30 June 2004 | 112,661 | 290,495 | 948 | 37,093 | - | 32,326 | 317,469 | (59,835) | 206,957 | 938,114 |
| | (Note 18) | | | | | | | (Note 19) | (Note 20) | |

| | Share Capital RM'000 | Share Premium* RM'000 | Others* RM'000 | Retained Profits RM'000 | Treasury Shares RM'000 | ICULS RM'000 | Total RM'000 |
|-----------------------------------|----------------------------|-----------------------------|-------------------|-------------------------------|------------------------------|-----------------|-----------------|
| Company | | | | | | | |
| At 1 July 2002 | 112,564 | 289,396 | 3,943 | 48,382 | (59,835) | 208,153 | 602,603 |
| Net profit for the financial year | - | - | - | 15,767 | - | - | 15,767 |
| Dividends (Note 28) | - | - | - | (3,920) | - | - | (3,920) |
| Interest on ICULS | - | - | - | (8,395) | - | - | (8,395) |
| At 30 June 2003 | 112,564 | 289,396 | 3,943 | 51,834 | (59,835) | 208,153 | 606,055 |
| Net profit for the financial year | - | - | - | 130,743 | - | - | 130,743 |
| Dividends (Note 28) | - | - | - | (10,568) | - | - | (10,568) |
| Interest on ICULS | - | - | - | (8,321) | - | - | (8,321) |
| Conversion of ICULS into shares | 97 | 1,099 | - | - | - | (1,196) | - |
| At 30 June 2004 | 112,661 | 290,495 | 3,943 | 163,688 | (59,835) | 206,957 | 717,909 |
| | (Note 18) | | | | (Note 19) | (Note 20) | |

*Non Distributable

The notes on pages 38 to 82 form part of these financial statements.

CASH FLOW STATEMENT

statement for the financial year ended 30 June 2004

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit before taxation | 199,249 | 51,201 | 128,243 | 28,694 |
| Adjustments for:- | | | | |
| Share of (profit)/losses in associated companies | (31,427) | 1,378 | - | - |
| Depreciation and amortisation of property, plant and equipment | 261,947 | 266,926 | - | - |
| Dividend income | (415) | (2,660) | (155,908) | (99,457) |
| (Gain)/Loss on disposal of property, plant and equipment | (3,625) | 7,712 | - | - |
| Property, plant and equipment written off | 4,002 | 3,076 | - | - |
| Retirement benefits | (7,541) | 3,946 | (616) | 261 |
| Unrealised gain on foreign exchange | (3,154) | (7,072) | (489) | - |
| Interest income | (15,300) | (16,199) | (5,364) | (3,104) |
| Finance cost | 89,010 | 99,003 | 57,374 | 62,897 |
| Loss/(Gain) on liquidation of subsidiaries | 1,186 | 18 | (35,475) | 8,966 |
| Goodwill written off | - | 12 | - | - |
| Development expenditure amortised/written off | 2,425 | 2,833 | - | - |
| Gain on disposal of shares in | | | | |
| - a subsidiary | (70,983) | - | (75,458) | - |
| - investments | (11,713) | (2,017) | - | (29) |
| Impairment/(Appreciation of) in value of investments | 70,832 | (16,599) | 79,546 | (5,518) |
| EuroConvertible Bond Put Premiums | 4,985 | 4,985 | 4,985 | 4,985 |
| Bad and doubtful debts | 7,184 | 6,309 | - | - |
| Loss/(Gain) on disposal of property assets | 358 | (3,559) | - | - |
| Other non-cash items | 750 | 86 | - | - |
| Operating profit/(loss) before working capital changes | 497,770 | 399,379 | (3,162) | (2,305) |
| Changes in working capital: | | | | |
| Inventories | (23,124) | (22,647) | - | - |
| Trade and other receivables | (104,547) | 132,484 | (31,673) | (4,548) |
| Trade and other payables | 111,942 | (75,818) | (612) | (103,002) |
| Cash generated from/(used in) operations | 482,041 | 433,398 | (35,447) | (109,855) |
| Income taxes refunded/(paid) | 16,340 | (46,889) | 27,479 | - |
| Net finance cost paid | (73,710) | (82,804) | (52,010) | (59,793) |
| Net dividends received | 411 | 2,400 | 139,648 | 86,530 |
| Retirement benefits paid | (1,014) | (2,119) | (3) | (6) |
| Net cash generated from/(used in) operating activities | 424,068 | 303,986 | 79,667 | (83,124) |

CASH FLOW STATEMENT

statement for the financial year ended 30 June 2004 (cont'd)

| Note | Group | | Company | |
|--|----------------|-----------------|-----------------|-----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Acquisition of subsidiaries (Note 33) | (119) | (106) | - | - |
| Cash distribution from liquidation of subsidiaries | - | - | 35,200 | 14,080 |
| Addition of development expenditure | (1,951) | (2,108) | - | - |
| Purchase of property, plant and equipment | (311,911) | (181,068) | - | - |
| Proceeds from disposal of property, plant and equipment | 6,238 | 4,346 | - | - |
| Proceeds from disposal of subsidiaries | - | - | - | 79 |
| Proceeds from disposal of shares in | | | | |
| - a subsidiary | 144,893 | - | 115,855 | - |
| - investments | 122,858 | 24,456 | - | 529 |
| Proceeds from capital reduction of subsidiaries | - | - | - | 76,458 |
| Additional equity investment in subsidiaries | (2,559) | (54) | (36,739) | (27,215) |
| Acquisition of other investments | (583) | (62,257) | (583) | (54,089) |
| Investment in an associated company | - | (8,814) | - | - |
| Proceeds from disposal of property assets | 3,865 | 14,707 | - | - |
| Net cash (used in)/generated from investing activities | (39,269) | (210,898) | 113,733 | 9,842 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Capital reduction in subsidiary paid to minority shareholders | - | (5,403) | - | - |
| Dividends paid to: | | | | |
| - shareholders | (10,568) | (3,920) | (10,568) | (3,920) |
| - minority shareholders of subsidiaries | (109,956) | (119,344) | - | - |
| Payment of ICULS interest | (8,321) | (8,395) | (8,321) | (8,395) |
| Net (repayment)/drawdown of borrowings | (98,280) | (88,696) | (42,301) | 59,398 |
| Proceeds from shares issued to minority shareholders of subsidiaries | - | 60,225 | - | - |
| Net cash (used in)/generated from financing activities | (227,125) | (165,533) | (61,190) | 47,083 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 157,674 | (72,445) | 132,210 | (26,199) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | 210,391 | 284,516 | (30,396) | (4,197) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS | 465 | (1,680) | - | - |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 368,530 | 210,391 | 101,814 | (30,396) |
| CASH AND CASH EQUIVALENTS COMPRISE:- | | | | |
| Deposits | 313,778 | 137,836 | 103,000 | - |
| Cash and bank balances | 59,313 | 139,400 | 156 | 169 |
| Bank overdrafts | (4,561) | (66,845) | (1,342) | (30,565) |
| | 368,530 | 210,391 | 101,814 | (30,396) |

NOTES TO THE FINANCIAL STATEMENTS

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 accounting policies of the Group and of the Company are consistent with those adopted in the previous financial years. In addition, the Group and the Company adopted the following new accounting policies in the current financial year ended 30 June 2004:-

- (i) MASB 28, Discontinuing Operations; and
- (ii) MASB 29, Employee Benefits

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the adoption in the above accounting policies has no material effect to the financial statements.

(a) Basis of accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment unless otherwise indicated in the accounting policies below and in compliance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

(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.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed/distributed of during the year are included from the date of acquisition/distribution or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group's financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate.

All significant inter-company balances, transactions and resulting unrealised profit are eliminated on consolidation. Unrealised losses resulting from inter-company transactions are eliminated unless cost cannot be recovered in full.

Minority shareholders' interest consist of the minority shareholders' proportion of share capital and reserves of subsidiaries, net of their share of subsidiary's goodwill on consolidation and amortisation of goodwill charged to the minority interest.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(c) Associated companies

The Group treats associates as those companies in which a long term equity interest of between 20% and 50% is held and where it is in a position to exercise significant influence, but not control, over the financial and operating policies.

Goodwill or reserve arising from acquisition represents the difference between the cost of investment and the Group's share of the net assets of the associates at the date of acquisition.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

The Group's share of profits less losses of associates is included in the consolidated income statement and the Group's share of net assets and goodwill or reserve on acquisition is included in the consolidated balance sheet. Where the accounting policies of associates do not conform in all aspects to those of the Group, if material, adjustments are made to the consolidated financial statements.

(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.

It is the policy of the Group and of the Company to state its property, plant and equipment at cost. Notwithstanding that, certain freehold land, long term leasehold land, short term leasehold land and buildings of the Group were revalued in 1980 to 1990 by the Directors based on professional valuations using fair market value on the open market value basis. As allowed by MASB 15 on Property, Plant and Equipment, the revaluation was not intended to effect a change in the accounting policy to one of revaluation of properties. Hence, the valuations of these properties have not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation.

Surplus arising from revaluation is dealt with on the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement. Upon the disposal of revalued properties, the attributable revaluation reserve is transferred to retained earnings.

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

Freehold land and capital work-in-progress are not amortised. Other property, 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 | 5% - 33.3% |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(e) Investments

Investments in associates is stated at cost in the Company less impairment loss where applicable.

Investments in subsidiaries are stated at cost less impairment loss where applicable.

Short term investments are marked to the market on an investment portfolio basis.

Long term investments other than in subsidiaries and associates are stated at cost. Write down is made when the Directors are of the view that there is a permanent diminution or impairment in the value of an investment.

(f) 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.

(g) Property assets

Property assets consist of freehold land and buildings and leasehold 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.

Net realisable value is estimated selling price in ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sales.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(i) Receivables

Receivables are stated at cost less allowance for doubtful debts. Known bad debts are written off and specific allowance is made for debts considered to be doubtful of collection.

(j) Impairment of assets

The carrying amount of the Group's and of the Company's assets other than inventories (refer Note 1(h)), deferred tax assets (refer Note 1(l)) and financial assets (other than investments in subsidiaries and associates), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is recognised when the Directors are of the view that there is a diminution in its value which is other than temporary and that the impairment loss is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent events have occurred that reverse the effect of that event.

In respect of other assets, all impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if an impairment loss has been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on the revalued assets, in which case the reversal is taken to equity.

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(l) Taxation

Taxation in the income statement comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case the taxation is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is provided using the balance sheet liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(m) Repurchases of shares

When shares are repurchased, the amount of the consideration paid including directly attributable cost is recognised as cost and set off against equity. Repurchased shares are reclassified as treasury stocks and presented as a deduction from total equity.

(n) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

(o) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the period in which the associated services are rendered by employees.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(o) Employee benefits (cont'd)

(ii) Defined contribution plans

The Company and its subsidiaries made contributions to their respective countries' statutory pension scheme as required by the law. Such contributions are recognised as an expense in the income statement as and when incurred.

During the current financial year, the Group discontinued the defined contribution scheme ("Scheme") for its eligible executives which was administered by the Hong Leong Group Executive Retirement Benefit Fund following the cessation of the Scheme on 31 December 2003.

(iii) Defined benefit plan

The Group and the Company operate an unfunded defined benefit scheme for the eligible employees. The present value of the defined benefit obligation as required by MASB 29, Employee Benefits has not been used in deriving at the provision, as the amount involved is not material to the Group and the Company. Accordingly, no further disclosure as required by the standard is made.

(iv) Equity compensation benefits

The Group's Executive Share Option Scheme ("ESOS") allows the eligible executives to acquire shares of the Company.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Group upon such terms and conditions the Group and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. The financial assistance given to the trustee to purchase the Company's shares for the purpose of the ESOS is recorded as "Other assets" in the balance sheet.

Remuneration expenses which are computed using the average purchase price (net of dividends received from the shares held) less the options price or the market price (whichever is lower), are recognised as employment cost in the income statement on a straight line basis over the remaining period of the ESOS.

