

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 30 June 2002.

Principal activities

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

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the year	(78,018)	21,367

Dividends

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

- (i) a first interim dividend of 7% tax exempt and a further special interim dividend of 10% less tax amounting to RM15,462,700 on 25 March 2002 in respect of the financial year ended 30 June 2002; and
- (ii) a second interim dividend of 8% tax exempt and a further special interim dividend of 10% less tax amounting to RM16,551,622 on 20 June 2002 in respect of the financial year ended 30 June 2002.

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

Reserves and provisions

There were no material transfers to or from reserves and provisions during the 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)
Mr Ron Lim Kim Chai (Group Managing Director - Automotive Group)
YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar
YBhg Dato' Ahmad Johari bin Tun Abdul Razak
YBhg Dato' Dr Agoes Salim
Mr Chuah Chuan Thye
Mr David Edward Comley

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

DIRECTORS' REPORT

(continued)

Directors' interests

No director holding office at the end of the financial year had any beneficial interest in the ordinary shares and/or stock units and/or warrants/options/irredeemable 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:

Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ stock unit<	At 1-7-2001	Acquired/ Rights Issue~/ Conversion of Replacement Warrants to Shares+	Sold/ Conversion of Replacement Warrants to Shares+	At 30-6-2002
RM					
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	4,451,000	745,000~ 521,000+	-	5,717,000
	-	496,000*	25,269@	521,000+	269* (Note 1)
	-	400,000*	20,000@	-	420,000*
Hong Leong Industries Berhad	0.50	2,185,000	-	917,000	1,268,000
	-	40,000*	-	-	40,000*
Malaysian Pacific Industries Berhad	0.50	53,500	-	-	53,500
Hong Leong Bank Berhad	1.00	40,000	-	-	40,000
Guolene Packaging Industries Berhad	1.00	36,000	-	36,000	Nil
Hume Industries (Malaysia) Berhad	1.00<	50,000	1,000	-	51,000
GuoNet Limited	USD1.00	1,200	-	-	1,200
Hume Cemboard Berhad	1.00	5,625,000	2,606,400	-	8,231,400
Interest of YBhg Dato' Ahmad Johari bin Tun Abdul Razak in:					
Hong Leong Industries Berhad	0.50	17,600	-	-	17,600
Interest of YBhg Dato' Dr Agoes Salim in:					
Hong Leong Industries Berhad	0.50	48,000	-	-	48,000
Interests of Mr Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	0.50	1,550,000	-	-	1,550,000
	-	400,000*	250,000*	-	650,000*
Malaysian Pacific Industries Berhad	0.50	339,000	-	24,000	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000

DIRECTORS' REPORT

(continued)

Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ stock unit<	At 1-7-2001	Acquired/ Rights Issue~/ Conversion of Replacement Warrants to Shares+	Sold/ Conversion of Replacement Warrants to Shares+	At 30-6-2002
RM					
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*
Interest of Mr Chuah Chuan Thye in:					
Guolene Packaging Industries Berhad	1.00	3,000	-	3,000	Nil
Interest of Mr Ron Lim Kim Chai in:					
Hong Leong Industries Berhad	0.50	50,000	-	-	50,000
	-	350,000*	-	-	350,000*
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
GuoNet Limited	USD1.00	10,800	-	-	10,800
MEHY Sdn Bhd	1.00	650,000	-	-	650,000
Hong Leong Credit Berhad	1.00	337,817,645	5,511,000	679,200	451,828,024
			58,095,198~		
			51,083,381+		
	-	48,607,200*	2,476,181@	51,083,381+	Nil
Hong Leong Assurance Berhad	1.00	90,000,000	10,000,000	-	150,000,000
			50,000,000~		
BIB Insurance Brokers Sdn Bhd (Formerly known as Bradstock Insurance Brokers Sdn Bhd)	1.00	750,000	-	750,000	Nil
BIB Asia (L) Berhad (Formerly known as Bradstock Asia Insurance Brokers (L) Bhd)	USD1.00	300,000	-	300,000μ	Nil
	-	1,500 (preference)	-	1,500μ (preference)	Nil
Bradstock Aurora Insurance Brokers Inc	P100.00	30,000	-	30,000μ	Nil
Bradstock Suntek Insurance Brokers Pte Ltd	S\$1.00	255,000	-	255,000μ	Nil

DIRECTORS' REPORT

(continued)

Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ stock unit<	At 1-7-2001	Acquired/ Rights Issue~/ Conversion of Replacement Warrants to Shares+	Sold/ Conversion of Replacement Warrants to Shares+	At 30-6-2002
RM					
Shareholdings in which					
Directors have indirect interests					
Interests of YBhg Tan Sri Quek Leng Chan in:					
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
HLG Futures Sdn Bhd	1.00	3,500,000	1,500,000	-	5,000,000
Hong Leong Bank Berhad	1.00	979,410,501	-	18,609,001	960,801,500
Hong Leong Properties Berhad	0.50	356,374,211	-	3,802,000	352,572,211
	-	34,322,420*	-	-	34,322,420*
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
HLL-Guoco Vietnam Co Limited	^	5,000,592	-	-	5,000,592
Treacher Development Sdn Bhd	1.00	14,000,000	-	-	14,000,000
JB Parade Sdn Bhd	1.00	18,000,000	-	-	18,000,000
	-	685,940	-	-	685,940
		(preference)			(preference)
Hong Leong Industries Berhad	0.50	133,494,600	-	2,923,600	130,571,000
	-	15,275,372*	24,156,612*	-	39,431,984*
Hong Leong Yamaha Distributors Sdn Bhd	1.00	10,360,000	-	-	10,360,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	17,920,000	-	-	17,920,000
Hong Leong Maruken Sdn Bhd	1.00	1,750,000	-	-	1,750,000
(In members' voluntary liquidation)					
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	13,090,001	-	-	13,090,001
Quayline Fairprice Sdn Bhd	1.00	9,600,000	-	-	9,600,000
RZA Logistics Sdn Bhd	1.00	8,540,000	330,000	-	8,870,000
Malaysian Pacific Industries Berhad	0.50	123,520,009	-	581,000	122,939,009
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	42,000,000	-	-	42,000,000
Carsem Semiconductor Sdn Bhd	1.00	70,000,000	-	-	70,000,000
Guolene Packaging Industries Berhad	1.00	116,638,610	23,112,090	-	139,750,700
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	-	9,350,002
Hume Industries (Malaysia) Berhad	1.00<	139,616,855	28,463,000	3,284,831	164,795,024
Hume Fibreboard Sdn Bhd	1.00	42,000,000	18,000,000	-	60,000,000
	-	37,700,000	-	-	37,700,000
		(preference)			(preference)
Hume Cemboard Berhad	1.00	39,884,000	2,646,000	-	42,530,000
O.Y.L. Industries Bhd	1.00	84,919,828	-	7,600	84,912,228
O.Y.L. - Condair Industries Sdn Bhd	1.00	5,100,000	-	-	5,100,000

DIRECTORS' REPORT

(continued)

Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options/irredeemable convertible unsecured loan stocks*

	Nominal value per share/ stock unit<	At 1-7-2001	Acquired/ Rights Issue~/ Conversion of Replacement Warrants to Shares+	Sold/ Conversion of Replacement Warrants to Shares+	At 30-6-2002
RM					
Shareholdings in which					
Directors have indirect interests					
Interests of YBhg Tan Sri Quek Leng Chan in:					
York (Malaysia) Sales & Service Sdn Bhd	1.00	700,000	-	-	700,000
O.Y.L. Steel Centre Sdn Bhd	1.00	3,750,000	-	-	3,750,000
Wuhan McQuay Air-Conditioning & Refrigeration Co. Ltd	^	7,500,000	-	-	7,500,000
McQuay Air - conditioning Limited	HK\$1.00	2,265,000	-	-	2,265,000
O.Y.L. - J.M. Co. Ltd	NT\$10.00	1,800,000	-	-	1,800,000
P.T. O.Y.L.	Rp2,106,000.00	1,200	-	-	1,200
Sentra	or				
Manufacturing	USD1,000.00				
Shenzhen McQuay Air Conditioning Co. Ltd	^	6,040,000	-	-	6,040,000
AF Technology Ltd	W5,000.00	161,725	-	161,725	Nil
McQuay Mediterranean LLC	#	88,500	-	-	88,500
OYL Way Electronic (Shenzhen) Co Ltd	^	200,000	-	-	200,000
McQuay Philippines Sales & Service Inc	P1.00	20,000,000	-	-	20,000,000
Interests of Mr Chuah Chuan Thye in:					
Hong Leong Company (Malaysia) Berhad	1.00	154,650	-	-	154,650
Hong Leong Credit Berhad	1.00	4,442,833	740,472~	25,000	5,158,305
	-	677,897*	34,537@	712,434	Nil
Hong Leong Industries Berhad	0.50	1,998,800	-	-	1,998,800
	-	291,875*	321,903*	84,000*	529,778*
Hume Cemboard Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	120,000	-	-	120,000
Interest of YBhg Dato' Dr Agoes Salim in:					
Hong Leong Industries Berhad	0.50	896,000	-	-	896,000
	-	140,000*	-	-	140,000*

Legend:

^ Capital contribution in USD

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

@ Adjustment arising from the rights issue

LLC interest in USD

Note 1: All outstanding Hong Leong Credit Berhad Replacement Warrants not exercised had lapsed and became null and void on 27 December 2001

DIRECTORS' REPORT

(continued)

Directors' benefits

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of 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 stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties, and/or the provision of services, including but not limited to project and sales management and any other management and consultancy services; and/or the provision of construction contracts, leases, tenancy, dealership and distributorship agreements; and/or the provision of treasury functions, advances and the conduct of normal trading, insurance, investment, stockbroking and/or other businesses between the Company and its related corporations or corporations in which 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")

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

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

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

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

		No. of unissued ordinary shares of RM0.50 each under the ESOS				
	Offer Date	Balance at 1-7-2001	Options Granted	Options Lapsed	Options Exercised	Balance at 30-6-2002
Option price of RM8.83	28-12-1999	4,681,400	-	254,800	-	4,426,600
Option price of RM15.64	17-04-2000	699,000	-	18,500	-	680,500
		5,380,400	-	273,300	-	5,107,100