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposits with banks that are not pledged for any purposes after deducting bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(q) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

Financial statements of foreign operations/entities

The Group's foreign operations are not considered an integral part of the Group's operation. The assets and liabilities of foreign operations/entities, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations/entities are translated to Ringgit Malaysia at average exchange rate applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

The closing rates used in translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations/entities are as follows:-

| | 2004 RM | 2003 RM |
|---------|------------|------------|
| 1 AUD | 2.63 | 2.53 |
| 1 RMB | 0.46 | 0.46 |
| 1 HKD | 0.49 | 0.49 |
| 1 SGD | 2.22 | 2.16 |
| 1 THB | 0.09 | 0.09 |
| 1 USD | 3.80 | 3.80 |
| 1 EURO | 4.60 | 4.34 |
| 1 SWF | 2.92 | 2.80 |
| 100 JPY | 3.51 | 3.22 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(r) Financial instruments

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company and the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group and the Company uses derivative financial instruments, including forward foreign exchange contracts and interest rate swaps, to hedge its exposure of foreign exchange and interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments (used for hedging purposes) are accounted for on an equivalent basis as the underlying assets, liabilities or net positions. Any profit or loss arising is recognised on the same basis as that arising from the related assets, liabilities or net positions upon realisation.

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

Compound financial instruments

On issue of a financial instrument on or after 1 January 2003 that contains both a liability and an equity element, the fair value of the liability portion is determined using a market interest rate for an equivalent financial instruments; this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option and is not changed in subsequent periods.

In respect of a financial instrument issued prior to 1 January 2003, the Company and the Group adopts the transitional provisions of Malaysian Accounting Standards Board MASB 24 Financial Instruments: Disclosure and Presentation whereby a financial instrument is classified according to its predominant component part and is reclassified between equity and liabilities as at the beginning of the reporting period for the financial year ended 30 June 2003 to which MASB 24 is first applied.

(ii) Fair value estimation for disclosure purposes

The fair value of publicly traded derivatives and securities is based on quoted market prices at the balance sheet date.

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

2. Summary Of Significant Accounting Policies (cont'd)

(s) 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 2002. Upon extension of the exercise date of the put option to 25 October 2005 (Note 21), 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.

(t) 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.

(u) Revenue

(i) Goods sold and services rendered

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is stated net of discount and returns in the income statement.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to service performed to date as a percentage of services to be performed. Where the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Interest and rental income

Interest and rental income are recognised in the income statement on accrual basis.

(v) Expenses

(i) Operating lease rentals

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

(ii) Financing costs

All interest and other costs incurred in connection with borrowings are expenses to the income statement as incurred.

(w) Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

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 2004 % | 2003 % | Principal Activities |
|---|--------------------------|---------------------------|--------|--|
| Subsidiary Companies | | | | |
| Guocera Holdings Sdn Bhd | Malaysia | 100.0 | 100.0 | Investment holding. |
| • Guocera Tile Industries Sdn Bhd | Malaysia | 100.0 | 100.0 | Manufacture of mosaic and ceramic tiles. |
| • Guocera Tile Industries (Meru) Sdn Bhd | Malaysia | 70.0 | 64.0 | Manufacture of ceramic tiles. |
| •* Guocera Tile Industries (Labuan) Sdn Bhd | Malaysia | 70.0 | 70.0 | Manufacture of ceramic tiles. |
| • Guocera Marketing Sdn Bhd | Malaysia | 100.0 | 100.0 | General trading and investment holding. |
| •*Guocera Marketing Singapore Pte Ltd | Singapore | 100.0 | 100.0 | General trading. |
| • Ceramic Research Company Sdn Bhd | Malaysia | 100.0 | 100.0 | Research and development of ceramic tiles and related products. |
| • Clearnaxis Sdn Bhd | Malaysia | 100.0 | - | Dormant. |
| 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 | Manufacture of motorcycles and other components, assembly of motorcycles and investment holding. |
| • Allied Auto Parts Sdn Bhd | Malaysia | 69.4 | 69.4 | In member's voluntary liquidation. |
| * MZ Holdings Limited | Hong Kong | 100.0 | 100.0 | Investment holding. |
| * MZ Motorrad Sdn Bhd | Malaysia | 100.0 | 100.0 | Assembly of motorcycles, electric scooters and related parts and products. |
| * MZ Motorrad- und Zweiradwerk GmbH | Germany | 100.0 | 100.0 | Manufacture and distribution of motorcycles. |
| •* MuZ North America Inc | USA | 100.0 | 100.0 | Distribution of motorcycles and spare parts. |
| •* MZ Engineering GmbH | Germany | 100.0 | - | Provision of research and development services for motorcycles and engine technology. |
| * Malaysian Pacific Industries Berhad | Malaysia | 56.1 | 61.1 | Investment holding. |
| •* Carsem (M) Sdn Bhd | Malaysia | 39.3 | 42.8 | Manufacture and test of semiconductor devices and electronic components. |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

3. Companies In The Group (cont'd)

| Name of Company | Country of Incorporation | Effective Interest 2004 % | 2003 % | Principal Activities |
|--|--------------------------------|---------------------------|--------|--|
| Subsidiary Companies | | | | |
| •*Carsem Semiconductor Sdn Bhd | Malaysia | 39.3 | 42.8 | Dormant. |
| •*Carsem Semiconductor (Suzhou) Co., Ltd | The People's Republic of China | 56.1 | 61.1 | Manufacture, assembly, testing and marketing of semiconductor devices and electronic components. |
| •* Carter Realty Sdn Bhd | Malaysia | 39.3 | 42.8 | Investment holding. |
| •*Carsem Inc | USA | 39.3 | 42.8 | Semiconductor devices' and electronic components' marketing agents. |
| •* Dynacraft Industries Sdn Bhd | Malaysia | 56.1 | 61.1 | Manufacture and sale of leadframes. |
| •* Dyna-Craft Industries, Inc | USA | 56.1 | 61.1 | Dormant. |
| •* MPI (BVI) Limited | British Virgin Islands | 56.1 | 61.1 | Investment trading. |
| •* Carsem Holdings Limited | Bermuda | 56.1 | - | Investment holding. |
| •* Techad Sdn Bhd | Malaysia | - | 61.1 | Wound up. |
| * Guolene Packaging Industries Berhad | Malaysia | 96.4 | 96.4 | Investment holding. |
| •* Guolene Packaging & Printing Sdn Bhd | Malaysia | 96.4 | 96.4 | Manufacture and sale of duplex board boxes and flexible packaging materials. |
| •* Guolene Woven Products (Melaka) Sdn Bhd | Malaysia | 96.4 | 96.4 | Manufacture and sale of polypropylene and polyethylene bags, woven sacks, fabrics and industrial laminated products. |
| •* Guolene Plastic Films Sdn Bhd | Malaysia | 65.6 | 65.6 | Manufacture and sale of high and low density polyethylene and biaxially oriented polypropylene products. |
| •* Packaging Research Centre Sdn Bhd | Malaysia | 96.4 | 96.4 | Research and development on packaging products. |
| • Guolene Plastic Products Sdn Bhd | Malaysia | 96.4 | 96.4 | Dormant. |
| •* Guolene Paper Products Sdn Bhd | Malaysia | 96.4 | 96.4 | Dormant. |
| •* Plaspac Marketing Sdn Bhd (Formerly known as Guolene Packaging & Printing (Duplex) Sdn Bhd) | Malaysia | 96.4 | 96.4 | Dormant. |
| • Joint Steel Works Sdn Bhd | Malaysia | 96.4 | 96.4 | In member's voluntary liquidation. |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

3. Companies In The Group (cont'd)

| Name of Company | Country of Incorporation | Effective Interest 2004 % | 2003 % | Principal Activities |
|--|--------------------------------------|---------------------------------|-----------|--|
| Subsidiary Companies | | | | |
| * MPI Polyester Industries Sdn Bhd | Malaysia | 100.0 | 100.0 | Manufacture of polyester resin. |
| * MPI Property Sdn Bhd | Malaysia | 100.0 | 100.0 | Investment holding. |
| • * Kilatas Sdn Bhd (Formerly known as MPI Paper Mill Sdn Bhd) | Malaysia | 100.0 | 100.0 | Dormant. |
| Megah Court Condominium Development Sdn Bhd | Malaysia | 100.0 | 100.0 | Property management. |
| Taman Terang Sdn Bhd | Malaysia | 100.0 | 100.0 | Investment holding. |
| HLI-HUME Management Co Sdn Bhd | Malaysia | 51.0 | 51.0 | Provision of management services. |
| * HLI Trading Limited | Hong Kong | 100.0 | 100.0 | Investment trading. |
| * Guotrade (Malaysia) Sdn Bhd | Malaysia | 100.0 | 100.0 | Dormant. |
| * HLI Overseas Limited | Jersey, Channel Islands | 100.0 | 100.0 | Investment holding. |
| * HLI Holdings Inc | Philippines | 100.0 | 100.0 | Dormant. |
| * RZA Logistics Sdn Bhd | Malaysia | 59.1 | 59.1 | Investment holding. |
| Kasih Sayang Realty Sdn Bhd | Malaysia | 100.0 | 100.0 | In member's voluntary liquidation. |
| Mai Kah Corporation Sdn Bhd | Malaysia | 100.0 | 100.0 | In member's voluntary liquidation. |
| Varinet Sdn Bhd (Formerly known as Quayline Fairprice Sdn Bhd) | Malaysia | 60.0 | 60.0 | In members' voluntary liquidation. |
| Hong Leong Maruken Sdn Bhd | Malaysia | 70.0 | 70.0 | In members' voluntary liquidation. |
| Associated companies | | | | |
| * Camerlin Group Berhad | Malaysia | 27.1 | 27.8 | 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. |
| * Millennium Motors Company Limited | Thailand | 49.0 | 49.0 | Distribution of motorcycles and spare parts. |
| * Jiangxi Hongdu HongLeong Motor Co Ltd | The People's Republic of China | 30.0 | 30.0 | Manufacture and sale of motorcycles, engines and related parts. |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

3. Companies In The Group (cont'd)

| Name of Company | Country of Incorporation | Effective Interest 2004 % | 2003 % | Principal Activities |
|---------------------------------------|--------------------------|---------------------------------|-----------|---|
| Associated companies | | | | |
| *HLLS Holdings Bhd | Malaysia | 35.0 | 35.0 | Investment holding and renting of properties. |
| *Southern Iron & Steel Centre Sdn Bhd | Malaysia | 36.0 | 36.0 | Dormant. |
| *Picop Holdings Inc | Philippines | 40.0 | 40.0 | Dormant. |

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 |
| + Millennium Motors Company Limited | 31 December |

- + Group share of profit is based on latest audited financial statements and latest management financial statements available.
- * The financial statements of these subsidiaries and associated companies are not audited by the auditors of the Company.
- Sub-subsidiary companies.
- @ The subsidiary is consolidated based on unaudited financial statements. The subsidiary's latest audited financial statements is for the year ended 31 December 2003. The financial year-end of this subsidiary is 31 December as required under the local regulations in its country of incorporation.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

4. Property, Plant And Equipment

| | Freehold Land, Improvements & Buildings RM'000 | Long Leasehold Land, Improvements & Buildings RM'000 | Plant & Equipment & Motor Vehicles RM'000 | Capital Work-In- Progress RM'000 | Total RM'000 |
|---------------------------------|--|---|---|---|------------------|
| Group Net book value | | | | | |
| At 1-7-2003 | 200,500 | 141,510 | 952,111 | 140,309 | 1,434,430 |
| Translation differences | 290 | - | 2,406 | 2,186 | 4,882 |
| Additions | 3,610 | 29,526 | 248,182 | 30,593 | 311,911 |
| Reclassification | (796) | 1,016 | 70,242 | (70,462) | - |
| Disposals | - | (847) | (1,765) | - | (2,612) |
| Acquisition of subsidiary | - | - | 389 | - | 389 |
| Written off | - | - | (4,002) | - | (4,002) |
| Depreciation | (4,336) | (8,509) | (249,102) | - | (261,947) |
| At 30-6-2004 | 199,268 | 162,696 | 1,018,461 | 102,626 | 1,483,051 |
| At 30-6-2004 | | | | | |
| Cost | 238,403 | 217,386 | 2,799,747 | 102,626 | 3,358,162 |
| Valuation | 2,070 | 21,237 | 7,622 | - | 30,929 |
| Accumulated depreciation | (41,205) | (75,927) | (1,788,908) | - | (1,906,040) |
| Net book value | 199,268 | 162,696 | 1,018,461 | 102,626 | 1,483,051 |
| At 30-6-2003 | | | | | |
| Cost | 234,802 | 188,330 | 2,556,554 | 140,309 | 3,119,995 |
| Valuation | 2,070 | 22,324 | 7,622 | - | 32,016 |
| Accumulated depreciation | (36,372) | (69,144) | (1,612,065) | - | (1,717,581) |
| Net book value | 200,500 | 141,510 | 952,111 | 140,309 | 1,434,430 |

The building of a sub-subsidiary company is situated on land held under operating leases (Note 31).

The carrying amounts of each class of property, plant and equipment that would have been included in the financial statements had the revalued assets been carried at cost less accumulated depreciation are not disclosed due to absence of historical records.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

4. Property, Plant And Equipment (cont'd)

* Details of independent professional valuations of property, plant and equipment of the Group at 30 June 2004 are as follows:-

| Year of Valuation | Description of Property | Landed Properties RM'000 | Plant & Machinery RM'000 |
|-------------------|-----------------------------------|--------------------------|--------------------------|
| 1990 | Long leasehold land and building | 6,196 | - |
| | Plant and equipment | - | 5,378 |
| 1985 | Freehold land | 655 | - |
| | Long leasehold land and buildings | 1,127 | - |
| | Plant and equipment | - | 1,380 |
| 1983 | Long leasehold land and buildings | 13,578 | - |
| 1982 | Freehold land | 1,415 | - |
| 1980 | Long leasehold land and buildings | 336 | - |
| | Plant and equipment | - | 864 |
| | | 23,307 | 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 which were determined on the replacement value basis.

5. Investments In Subsidiaries

| | Company | |
|---------------------------|-------------|-------------|
| | 2004 RM'000 | 2003 RM'000 |
| At cost: | | |
| - Malaysian quoted shares | 566,714 | 607,111 |
| - Unquoted shares | 609,653 | 573,875 |
| | 1,176,367 | 1,180,986 |
| Less: Impairment in value | | |
| - unquoted | (5,000) | - |
| | 1,171,367 | 1,180,986 |
| At market value: | | |
| - Malaysian quoted shares | 1,729,948 | 1,721,741 |

The subsidiaries and their principal activities are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

6. Investments In Associated Companies

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| At cost amount written down | | | | |
| - Malaysian quoted shares | 508,405 | 511,250 | 148,410 | 148,410 |
| At cost | | | | |
| - Unquoted shares | 43,166 | 43,166 | 34,352 | 34,352 |
| | 551,571 | 554,416 | 182,762 | 182,762 |
| Share of capital reserves | 54,051 | 25,923 | - | - |
| Share of losses | (361,059) | (391,096) | - | - |
| Less: Allowance for impairment in value | (1,836) | - | (2,456) | - |
| | 242,727 | 189,243 | 180,306 | 182,762 |
| At market value: | | | | |
| Malaysian quoted shares | 70,304 | 103,528 | 62,433 | 91,138 |

Investments in associated companies are represented by:

| | Company | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Share of net assets other than goodwill of the associated companies | 234,962 | 180,384 |
| Premium on acquisition | 9,601 | 8,859 |
| Allowance for impairment in value | (1,836) | - |
| Carrying value | 242,727 | 189,243 |

The associated companies and their principal activities are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

7. Other Investments

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Long term | | | | |
| At cost: | | | | |
| Malaysian quoted related companies | - | 50,878 | - | - |
| Malaysian quoted irredeemable convertible unsecured loan stocks in associated company | 54,672 | 54,089 | 54,672 | 54,089 |
| Foreign quoted related company | 3,970 | 3,970 | - | - |
| Unquoted shares | 1,020 | 1,020 | 714 | 714 |
| Unquoted convertible preferred stocks and loan stocks | 795 | 795 | 398 | 398 |
| Unquoted floating rate notes | 18,720 | 37,714 | - | - |
| | 79,177 | 148,466 | 55,784 | 55,201 |
| At cost less impairment: | | | | |
| Unquoted shares | 364,378 | 364,378 | 364,378 | 364,378 |
| Less: Allowance for impairment in value | (71,959) | - | (71,959) | - |
| | 292,419 | 364,378 | 292,419 | 364,378 |
| | 371,596 | 512,844 | 348,203 | 419,579 |
| Market value of quoted securities:- | | | | |
| Long term | | | | |
| Malaysian quoted related companies | - | 51,339 | - | - |
| Malaysian quoted irredeemable convertible unsecured loan stocks in associated company | 41,436 | 59,363 | 41,436 | 59,363 |
| Malaysian quoted shares* | 1,414 | - | - | - |
| Foreign quoted shares | 10,373 | 8,540 | - | - |
| | 53,223 | 119,242 | 41,436 | 59,363 |

The Company has unquoted investments in Malaysian Newsprint Industries Sdn Bhd ("MNI") amounting to RM364,378,068 (2003: RM364,378,068) at cost. This investment represents 33.65% (2003: 33.65%) equity interest in the investee. MNI is principally engaged in the production of newsprint and related paper products.

The Board of Directors has decided that the investment in MNI should not be treated as investment in associated company but should be treated as an ordinary unquoted investment in the financial statements as the Board deemed this investment not to be permanent in nature.

During the financial year, the Directors reassessed the recoverable amount of Company's investment in MNI to determine if impairment has been sustained. An estimate on the net recoverable value of the investment indicated an impairment loss of RM71,959,000 and allowance has been made for the said impairment loss during the financial year.

* The Malaysian quoted shares were distributed to the Group, arising from the capital distribution by a related company on the basis of three (3) ordinary shares in the Malaysian quoted shares for every ten (10) ordinary shares held in the related company by the Group. As a result, the shares have no carrying value.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

8. Intangible Assets

| | Goodwill RM'000 | Development Expenditure RM'000 | Total RM'000 |
|----------------------------------|--------------------|--------------------------------------|-----------------|
| Group 2004 | | | |
| At cost | | | |
| At 1 July 2003 | 485,935 | 8,365 | 494,300 |
| Acquisition of subsidiaries | 7,380 | - | 7,380 |
| Liquidation of a subsidiary | (43) | - | (43) |
| Additions | - | 1,948 | 1,948 |
| Change in equity in a subsidiary | (41,072) | - | (41,072) |
| Amortisation | - | (2,425) | (2,425) |
| At 30 June 2004 | 452,200 | 7,888 | 460,088 |
| 2003 | | | |
| At 1 July 2002 | 485,721 | 9,090 | 494,811 |
| Acquisition of a subsidiary | 226 | - | 226 |
| Additions | - | 2,108 | 2,108 |
| Written off | (12) | (638) | (650) |
| Amortisation | - | (2,195) | (2,195) |
| At 30 June 2003 | 485,935 | 8,365 | 494,300 |

9. Other Assets

The other assets represent the financial assistance given to the trustee to acquire the ordinary shares of the Company, and of a subsidiary of the Company, Malaysian Pacific Industries Berhad, for the Group, in relation to the Executive Shares Option Scheme ("ESOS"), net of remuneration expenses as disclosed in Note 2(o)(iv) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

10. Property Assets

| | Group | |
|--|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| At cost: | | |
| Freehold land and industrial building | 10,391 | 10,391 |
| Leasehold land and industrial building | 10,672 | 13,232 |
| Long leasehold condominium units | - | 1,662 |
| | 21,063 | 25,285 |

11. Inventories

| | Group | |
|---------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| At cost: | | |
| Raw materials and consumables | 126,779 | 123,072 |
| Work-in-progress | 31,455 | 23,042 |
| Finished goods | 95,118 | 74,097 |
| | 253,352 | 220,211 |
| At net realisable value: | | |
| Raw materials and consumables | 6,750 | 2,095 |
| Finished goods | 13,567 | 27,121 |
| | 20,317 | 29,216 |
| | 273,669 | 249,427 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

12. Trade And Other Receivables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Trade receivables | 455,089 | 385,924 | - | - |
| Less: Allowance for doubtful debts | (21,555) | (18,930) | - | - |
| | 433,534 | 366,994 | - | - |
| Amounts due from: | | | | |
| - subsidiaries | - | - | 29,443 | 4,809 |
| - related companies | 2,197 | 46,095 | 254 | 557 |
| - associated companies | 5,128 | 10,113 | - | - |
| Other receivables, deposits and prepayments | 61,595 | 79,339 | 9,915 | 13,327 |
| | 502,454 | 502,541 | 39,612 | 18,693 |

Group

The amounts due from related companies are unsecured, have no fixed terms of repayment with interest charged at 5.8% (2003 : 7.0%).

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

Company

The amounts due from subsidiaries are unsecured, have no fixed terms of repayment with interest charged from 1.6% to 3.5% (2003 : 1.0% to 3.5%).

13. Short Term Investments

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| At market value: | | | | |
| Malaysian quoted shares | 1,105 | 8,987 | 1,105 | - |
| Malaysian quoted related companies | - | 32,284 | - | - |
| | 1,105 | 41,271 | 1,105 | - |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

14. Deposits, Cash And Bank Balances

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Deposits with: | | | | |
| - licensed financial institutions | 310,778 | 102,836 | 103,000 | - |
| - other corporations | 3,000 | 35,000 | - | - |
| Cash and bank balances | 59,313 | 139,400 | 156 | 169 |
| | 373,091 | 277,236 | 103,156 | 169 |

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

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Deposits with licensed financial institutions | 144,700 | 22,482 | 39,000 | - |
| Cash and bank balances | 13,118 | 87,674 | 144 | 169 |

15. Trade And Other Payables

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Trade payables | 228,921 | 185,888 | - | - |
| Amounts due to | | | | |
| - subsidiaries | - | - | 8,635 | 9,599 |
| - related companies | 475 | 936 | - | 12 |
| Other payables and accrued liabilities | 280,216 | 226,830 | 61,883 | 56,534 |
| | 509,612 | 413,654 | 70,518 | 66,145 |

Group

Included in trade payables are amounts due to related companies and associated companies of RM7,391,000 (2003: RM13,412,000).

The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

Company

The amounts due to subsidiaries are unsecured, have no fixed terms of repayment and are interest free (2003: 1.0% to 3.2% per annum).

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

16. Borrowings (Unsecured)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Short term: | | | | |
| Term loans | | | | |
| - bank loans | 296,034 | 315,893 | 103,597 | 123,698 |
| - other borrowings | 204,000 | 220,000 | 204,000 | 220,000 |
| Bankers acceptance | 262,574 | 266,634 | - | - |
| Bank overdrafts | 4,561 | 66,845 | 1,342 | 30,565 |
| | 767,169 | 869,372 | 308,939 | 374,263 |
| Long term: | | | | |
| Term loans | | | | |
| - bank loans | 161,250 | 217,027 | 84,597 | 90,797 |
| - other borrowings | 80,000 | 80,000 | 80,000 | 80,000 |
| | 241,250 | 297,027 | 164,597 | 170,797 |
| | | | | |
| | Group | | Company | |
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| The long term borrowings are repayable as follows:- | | | | |
| - one to two years | 78,290 | 136,213 | 47,998 | 47,998 |
| - two to five years | 162,960 | 160,814 | 116,599 | 122,799 |
| | 241,250 | 297,027 | 164,597 | 170,797 |
| The borrowings bear interest from 1.7% to 7.8% (2003: 2.3% to 7.8%) per annum. Included in the bank loans are foreign currency bank loans amounting to:- | | | | |
| | Group | | Company | |
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| USD Loan | 232,307 | 234,210 | 110,194 | 104,494 |
| Euro Loan | 42,674 | 44,128 | - | - |
| | 274,981 | 278,338 | 110,194 | 104,494 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

17. Redeemable Bonds

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Short term | | | | |
| 8.5% Unsecured Redeemable Bonds 2004 - Reclassified from long term | 250,000 | - | 125,000 | - |
| Long term | | | | |
| (i) 8.5% Unsecured Redeemable Bonds 2004 | 250,000 | 250,000 | 125,000 | 125,000 |
| Less: Reclassified to short term | (250,000) | - | (125,000) | - |
| | - | 250,000 | - | 125,000 |
| (ii) Islamic Bond 2001/2008 | 250,000 | 250,000 | 250,000 | 250,000 |
| | 250,000 | 500,000 | 250,000 | 375,000 |

(i) 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 Bonds 2001/2004 ("2001/2004 Bonds") which has a maturity date for repayment in cash at its nominal amount in December 2004. During the financial year, the 2001/2004 bonds have been reclassified to short term borrowings.

(ii) The 2001/2008 Islamic Private Debt Securities issued under the Syariah financing principles of Al Bai' Bithaman Ajil comprises 7-year Primary Notes of aggregate face value of RM250,000,000 for the cost and an aggregate RM111,125,000 of Secondary Notes for the profit element payable over 13 semi-annual payments of RM7,937,500 each and a final 14th payment of RM257,937.50. These financial instruments are traded under the Scriptless Securities Trading System of the Central Depository.

18. Share Capital

| | Group and Company | | | |
|---|-----------------------|---------|-----------------------|---------|
| | 2004 | | 2003 | |
| | No. of Shares '000 | RM'000 | No. of Shares '000 | RM'000 |
| Authorised:- | | | | |
| 600,000,000 ordinary shares of RM0.50 each | 600,000 | 300,000 | 600,000 | 300,000 |
| Issued and fully paid:- | | | | |
| At 1 July | 225,129 | 112,564 | 225,129 | 112,564 |
| Issue of shares pursuant to conversion of ICULS | 192 | 97 | - | - |
| At 30 June | 225,321 | 112,661 | 225,129 | 112,564 |

The number of shares in issue after deducting treasury shares of 7,344,000 (2003: 7,344,000) ordinary shares (See Note 19 to the financial statements) held at financial year end was 217,977,416 (2003: 217,784,500) ordinary shares of RM0.50 each.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

18. Share Capital (cont'd)

(i) Warrants

The Company had, on 30 June 1997, issued 35,083,500 detachable warrants together with the 1996/2001 Bonds (redeemed since November 2001).

The details of the warrants are as follows:-

- (a) The warrants were constituted by a Deed Poll dated 22 October 1996 supplemented by a Supplemental Deed Poll dated 5 May 1997 and a Second Supplemental Deed Poll dated 15 June 1999 (collectively referred to as the "Deed Poll").

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share. The subscription of the outstanding warrants was extended for a further period of 5 years from the existing expiry date of 13 November 2001 to 13 November 2006.

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.

- (c) There were no conversion of warrants into new ordinary shares of the Company during the financial year. As at the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2003: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

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

As at 30 June 2004, the Company has outstanding options issued under the Group's ESOS as follows:-

| | Offer Date | Balance at 1-7-2003 | No. of unissued ordinary shares of RM0.50 each under the ESOS | | | Balance at 30-6-2004 |
|-------------------------|------------|---------------------|---|----------------|-------------------|----------------------|
| | | | Options Granted | Options Lapsed | Options Exercised | |
| Option price of RM8.83 | 28-12-1999 | 4,006,400 | - | 174,600 | - | 3,831,800 |
| Option price of RM15.64 | 17-04-2000 | 606,000 | - | 79,000 | - | 527,000 |
| | | 4,612,400 | - | 253,600 | - | 4,358,800 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

19. Treasury Shares - At Cost

| | Group and Company | | | |
|----------------------|--|--------|--|--------|
| | 2004 No of Shares of RM0.50 each '000 | RM'000 | 2003 No of Shares of RM0.50 each '000 | RM'000 |
| At 1 July/At 30 June | 7,344 | 59,835 | 7,344 | 59,835 |

There was no buy back of the Company's shares during the financial year. As at 30 June 2004, the Company had accumulated 7,344,000 (2003: 7,344,000) ordinary shares of its issued share capital bought back by the Company from the open market. The average price paid for the shares bought back was RM8.15 (2003: 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 rights attached to the treasury shares as to voting, dividends and participation in other distribution and otherwise are suspended.

20. Irredeemable Convertible Unsecured Loan Stocks - 2002/2007 ("ICULS")

| | Group and Company 2004 RM'000 | 2003 RM'000 |
|---------------------|-------------------------------------|----------------|
| At 1 July | 208,153 | 208,153 |
| Conversion of ICULS | (1,196) | - |
| At 30 June | 206,957 | 208,153 |

The Company issued RM208,152,780 nominal value of 4% Five (5)-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2002/2007 at 100% nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 each held as at 21 May 2002.

The ICULS were constituted by the Trust Deed dated 22 May 2002.

The ICULS, which are irredeemable, have a maturity date of 28 June 2007 and carry a coupon rate of 4% per annum payable semi-annually in arrears each year. The ICULS are convertible into new ordinary shares of RM0.50 each in the Company at any time from the date of issuance and all outstanding ICULS will be mandatorily converted by the Company into new ordinary shares after the maturity date. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion. Upon conversion, all new ordinary shares rank pari passu with the ordinary shares then in issue except that these shares shall not be entitled to any rights and/or distributions, the entitlement date of which precedes or falls on the relevant conversion date and any dividends declared in respect of the financial quarter(s) immediately preceding the relevant conversion date.

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

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

21. EuroConvertible Bonds

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Zero Coupon EuroConvertible Bonds due 2006 ("ECB") - US\$73,480,000 | 279,224 | 279,224 | 279,224 | 279,224 |

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 financial year ended 30 June 2001, 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 RM50,099,856 (2003: RM45,115,094) at 30 June 2004 and the remaining balance of RM6,582,616 (2003: RM11,567,378) 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 26 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 2003 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

the financial statements (cont'd)

22. Deferred Taxation

The amounts of deferred tax assets and liabilities are as follows:-

| | Group | |
|---------------------------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 |
| Deferred tax assets | | |
| At 1 July | 1,500 | 1,500 |
| Transfer to income statement | 3,353 | - |
| At 30 June | 4,853 | 1,500 |
| Deferred tax liabilities | | |
| At 1 July | 63,013 | 84,817 |
| Transfer to income statement | (16,627) | (21,804) |
| At 30 June | 46,386 | 63,013 |

Deferred tax assets and liabilities above are offset where there is a legally enforceable right to set off current tax assets against current liabilities and where the deferred taxes relate to the same taxation authority.

Movements in deductible/(taxable) temporary differences during the financial year are as follows:-

| | At 1-7-2003 RM'000 | Recognised in income statement RM'000 | At 30-6-2004 RM'000 |
|--------------------------------|--------------------------|--|---------------------------|
| Group | | | |
| Accelerated capital allowances | (65,561) | (23,725) | (89,286) |
| Allowances | 2,096 | 38,219 | 40,315 |
| Unabsorbed capital allowances | 1,906 | 843 | 2,749 |
| Unutilised tax losses | 46 | 4,643 | 4,689 |
| | (61,513) | 19,980 | (41,533) |

The Group and the Company have potential deferred tax assets not recognised in the financial statements as disclosed below:-

| | 2004 | | 2003 | |
|--------------------------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | Temporary Difference RM'000 | Tax Effect RM'000 | Temporary Difference RM'000 | Tax Effect RM'000 |
| Group | | | | |
| Accelerated capital allowances | (65,064) | (18,218) | (99,700) | (27,916) |
| Allowances | 17,189 | 4,813 | 22,225 | 6,223 |
| Unabsorbed capital allowances | 113,825 | 31,871 | 176,700 | 49,476 |
| Unutilised tax losses | 212,343 | 59,456 | 194,329 | 54,412 |
| | 278,293 | 77,922 | 293,554 | 82,195 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

22. Deferred Taxation (cont'd)

| | 2004 Temporary Difference RM'000 | Tax Effect RM'000 | 2003 Temporary Difference RM'000 | Tax Effect RM'000 |
|-------------------------------|---|-------------------------|---|-------------------------|
| Company | | | | |
| Unabsorbed capital allowances | 1,553 | 435 | 1,553 | 435 |
| Unutilised tax losses | 9,361 | 2,621 | 9,361 | 2,621 |
| | 10,914 | 3,056 | 10,914 | 3,056 |

The unutilised tax losses, unabsorbed capital allowances, accelerated capital allowances and allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company or the subsidiaries can utilise the benefits.

23. Retirement Benefits

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| At 1 July | 21,223 | 19,396 | 1,038 | 783 |
| (Reversal)/Provision | (7,541) | 3,946 | (616) | 261 |
| Contribution paid to approved retirement fund | (774) | (1,635) | (3) | (6) |
| Payment to retired employees | (240) | (484) | - | - |
| At 30 June | 12,668 | 21,223 | 419 | 1,038 |

24. Operating Profit

| | Group | | Company | |
|-----------------------------|------------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Revenue | | | | |
| Sales of goods and services | 2,438,157 | 2,041,450 | - | - |
| Rental income | - | 310 | - | - |
| Dividend income | 415 | 2,660 | 155,908 | 99,457 |
| | 2,438,572 | 2,044,420 | 155,908 | 99,457 |
| Cost of sales | (2,004,881) | (1,763,109) | - | - |
| Gross profit | 433,691 | 281,311 | 155,908 | 99,457 |
| Distribution costs | (77,400) | (77,690) | - | - |
| Administration expenses | (118,174) | (93,275) | (3,199) | (2,611) |
| Other operating expenses | (100,069) | (17,176) | (85,492) | (13,951) |
| Other operating income | 103,484 | 42,213 | 113,036 | 5,592 |
| Operating profit | 241,532 | 135,383 | 180,253 | 88,487 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

25. Profit Before Taxation

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Profit before taxation is arrived at after (crediting)/charging:- | | | | |
| Gross dividend income | | | | |
| - Malaysian quoted shares | (201) | (1,392) | - | - |
| - Malaysian unquoted associated companies | - | - | (5,314) | (1,800) |
| - Quoted shares outside Malaysia | (174) | (176) | - | - |
| - Subsidiary quoted in Malaysia | - | - | (66,966) | (47,826) |
| - Unquoted subsidiaries | - | - | (83,615) | (49,831) |
| - Others | (40) | (1,268) | (13) | - |
| Interest income | | | | |
| - Irredeemable convertible unsecured loan stocks in an associated company | (3,001) | (2,854) | (3,001) | (2,854) |
| - Related companies | (2,766) | (6,455) | (1,061) | (69) |
| - Others | (9,533) | (6,890) | (1,302) | (181) |
| Rental income | (542) | (852) | - | - |
| Gain on disposal of shares in | | | | |
| - subsidiary | (70,983) | - | (75,458) | - |
| - investments | (11,713) | (2,017) | - | (29) |
| Auditors' remuneration | | | | |
| - audit fees | 581 | 556 | 48 | 48 |
| - other services | 8 | 22 | - | - |
| Depreciation and amortisation of property, plant and equipment | 261,947 | 266,926 | - | - |
| Directors' fee | 570 | 544 | 300 | 260 |
| Directors' emoluments | 3,933 | 4,470 | 1,107 | 927 |
| Rental of plant and equipment | 2,627 | 566 | - | - |
| Rental of premises | | | | |
| - related | 627 | 1,096 | - | - |
| - others | 4,054 | 4,922 | - | - |
| Bad and doubtful debts | 7,184 | 6,309 | - | - |
| Property, plant and equipment written off | 4,002 | 3,076 | - | - |
| (Gain)/Loss on disposal of property, plant and equipment | (3,625) | 7,712 | - | - |
| Loss/(Gain) on disposal of property assets | 358 | (3,559) | - | - |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

25. Profit Before Taxation (cont'd)

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Gain on foreign exchange | | | | |
| - realised | (2,821) | (4,146) | - | - |
| - unrealised | (3,154) | (7,072) | (489) | - |
| Impairment/(Appreciation) of value of investment in | | | | |
| - other investments | 70,832 | (16,599) | 72,090 | - |
| - subsidiaries | - | - | 5,000 | (5,518) |
| - associated company | - | - | 2,456 | - |
| Retirement benefits | (7,541) | 3,946 | (616) | 261 |
| Development expenditure amortised/written off | 2,425 | 2,833 | - | - |
| EuroConvertible Bond Put Premiums | 4,985 | 4,985 | 4,985 | 4,985 |
| Goodwill written off | - | 12 | - | - |
| Loss/(Gain) on liquidation of subsidiaries | 1,186 | 18 | (35,475) | 8,966 |
| Finance cost | | | | |
| - bank overdrafts | 643 | 1,438 | 522 | 585 |
| - related companies | 294 | 228 | 502 | 488 |
| - term loans | 22,883 | 18,867 | - | - |
| - others | 65,190 | 78,470 | 56,350 | 61,824 |
| Research and development expenditure | 1,043 | 11,114 | - | - |

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM76,123 (2003: RM117,800) and RM9,550 (2003: RM9,550) respectively.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

26. Taxation

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

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Current taxation | | | | |
| - Malaysian - current | (4,409) | 6,255 | - | 3,301 |
| - prior years | (7,272) | 9,097 | (2,500) | 9,626 |
| - Overseas - current | - | 22 | - | - |
| | (11,681) | 15,374 | (2,500) | 12,927 |
| Deferred taxation | | | | |
| - Malaysian - current | (19,616) | (21,918) | - | - |
| - prior years | (364) | 114 | - | - |
| | (19,980) | (21,804) | - | - |
| Share of tax of associates | (25) | (486) | - | - |
| | (31,686) | (6,916) | (2,500) | 12,927 |

A reconciliation of income tax applicable to profit before taxation at the statutory income tax rate to income tax (income)/expense at the effective tax rate of the Group and of the Company are as follows:-

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Profit before taxation | 199,249 | 51,201 | 128,243 | 28,694 |
| Taxation at Malaysian statutory tax rate of 28% | 55,789 | 14,336 | 35,908 | 8,034 |
| Tax effect in respect of: | | | | |
| Difference of tax rate in foreign jurisdictions | (4,014) | (1,781) | 21,730 | - |
| Non allowable expenses | 21,888 | 29,599 | (57,638) | 11,609 |
| Non taxable income | (36,545) | (14,215) | - | (16,342) |
| Difference attributable to associated companies | (9,620) | (101) | - | - |
| Utilisation of temporary differences not recognised | (4,273) | (16,786) | - | - |
| Tax incentive | (47,275) | (27,179) | - | - |
| Current year tax (income)/expense | (24,050) | (16,127) | - | 3,301 |
| (Over)/Under provision in prior years | (7,636) | 9,211 | (2,500) | 9,626 |
| Total tax (income)/expense | (31,686) | (6,916) | (2,500) | 12,927 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

27. Earnings Per Ordinary Share

Basic earnings per ordinary share

The basic earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders of RM100,106,000 (2003: RM612,000) being the net profit of RM108,427,000 (2003: RM9,007,000) less the interest on the ICULS of RM8,321,000 (2003: 8,395,000) by the weighted average number of ordinary shares outstanding during the financial year of 217,848,615 (2003: 217,784,500) calculated as follows:-

Weighted average number of ordinary shares (basic)

| | Group 2004 RM'000 | 2003 RM'000 |
|---|-------------------------|----------------|
| Issued ordinary shares at beginning of the financial year | 225,129 | 225,129 |
| Less: Treasury shares | (7,344) | (7,344) |
| | 217,785 | 217,785 |
| Effect on conversion of ICULS | 64 | - |
| Weighted average number of ordinary shares (basic) | 217,849 | 217,785 |

Diluted earnings per ordinary share

The diluted earnings per ordinary share is calculated by dividing the net profit attributable to ordinary shareholders (diluted) of RM106,097,000 (2003: RM612,000) by the weighted average number of ordinary shares (diluted) outstanding during the financial year of 251,357,529 (2003: 217,784,500) calculated as follows:-

Net earning (diluted)

| | 2004 RM'000 | 2003 RM'000 |
|--|----------------|----------------|
| Net profit attributable to ordinary shareholders | 100,106 | 612 |
| After tax effect of notional interest savings on ICULS | 5,991 | * |
| Net profit attributable to ordinary shareholders (diluted) | 106,097 | 612 |

Weighted average number of ordinary shares (diluted)

| | Group 2004 '000 | 2003 '000 |
|--|-----------------------|--------------|
| Weighted average number of ordinary shares (basic) | 217,849 | 217,785 |
| Effect of shares to be issued on conversion of ICULS | 33,509 | * |
| Weighted average number of ordinary shares (diluted) | 251,358 | 217,785 |

* Anti-dilutive

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

28. Dividends

| | Group and Company 2004 RM'000 | 2003 RM'000 |
|---|-------------------------------------|----------------|
| First interim | | |
| 2.5 sen per share less tax (2003: 2.5 sen per share less tax) | 3,920 | 3,920 |
| Second interim | | |
| 1.25 sen per share tax exempt and 2.5 sen per share less tax (2003: Nil) | 6,648 | - |
| | 10,568 | 3,920 |

29. Employees Information

| | Group | | Company | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2004 RM'000 | 2003 RM'000 | 2004 RM'000 | 2003 RM'000 |
| Staff costs | 397,129 | 352,247 | - | - |

The number of employees of the Group (excluding directors) at the end of the financial year was 16,035 (2003: 14,008). At Company level, there are no staff cost as there are no employees other than directors in the Company.

Staff costs of the Group include contributions to statutory pension scheme and remuneration expenses of RM30,775,000 (2003: RM24,228,000) and RM 2,483,000 (2003: Nil) respectively.

30. Segmental Report

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Inter-segment transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group, on term not more favourable than those generally available to/from the public and are not detrimental to the minority shareholders.

Business segments

The Group comprises five main business segments namely motorcycles, building materials, semiconductor, packaging and others.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

30. Segmental Report (cont'd)

| | Motorcycles RM'000 | Building Materials RM'000 | Semiconductor RM'000 | Packaging RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|---|-----------------------|---------------------------------|-------------------------|---------------------|------------------|------------------------|------------------------|
| Group 2004 | | | | | | | |
| Revenue | | | | | | | |
| External sales | 422,320 | 528,931 | 1,183,295 | 183,614 | 120,412 | - | 2,438,572 |
| Inter-segment sales | - | - | - | 3,443 | - | (3,443) | - |
| Total revenue | 422,320 | 528,931 | 1,183,295 | 187,057 | 120,412 | (3,443) | 2,438,572 |
| Result | | | | | | | |
| Segment results | (5,822) | 67,738 | 175,187 | 6,467 | (2,531) | - | 241,039 |
| Unallocated corporate income | | | | | | | 493 |
| Operating profit | | | | | | | 241,532 |
| Finance cost | | | | | | | (89,010) |
| Interest income | | | | | | | 15,300 |
| Share of profits of associated companies | 27,036 | - | - | - | 4,391 | - | 31,427 |
| Profit before taxation | | | | | | | 199,249 |
| Taxation | | | | | | | 31,686 |
| Profit after taxation | | | | | | | 230,935 |

| | Motorcycles RM'000 | Building Materials RM'000 | Semiconductor RM'000 | Packaging RM'000 | Others RM'000 | Consolidated RM'000 |
|---|-----------------------|---------------------------------|-------------------------|---------------------|------------------|------------------------|
| Group 2004 | | | | | | |
| Consolidated balance sheet | | | | | | |
| Segment assets | 423,671 | 394,294 | 1,728,479 | 141,687 | 472,383 | 3,160,514 |
| Investment in associates | 62,915 | - | - | - | 179,812 | 242,727 |
| Unallocated corporate assets | | | | | | 484,971 |
| Consolidated total assets | | | | | | 3,888,212 |
| Segment liabilities | 146,734 | 128,383 | 348,009 | 40,355 | 117,868 | 781,349 |
| Unallocated corporate liabilities | | | | | | 1,581,499 |
| Consolidated total liabilities | | | | | | 2,362,848 |
| Other information | | | | | | |
| Capital expenditure | 17,548 | 15,577 | 276,786 | 2,628 | 1,323 | 313,862 |
| Depreciation and amortisation | 24,230 | 23,976 | 201,386 | 9,433 | 2,922 | 261,947 |
| Non-cash expenses other than depreciation and amortisation | 1,418 | 1,830 | 4,245 | 279 | 75,329 | 83,101 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

30. Segmental Report (cont'd)

| | Motorcycles RM'000 | Building Materials RM'000 | Semiconductor RM'000 | Packaging RM'000 | Others RM'000 | Eliminations RM'000 | Consolidated RM'000 |
|--|-----------------------|---------------------------------|-------------------------|---------------------|------------------|------------------------|------------------------|
| Group 2003 | | | | | | | |
| Revenue | | | | | | | |
| External sales | 350,642 | 507,887 | 882,523 | 206,758 | 96,610 | - | 2,044,420 |
| Inter-segment sales | - | - | - | 3,427 | - | (3,427) | - |
| Total revenue | 350,642 | 507,887 | 882,523 | 210,185 | 96,610 | (3,427) | 2,044,420 |
| Result | | | | | | | |
| Segment results | (2,995) | 58,053 | 62,480 | 17,260 | 2,350 | - | 137,148 |
| Unallocated corporate expenses | | | | | | | (1,765) |
| Operating profit | | | | | | | 135,383 |
| Finance cost | | | | | | | (99,003) |
| Interest income | | | | | | | 16,199 |
| Share of profits/(losses) of associated companies | 5,736 | - | - | - | (7,114) | - | (1,378) |
| Profit before taxation | | | | | | | 51,201 |
| Taxation | | | | | | | 6,916 |
| Profit after taxation | | | | | | | 58,117 |

| | Motorcycles RM'000 | Building Materials RM'000 | Semiconductor RM'000 | Packaging RM'000 | Others RM'000 | Consolidated RM'000 |
|---|-----------------------|---------------------------------|-------------------------|---------------------|------------------|------------------------|
| Group 2003 | | | | | | |
| Consolidated balance sheet | | | | | | |
| Segment assets | 396,611 | 407,116 | 1,623,922 | 154,156 | 606,400 | 3,188,205 |
| Investment in associates | 40,127 | - | - | - | 149,116 | 189,243 |
| Unallocated corporate assets | | | | | | 435,349 |
| Consolidated total assets | | | | | | 3,812,797 |
| Segment liabilities | 138,279 | 201,055 | 201,975 | 43,037 | 108,298 | 692,644 |
| Unallocated corporate liabilities | | | | | | 1,757,151 |
| Consolidated total liabilities | | | | | | 2,449,795 |
| Other information | | | | | | |
| Capital expenditure | 57,752 | 3,124 | 114,744 | 7,156 | 399 | 183,175 |
| Depreciation and amortisation | 22,826 | 26,960 | 200,564 | 13,567 | 3,009 | 266,926 |
| Non-cash expenses other than depreciation and amortisation | 3,450 | 2,439 | 3,207 | (309) | (1,013) | 7,774 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

31. Commitments

| | Group 2004 RM'000 | 2003 RM'000 |
|-------------------------------------|-------------------------|----------------|
| Capital commitments: | | |
| Authorised but not contracted for | 104,087 | 18,358 |
| Authorised and contracted for | 105,638 | 63,843 |
| Operating lease commitments: | | |
| Expiring within one year | 1,533 | 1,352 |
| Expiring between one to five years | 4,253 | 4,900 |
| Expiring after five years | 43,375 | 44,281 |
| | 49,161 | 50,533 |

The Group has lease commitments of RM871,391 per annum in respect of three lots of land sub-leased at cost from a third party. The annual rental rate per square foot will increase by 30% every five years and lease will expire on 30 August 2031. The Group has an option to purchase outright from the third party at market value. The remaining lease tenure of the land is exercisable in any of the calendar years 2004, 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

32. Holding Company

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

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

33. Acquisitions Of Subsidiary Companies

MZ Motorrad- und Zweiradwerk GmbH, a wholly-owned subsidiary of the Company, had on 19 February 2004, acquired 100% of the paid-up capital of MZ Engineering GmbH for a total consideration of Euro25,565 (equivalent to approximately RM122,710).

Guocera Holdings Sdn Bhd, another wholly-owned subsidiary of the Company, had on 12 April 2004 acquired 100% of the equity interest in Clearnaxis Sdn Bhd for a total cash consideration of RM1,800.

Effect of acquisitions

The effect of the acquisition on the Group's assets and liabilities were as follows:-

| | 2004 RM'000 | 2003 RM'000 |
|---|----------------|----------------|
| Property plant and equipment | 389 | 110 |
| Inventories | 1,026 | 7,340 |
| Trade and other receivables | 824 | 2,912 |
| Cash and bank balances | 5 | 295 |
| Trade and other payables | (9,500) | (10,481) |
| | (7,256) | 176 |
| Goodwill on acquisitions | 7,380 | 225 |
| Consideration paid, satisfied in cash | 124 | 401 |
| Cash and cash equivalents acquired | (5) | (295) |
| Cash flow on acquisitions, net of cash acquired | 119 | 106 |

The subsidiaries acquired have contributed a revenue of RM90,720 and sustained a net loss of RM445,028 to the Group for the financial year ended 30 June 2004.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

34. Related Parties

The Company has controlling related party relationship with its holding company and subsidiaries.

The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:-

- (i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a Director and a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Kwek Leng San ("Mr Kwek LS"), a Director of the Company, is a brother of Tan Sri Quek. Mr Kwek Leng Beng ("Mr Kwek LB"), a deemed major shareholder of the Company, is a Director and a deemed major shareholder of HLCM. HLCM is a person connected with Tan Sri Quek, Mr Kwek LS and Mr Kwek LB;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected with Tan Sri Quek and Mr Kwek LB;
- (iii) Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected with Mr Chuah Chuan Thye, a Director of the Company and a related company of the Company;
- (iv) Syarikat Motor Singa Sdn Bhd ("Syarikat Motor Singa") and Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor") are persons connected with Mr Ng Choong Hai, a Director of certain subsidiaries of the Company;
- (v) Petr Karel Korous Management Consulting is a person connected with Mr Petr Karel Korous, a past Director of certain subsidiaries of the Company;
- (vi) Yamaha Motor Co. Ltd ("YMC") is a major shareholder of certain subsidiaries of the Company. Yamaha Motor Asia Pte Ltd ("YMA"), Thai Yamaha Motor Co Ltd ("TYM") and P.T. Yamaha Indonesia Motor Manufacturing ("PT") are persons connected with YMC (YMC, YMA, TYM and PT collectively referred to as "YMC Group"); and
- (vii) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected with YBhg Tan Sri Dato' Zaki bin Tun Azmi, a Director of certain related companies of the Company.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

34. Related Parties (cont'd)

Significant transactions with related parties are as follows:-

| Transaction | Related Party | Group | |
|--|---|----------------|----------------|
| | | 2004 RM'000 | 2003 RM'000 |
| (a) Sales of goods and services | Subsidiary and associated companies of HLCM | 34,037 | 39,951 |
| | Hong Bee Hardware and Hong Bee Motors | 25,388 | 23,221 |
| | YMC Group | 15,702 | 17,651 |
| | Syarikat Motor Singa and Sing Heng Motor | 5,345 | 4,565 |
| | MZ Engineering GmbH | 857 | 1,363 |
| (b) Purchase of goods and services | Subsidiary and associated companies of HLCM | 112,032 | 122,399 |
| | YMC Group | 71,584 | 61,945 |
| | Tasek | 31,982 | 36,245 |
| | MZ Engineering GmbH | 6,609 | 29,178 |
| | Petr Karel Korous Management Consulting | 518 | 532 |
| (c) Rental of properties | Subsidiary and associated companies of HLCM | 944 | 1,096 |
| (d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services | Subsidiary and associated companies of HLCM | 2,549 | 5,963 |
| (e) Receipt of insurance and insurance broking services | Subsidiary and associated companies of HLCM and BIB | 10,806 | 9,938 |
| (f) Receipt of Group management and/or support services | Subsidiary and associated companies of HLCM | 10,237 | 8,278 |
| (g) Payment of usage of the Hong Leong logo and trademark | HLCM | 30 | 42 |

The above transactions have been carried out at arm's length and based on normal commercial terms consistent with the usual business practices and policies of the Group and of the Company, on terms not more favourable to the related party than those generally available to/from the public and are not detrimental to the minority shareholders.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

35. Financial Instruments

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arise in the normal course of the Group's and of the Company's business. The Directors of the Group and of the Company will consider and evaluate the risk management of the Group and of the Company periodically.

Derivative financial instruments are used to reduce exposure to fluctuations in foreign exchange rates and interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

The Group's and the Company's accounting policies in relation to derivative financial instruments are set out in Note 2(r) to the financial statements.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk for the Group and for the Company are represented by the carrying amount of each financial asset.

Liquidity risk

The Group and the Company actively manage its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As parts of its overall prudent liquidity management, the Group and the Company maintains sufficient levels of cash to meet its working capital requirements.

Interest rate risk

The Group and the Company manage its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings.

The following table shows information about the enterprise's exposure to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

35. Financial Instruments (cont'd)

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

| | Effective Interest Rate % | Total RM'000 | Within 1 Year RM'000 | 1 - 5 Years RM'000 | More Than 5 Years RM'000 |
|------------------------------------|------------------------------------|-----------------|----------------------------|--------------------------|-----------------------------------|
| Group | | | | | |
| 2004 | | | | | |
| Financial assets | | | | | |
| Deposit, cash and bank balances | 2.76 | 314,667 | 314,667 | - | - |
| Financial liabilities | | | | | |
| Borrowings | | | | | |
| - Floating rate | 2.90 | 915,044 | 753,794 | 161,250 | - |
| - Fixed rate | 6.92 | 93,375 | 13,375 | 80,000 | - |
| EuroConvertible bonds | 2.73 | 279,224 | - | 279,224 | - |
| Redeemable bonds | | | | | |
| - Local | 8.50 | 250,000 | 250,000 | - | - |
| - Islamic | 6.35 | 250,000 | - | 250,000 | - |
| 2003 | | | | | |
| Financial assets | | | | | |
| Deposit, cash and bank balances | 2.77 | 171,851 | 171,851 | - | - |
| Amount due from related companies | 6.30 | 39,523 | 39,523 | - | - |
| Financial liabilities | | | | | |
| Borrowings | | | | | |
| - Floating rate | 5.39 | 996,316 | 806,663 | 189,653 | - |
| - Fixed rate | 6.40 | 170,083 | 66,709 | 103,374 | - |
| EuroConvertible bonds | 3.96 | 279,224 | - | 279,224 | - |
| Redeemable bonds | | | | | |
| - Local | 8.50 | 250,000 | - | 250,000 | - |
| - Islamic | 6.35 | 250,000 | - | 250,000 | - |
| Company | | | | | |
| 2004 | | | | | |
| Financial assets | | | | | |
| Amount due from subsidiary company | 2.42 | 27,937 | 27,937 | - | - |
| Deposit, cash and bank balances | 2.79 | 103,000 | 103,000 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

35. Financial Instruments (cont'd)

| | Effective Interest Rate % | Total RM'000 | Within 1 Year RM'000 | 1 - 5 Years RM'000 | More Than 5 Years RM'000 |
|------------------------------------|------------------------------------|-----------------|----------------------------|--------------------------|-----------------------------------|
| Financial liabilities | | | | | |
| Borrowings | | | | | |
| - Floating rate | 3.05 | 393,536 | 308,939 | 84,597 | - |
| - Fixed rate | 6.80 | 80,000 | - | 80,000 | - |
| EuroConvertible bonds | 2.73 | 279,224 | - | 279,224 | - |
| Redeemable bonds | | | | | |
| - Local | 8.50 | 125,000 | 125,000 | - | - |
| - Islamic | 6.35 | 250,000 | - | 250,000 | - |
| 2003 | | | | | |
| Financial assets | | | | | |
| Amount due from subsidiary company | 1.00 | 4,809 | 4,809 | - | - |
| Financial liabilities | | | | | |
| Borrowings | | | | | |
| - Floating rate | 3.12 | 415,059 | 324,263 | 90,796 | - |
| - Fixed rate | 6.49 | 130,000 | 50,000 | 80,000 | - |
| EuroConvertible bonds | 3.96 | 279,224 | - | 279,224 | - |
| Redeemable bonds | | | | | |
| - Local | 8.50 | 125,000 | - | 125,000 | - |
| - Islamic | 6.35 | 250,000 | - | - | 250,000 |

Foreign currency risk

The Group and the Company incur foreign currency risk on sales and purchases that are denominated in the currency other than Ringgit Malaysia. The currencies giving rise to this risk include the US dollar to which Ringgit Malaysia is presently pegged against Euro and Japanese Yen.

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

35. Financial Instruments (cont'd)

Fair value

Recognised financial instruments

There is no significant difference between the fair values and carrying values of the financial assets and liabilities of the Group and of the Company except for the following:-

| | Carrying Amount RM'000 | Fair Value RM'000 |
|---|---------------------------|----------------------|
| Group | | |
| 2004 | | |
| Financial assets | | |
| Long term investment | | |
| - quoted shares | 179,372 | 82,091 |
| - quoted irredeemable convertible unsecured loan stocks in an associated company | 54,672 | 41,436 |
| other assets | 73,927 | 69,654 |
| Financial liabilities | | |
| Redeemable bonds | 250,000 | 254,268 |
| 2003 | | |
| Financial assets | | |
| Long term investment | | |
| - quoted shares | 193,890 | 163,407 |
| - quoted irredeemable convertible unsecured loan stocks in an associated company | 54,089 | 59,363 |
| Financial liabilities | | |
| Redeemable bonds | 250,000 | 262,072 |
| Company | | |
| 2004 | | |
| Financial assets | | |
| Long term investment | | |
| - quoted shares | 715,124 | 1,792,381 |
| - quoted irredeemable convertible unsecured loan stocks in an associated company | 54,672 | 41,436 |
| other assets | 11,243 | 10,001 |
| Financial liabilities | | |
| Redeemable bonds | 125,000 | 127,134 |

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

35. Financial Instruments (cont'd)

| | Carrying Amount RM'000 | Fair Value RM'000 |
|---|---------------------------|----------------------|
| 2003 | | |
| Financial assets | | |
| Long term investment | | |
| - quoted shares | 755,521 | 1,812,879 |
| - quoted irredeemable convertible unsecured loan stocks in an associated company | 54,089 | 59,363 |
| Financial liabilities | | |
| Redeemable bonds | 125,000 | 131,036 |

Unrecognised financial instruments

The nominal amount of the financial instruments not recognised in the balance sheet of the Group as at 30 June 2004 is:-

| | Group 2004 RM'000 | 2003 RM'000 |
|------------------------------------|-------------------------|----------------|
| Forward foreign exchange contracts | 554,696 | 211,406 |

There are no significant differences between fair values and contracted amount in respect of the above unrecognised financial instruments.

36. Contingent Liabilities

During the financial year, at the request of a competitor of Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd and Carsem Inc. ("the Carsem respondents") all of which are subsidiaries of Malaysian Pacific Industries Berhad, a 56.11% subsidiary of the Company, an investigation has been initiated by the United States International Trade Commission ("ITC") and a civil lawsuit was filed by the competitor against the Carsem respondents for alleged patent infringement in respect of certain packaged products which the Carsem respondents imports and sells in the United States.

As at the balance sheet date, no decision has been rendered yet in respect of the ITC investigation and the civil lawsuit has been stayed pending the outcome of the ITC investigation. ITC is precluded by statute from awarding any monetary damages and as at balance sheet date, there is insufficient information to estimate the amount of any liability that the Carsem respondents could face in the civil action if they do not prevail.

NOTES TO THE FINANCIAL STATEMENTS

the financial statements (cont'd)

37. Significant Event During The Financial Year

During the year, the Group and the Company had disposed of a total of 10,000,000 and 7,955,811 ordinary shares in Malaysian Pacific Industries Berhad ("MPI"), a subsidiary of the Company for a total consideration of RM144,893,550 and RM115,855,019 respectively. The disposal had resulted in a gain on disposal of RM70,982,699 and RM75,458,200 for the Group and the Company respectively.

38. Events Subsequent To The Balance Sheet Date

Subsequent to the balance sheet date, HLI had proposed to undertake an internal rationalisation exercise involving its Yamaha motorcycles operations in Malaysia which entails the following steps:-

- (a) Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% subsidiary of HLI, will acquire HLI's entire 49% equity interest in HL Yamaha Motor Research Centre Sdn Bhd ("HLYMRC") comprising 588,000 ordinary shares of RM1.00 each, for a cash consideration of RM588,000; and
- (b) HLYM will acquire Hong Leong Yamaha Distributors Sdn Bhd ("HLYD")'s business ("HLYD Business") for a cash consideration to be based on the value of the net assets of the HLYD's Business as at 31 December 2004, or such other date as may be mutually agreed upon between the parties. HLYD is a 74% subsidiary of HLI.

The above proposals are currently pending approval from the shareholders of HLI.

39. Comparative Figures

The following comparatives have been reclassified to conform with the current financial year's presentation.

| | As previously stated RM'000 | Reclassification RM'000 | As restated RM'000 |
|----------------------------|-----------------------------------|----------------------------|-----------------------|
| Group | | | |
| Balance sheet | | | |
| Trade and other payables | 680,288 | (266,634) | 413,654 |
| Borrowings | 602,738 | 266,634 | 869,372 |
| Cash flow statement | | | |
| Trade and other payables | (113,796) | 266,634 | (75,818) |
| Net repayment of borrowing | (50,718) | (266,634) | (88,696) |

STATEMENT BY DIRECTORS

STATEMENT

by directors

Pursuant to Section 169 (15) of the Companies Act, 1965

We, Kwek Leng San and David Edward Comley, 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 32 to 82 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 2004 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 financial year ended on that date.

On behalf of the Board

KWEK LENG SAN

DAVID EDWARD COMLEY

Kuala Lumpur
26 August 2004

STATUTORY DECLARATION

STATUTORY

declaration

Pursuant to Section 169 (16) 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 32 to 82 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 at Kuala Lumpur) **SOON SEONG KEAT**
in the Federal Territory on 26 August 2004)

Before me

TEONG KIAN MENG
Pesuruhjaya Sumpah
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

of the auditors to the members of Hong Leong Industries Berhad

We have audited the financial statements set out on pages 32 to 82 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 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 2004 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 47 to 50. 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
CHARTERED ACCOUNTANTS, MALAYSIA

LING KAM HOONG
161/5/06 (J/PH)

Kuala Lumpur
26 August 2004

OTHER INFORMATION

information

1. Properties Held By The Group As At 30 June 2004

| Location | Tenure | Existing use | Date/year of last Revaluation/ Acquisition | Approximate Area (Sq Ft) | Approximate Age of Building (Year) | Net Book Value as at 30 June 2004 (RM'000) |
|---|-------------|----------------------------------|--|--------------------------|------------------------------------|--|
| Lot 57, Persiaran Bukit Rahman Putra 3, 47000 Sungai Buloh, Selangor | Freehold | Office and factory building | 14 Apr 1994 | 1,577,316 | 8 | 51,836 |
| Lot 14/70, Jalan Utas, 40000 Shah Alam, Selangor | 11 Jun 2071 | Office and factory building | 1983 | 456,000 | 17-23 | 16,205 |
| PF 70, Alte Marienberger Strasse, 30-35, 09401 Zschopau-Hohndorf, Germany | Freehold | Office and factory building | 1 Sep 1996 | 823,338 | 9-23 | 4,788 |
| 5 1/2 miles, Jalan Kapar, Rantau Panjang, 42100 Klang, Selangor | Freehold | Office and factory building | 1982 | 667,513 | 13-35 | 21,594 |
| 5 1/2 miles, Jalan Meru, 41050 Klang, Selangor | Freehold | Office and factory building | 1983 | 871,600 | 23 | 22,179 |
| 201, Jalan Mengkibol, 86000 Kluang, Johor | Freehold | Office and factory building | 17 Apr 1985 | 261,633 | 19 | 7,989 |
| 201, Jalan Mengkibol, 86000 Kluang, Johor | Freehold | Office and factory building | 17 Apr 1985 | 1,061,775 | 14 | 6,405 |
| 201, Jalan Mengkibol, 86000 Kluang, Johor | Freehold | Office and factory building | 17 Apr 1985 | 747,108 | 11 | 21,232 |
| 201, Jalan Mengkibol, 86000 Kluang, Johor | Freehold | Industrial Land | 17 Apr 1985 | 256,187 | - | 258 |
| 201, Jalan Mengkibol, 86000 Kluang, Johor | Freehold | Warehouses | 17 Apr 1985 | 907,790 | 9 | 15,129 |
| Ranca-Ranca Industrial Estate, Labuan, Federal Territory | 31 Dec 2043 | Office and factory building | 1990 | 457,790 | 20 | 2,774 |
| CL-205228842, Lot 5331 Labuan, Federal Territory | 1 Jan 2057 | Industrial Land | 17 Aug 1993 | 243,936 | - | 346 |
| No. 367 A & B, Jalan Melaka Raya, Taman Melaka Raya, 75000 Melaka | 4 Oct 2082 | 3 storey Mid Terrace Shop Office | 29 Aug 1996 | 1,399 | 21 | 181 |

OTHER INFORMATION

information (cont'd)

1. Properties Held By The Group As At 30 June 2004 (cont'd)

| Location | Tenure | Existing use | Date/year of last Revaluation/ Acquisition | Approximate Area (Sq Ft) | Approximate Age of Building (Year) | Net Book Value as at 30 June 2004 (RM'000) |
|---|----------------------------|--|--|--------------------------|------------------------------------|--|
| Jalan Lapangan Terbang, 30720 Ipoh, Perak | 20 Apr 2074 | Office and factory building | 21 Sep 1998 | 158,297 | 8-29 | 11,291 |
| Jalan Lapangan Terbang 30720 Ipoh, Perak | 15 Aug 2081 | Office and factory building | 21 Sep 1998 | 64,469 | 6-16 | 15,614 |
| Jalan Lapangan Terbang 30720 Ipoh, Perak | 23 May 2082 | Office and factory building | 21 Sep 1998 | 19,849 | 8-16 | 1,851 |
| Jalan Lapangan Terbang 30720 Ipoh, Perak | 8 May 2039 | Industrial land - Factory under construction | 28 Jan 1999/ 30 Mar 1998 | 53,274 | - | 17,779 |
| Jalan Lapangan Terbang 30720 Ipoh, Perak | 6 Nov 2063 | Leasehold vacant land | 7 Nov 2003 | 66,812 | - | 1,303 |
| Jalan Lapangan Terbang 30720 Ipoh, Perak | 8 May 2039 | Office and factory building | 7 Apr 1989 | 45,680 | 10 | 5,484 |
| Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak | 29 Oct 2091 | Office and factory building | 30 Oct 1992 | 1,344,579 | 13 | 82,439 |
| Plot 73021, Shen Hu Road in District 2, Suzhou Industrial Park, Jiangsu Province, 215021 The People's Republic of China | 1 Jan 2052 | Office and factory building | 30 Apr 2002 | 430,550 | 1 | 28,546 |
| Lot 2367, Bayan Lepas, Pulau Pinang | 2031 | Office and factory building | 18 Jun 1995 | 257,000 | 10 | 24,325 |
| Lot 8, Bayan Lepas, Pulau Pinang | 16 Jun 2058 | Office and factory building | 18 Jun 1995 | 105,000 | 5 | 17,749 |
| 4060, Norbatrol Ave, Murrys ville, Pennsylvania | Freehold | Office and factory building | 22 Jan 1996 | 52,000 | 39 | 2,063 |
| Lot 5078 & 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor | Freehold | Office and factory building | 1985 | 233,024 | 10-12 | 14,713 |
| Plots 75 & 76, 83-85, Kawasan Perindustrian Peringkat III, Mukim Bukit Katil, Melaka | 4 Jan 2082/ 30 Oct 2077 | Office and factory building | 1983 | 390,959 | 20-21 | 3,822 |

OTHER INFORMATION

information (cont'd)

1. Properties Held By The Group As At 30 June 2004 (cont'd)

| Location | Tenure | Existing use | Date/year of last Revaluation/ Acquisition | Approximate Area (Sq Ft) | Approximate Age of Building (Year) | Net Book Value as at 30 June 2004 (RM'000) |
|--|-------------|-----------------------------|--|--------------------------|------------------------------------|--|
| D127, Ground Floor, Block D, Tanjung Biru Condominium, Port Dickson, Negeri Sembilan | Freehold | Condominium for staff | 22 Nov 1983 | 840 | 20 | 47 |
| Lot 9-10, Ayer Keroh Industrial Estate, 75450 Melaka | 30 Jun 2071 | Office and factory building | 14 May 1979 | 194,863 | 26 | 3,453 |
| D128, Ground Floor, Block D, Tanjung Biru Condominium, Port Dickson, Negeri Sembilan | Freehold | Condominium for staff | 22 Nov 1983 | 840 | 20 | 113 |
| Lot No 1, Jalan Dunggun 28/30, Seksyen 28, 40000 Shah Alam, Selangor | Freehold | Office and factory building | 28 Jun 1993 | 548,856 | 8 | 31,215 |
| Lot 5035 & 5037 Jalan Jalan Teluk Datuk 28/40 40000 Shah Alam, Selangor | Freehold | Vacant Industrial Land | 1981 | 180,338 | - | 1,244 |
| Lot 5036 Jalan Teluk Datuk 28/40 40000 Shah Alam, Selangor | Freehold | Office and factory building | 1981 | 440,278 | 11-15 | 9,147 |
| Section 7, Phase 1A, Pulau Indah Industrial Park, West Port, Selangor | 24 Feb 2097 | Vacant Industrial Land | 3 Jan 1996 | 872,943 | - | 10,672 |

OTHER INFORMATION

information (cont'd)

2. Analysis Of Shareholdings As At 30 August 2004

Class of Share : Ordinary share of RM0.50 each

Voting Rights

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

Distribution Schedule Of Shareholders As At 30 August 2004

| Size of Holdings | No. of Shareholders | % | No. of Shares | % |
|---|---------------------|--------|---------------|--------|
| Less than 100 | 100 | 2.60 | 1,432 | 0.00 |
| 100 – 1,000 | 1,498 | 38.89 | 1,422,188 | 0.65 |
| 1,001 – 10,000 | 1,746 | 45.33 | 6,987,170 | 3.21 |
| 10,001 – 100,000 | 403 | 10.46 | 11,187,341 | 5.13 |
| 100,001 – less than 5% of issued shares | 101 | 2.62 | 99,332,593 | 45.57 |
| 5% and above of issued shares | 4 | 0.10 | 99,046,692 | 45.44 |
| | 3,852 | 100.00 | 217,977,416 | 100.00 |

List Of Thirty Largest Shareholders As At 30 August 2004

| Name of Shareholders | No. of Shares | % |
|--|---------------|-------|
| 1. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 29,495,000 | 13.53 |
| 2. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 25,961,692 | 11.91 |
| 3. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 23,746,000 | 10.89 |
| 4. Employees Provident Fund Board | 19,844,000 | 9.10 |
| 5. AMMB Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 10,533,333 | 4.83 |
| 6. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 6,343,600 | 2.91 |
| 7. PAB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 6,000,000 | 2.75 |
| 8. RC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 6,000,000 | 2.75 |
| 9. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad | 5,200,000 | 2.39 |
| 10. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | 4,898,800 | 2.25 |
| 11. AllianceGroup Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 4,500,000 | 2.07 |
| 12. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Hong Leong Company (Malaysia) Berhad | 3,900,000 | 1.79 |

OTHER INFORMATION

information (cont'd)

2. Analysis Of Shareholdings As At 30 August 2004 (cont'd)

List Of Thirty Largest Shareholders As At 30 August 2004 (cont'd)

| Name of Shareholders | No. of Shares | % |
|---|---------------|-------|
| 13. RHB Capital Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 3,509,000 | 1.61 |
| 14. UOBM Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 2,200,000 | 1.01 |
| 15. Assets Nominees (Tempatan) Sdn Bhd - Exempted ESOS (HLIB) | 2,174,200 | 1.00 |
| 16. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 2,000,475 | 0.92 |
| 17. Hong Bee Hardware Company, Sdn. Berhad | 1,770,000 | 0.81 |
| 18. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad | 1,705,000 | 0.78 |
| 19. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San | 1,550,000 | 0.71 |
| 20. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited | 1,490,000 | 0.68 |
| 21. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Smallcap Fund Berhad | 1,423,000 | 0.65 |
| 22. Perbadanan Nasional Berhad | 1,310,000 | 0.60 |
| 23. PAB Nominee (Tempatan) Sdn Bhd - Quek Leng Chan | 1,268,000 | 0.58 |
| 24. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund | 1,250,000 | 0.57 |
| 25. Scotia Nominees (Asing) Sdn Bhd - TMT Global Limited | 1,244,000 | 0.57 |
| 26. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund | 1,188,000 | 0.55 |
| 27. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund | 1,100,000 | 0.51 |
| 28. Citicorp Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad | 1,082,800 | 0.50 |
| 29. Lembaga Tabung Angkatan Tentera | 1,036,000 | 0.48 |
| 30. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | 1,033,000 | 0.47 |
| | 174,755,900 | 80.17 |

OTHER INFORMATION

information (cont'd)

2. Analysis Of Shareholdings As At 30 August 2004 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 August 2004 are as follows:

| | Direct Interest No. of Shares | % | Deemed Interest No. of Shares | % |
|--|----------------------------------|-------|----------------------------------|--------|
| 1. Hong Leong Company (Malaysia) Berhad | 130,891,100 | 60.05 | 248,800# | 0.11# |
| 2. YBhg Tan Sri Quek Leng Chan | 1,268,000 | 0.58 | 131,139,900* | 60.16* |
| 3. HL Holdings Sdn Bhd | - | - | 131,139,900* | 60.16* |
| 4. Hong Realty (Private) Limited | - | - | 131,139,900* | 60.16* |
| 5. Hong Leong Investment Holdings Pte Ltd | - | - | 131,139,900* | 60.16* |
| 6. Kwek Holdings Pte Ltd | - | - | 131,139,900* | 60.16* |
| 7. Mr Kwek Leng Beng | - | - | 131,139,900* | 60.16* |
| 8. Mr Kwek Leng Kee | - | - | 131,139,900* | 60.16* |
| 9. Davos Investment Holdings Private Limited | - | - | 131,139,900* | 60.16* |
| 10. Mr Quek Leng Chye | - | - | 131,139,900* | 60.16* |
| 11. Employees Provident Fund Board | 29,485,900 | 13.53 | - | - |

Notes:

Deemed interest through subsidiary companies

* Deemed interest through Hong Leong Company (Malaysia) Berhad

3. Analysis Of Warrantholdings As At 30 August 2004

Voting Rights

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

Distribution Schedule Of 1996/2006 Warrantholders As At 30 August 2004

| Size of Holdings | No. of 1996/2006 Warrantholders | % | No. of 1996/2006 Warrants | % |
|---|---------------------------------------|--------|---------------------------------|--------|
| Less than 100 | 11 | 0.38 | 538 | 0.00 |
| 100 – 1,000 | 1,118 | 38.42 | 1,054,559 | 3.01 |
| 1,001 – 10,000 | 1,483 | 50.96 | 5,899,260 | 16.82 |
| 10,001 – 100,000 | 282 | 9.69 | 7,814,071 | 22.27 |
| 100,001 – less than 5% of issued 1996/2006 warrants | 15 | 0.52 | 6,612,772 | 18.85 |
| 5% and above of issued 1996/2006 warrants | 1 | 0.03 | 13,700,000 | 39.05 |
| | 2,910 | 100.00 | 35,081,200 | 100.00 |

OTHER INFORMATION

information (cont'd)

3. Analysis Of Warrantholdings As At 30 August 2004 (cont'd)

List Of Thirty Largest 1996/2006 Warrantholders As At 30 August 2004

| Name of 1996/2006 Warrantholders | No. of 1996/2006 Warrants | % |
|--|---------------------------|-------|
| 1. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad | 13,700,000 | 39.05 |
| 2. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 1,573,372 | 4.48 |
| 3. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad | 1,552,300 | 4.42 |
| 4. JF Apex Nominees (Tempatan) Sdn Bhd - Liew Hon Kong | 509,500 | 1.45 |
| 5. Citicorp Nominees (Tempatan) Sdn Bhd - Malaysian Assurance Alliance Bhd | 450,000 | 1.28 |
| 6. Allianz General Insurance Malaysia Berhad | 403,500 | 1.15 |
| 7. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng | 330,000 | 0.94 |
| 8. Cartaban Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Ltd | 312,500 | 0.89 |
| 9. Lim King Huak | 288,000 | 0.82 |
| 10. Wong Cheng Yong | 234,100 | 0.67 |
| 11. HSBC Nominees (Asing) Sdn Bhd - Tenacious Hold Limited | 233,000 | 0.66 |
| 12. Tang Kee Hiong | 216,000 | 0.62 |
| 13. Bo Eng Chee | 150,000 | 0.43 |
| 14. Naik Soo Tick | 146,500 | 0.42 |
| 15. KPM Securities Sdn Bhd | 140,000 | 0.40 |
| 16. Lai Kui Yin | 114,000 | 0.32 |
| 17. Lim Sok Poo | 100,000 | 0.29 |
| 18. Polywell Enterprise Sendirian Berhad | 100,000 | 0.29 |
| 19. Pushpa Malar A/P Yogalingam | 100,000 | 0.29 |
| 20. RHB Nominees (Asing) Sdn Bhd - Artradis Barracuda Fund | 100,000 | 0.29 |

OTHER INFORMATION

information (cont'd)

3. Analysis Of Warrantholdings As At 30 August 2004 (cont'd)

List Of Thirty Largest 1996/2006 Warrantholders As At 30 August 2004 (cont'd)

| Name of 1996/2006 Warrantholders | No. of 1996/2006 Warrants | % |
|---|---------------------------|-------|
| 21. DB (Malaysia) Nominee (Asing) Sdn Bhd - Cablestar Limited | 99,000 | 0.28 |
| 22. Wong Chin Tong | 98,800 | 0.28 |
| 23. Mayban Nominees (Tempatan) Sdn Bhd - Saham Amanah Sabah | 95,000 | 0.27 |
| 24. TCL Nominees (Tempatan) Sdn. Bhd. - Tay Ah Moi @ Tey Ah Moy | 92,000 | 0.26 |
| 25. Senawang Land Sdn Bhd | 90,000 | 0.26 |
| 26. Siew Yau Wai @ Siew Ah Why | 90,000 | 0.26 |
| 27. TA Nominees (Tempatan) Sdn Bhd - Ng Wai Leong | 83,300 | 0.24 |
| 28. Tang Huat Wong | 82,000 | 0.23 |
| 29. Ong Keng Siew | 81,600 | 0.23 |
| 30. SBB Nominees (Tempatan) Sdn. Bhd. - Yayasan Tunku Abdul Rahman | 78,000 | 0.22 |
| | 21,642,472 | 61.69 |

OTHER INFORMATION

information (cont'd)

4 Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holders As At 30 August 2004

Voting Rights

- On a show of hands : 1 vote
- On a poll : 1 vote for each RM1.00 nominal amount of 2002/2007 ICULS held

Distribution Schedule Of 2002/2007 ICULS Holders As At 30 August 2004

| Size of Holdings | No. of 2002/2007 ICULS Holders | % | No. of 2002/2007 ICULS | % |
|--|--------------------------------------|--------|------------------------------|--------|
| Less than 100 | 1 | 0.05 | 15 | 0.00 |
| 100 – 1,000 | 534 | 27.55 | 525,907 | 0.25 |
| 1,001 – 10,000 | 1,023 | 52.79 | 4,503,058 | 2.18 |
| 10,001 – 100,000 | 310 | 16.00 | 9,611,820 | 4.65 |
| 100,001 – less than 5% of issued 2002/2007 ICULS | 67 | 3.46 | 38,935,100 | 18.81 |
| 5% and above of issued 2002/2007 ICULS | 3 | 0.15 | 153,380,800 | 74.11 |
| | 1,938 | 100.00 | 206,956,700 | 100.00 |

List Of Thirty Largest 2002/2007 ICULS Holders As At 30 August 2004

| Name of 2002/2007 ICULS Holders | No. of 2002/2007 ICULS | % |
|---|---------------------------|-------|
| 1. Mayban Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 120,000,000 | 57.98 |
| 2. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad | 17,540,800 | 8.48 |
| 3. Employees Provident Fund Board | 15,840,000 | 7.65 |
| 4. Hong Leong Assurance Berhad | 10,000,000 | 4.83 |
| 5. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | 2,683,100 | 1.30 |
| 6. Soon Li Voon | 1,925,100 | 0.93 |
| 7. Hong Bee Hardware Company, Sdn. Berhad | 1,767,000 | 0.85 |
| 8. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad | 1,695,000 | 0.82 |
| 9. HSBC Nominees (Asing) Sdn Bhd - Kwek Leng San | 1,550,000 | 0.75 |
| 10. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund | 1,188,000 | 0.57 |

OTHER INFORMATION

information (cont'd)

4 Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holdings As At 30 August 2004 (cont'd)

List Of Thirty Largest 2002/2007 ICULS Holders As At 30 August 2004 (cont'd)

| Name of 2002/2007 ICULS Holders | No. of 2002/2007 ICULS | % |
|--|------------------------|------|
| 11. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Smallcap Fund Berhad | 1,133,600 | 0.55 |
| 12. AllianceGroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund | 1,100,000 | 0.53 |
| 13. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board | 1,033,000 | 0.50 |
| 14. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Bhd (Non-Life) | 1,000,000 | 0.48 |
| 15. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Bhd (Life) | 1,000,000 | 0.48 |
| 16. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund | 900,000 | 0.44 |
| 17. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng | 827,400 | 0.40 |
| 18. Chong Fong | 620,000 | 0.30 |
| 19. Mayban Nominees (Tempatan) Sdn Bhd - Future Goals Fund | 552,000 | 0.27 |
| 20. Mayban Nominees (Tempatan) Sdn Bhd - Saham Amanah Sabah | 460,000 | 0.22 |
| 21. Cimsec Nominees (Tempatan) Sdn Bhd - Commerce Asset-Holding Berhad | 422,000 | 0.20 |
| 22. Mayban Nominees (Tempatan) Sdn Bhd - Balanced Returns Fund | 368,000 | 0.18 |
| 23. AM Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial | 356,700 | 0.17 |
| 24. Soon Khat Voon | 350,300 | 0.17 |
| 25. RHB Nominees (Tempatan) Sdn Bhd - Malaysian Timber Council | 333,000 | 0.16 |
| 26. Hong Leong Fund Management Sdn Bhd - Hong Leong Foundation | 320,000 | 0.16 |

OTHER INFORMATION

information (cont'd)

4 Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holdings As At 30 August 2004 (cont'd)

List Of Thirty Largest 2002/2007 ICULS Holders As At 30 August 2004 (cont'd)

| Name of 2002/2007 ICULS Holders | No. of 2002/2007 ICULS | % |
|--|------------------------|-------|
| 27. Amanah Raya Nominees (Tempatan) Sdn Bhd - AUTB Progress Fund | 316,000 | 0.15 |
| 28. Cimsec Nominees (Tempatan) Sdn Bhd - Leong Mun Wey | 300,000 | 0.15 |
| 29. Southern Investment Bank Berhad - Oriental Capital Assurance Berhad | 300,000 | 0.15 |
| 30. Mayban Nominees (Tempatan) Sdn Bhd - Affin Equity Fund | 294,000 | 0.14 |
| | 186,175,000 | 89.96 |

5. Directors' Interests As At 30 August 2004

Subsequent to the financial year-end, there is no change as at 30 August 2004 to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 24 to 27 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the change set out below:

| | No. of Shares | Indirect Interest % |
|--|---------------|---------------------|
| YBhg Tan Sri Quek Leng Chan Hong Leong Industries Berhad | 131,139,900 | 60.16 |

6. Material Contracts

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 20, Part A, Appendix 9C of the Listing Requirements of Bursa Malaysia Securities Berhad.

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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 Forty-first Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Monday, 18 October 2004 at 11.00 a.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 Directors: (a) YBhg Tan Sri Quek Leng Chan (b) Mr Kwek Leng San | (a) (b) | (a) (b) |
| 4. To re-appoint Messrs Ling Kam Hoong & Co as Auditors and authorise the Directors to fix their remuneration | | |
| 5. As a special business, to approve the ordinary resolution on authority to Directors to issue shares | | |

Dated this day of 2004

Number of Shares held

Signature(s) 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 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. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies 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.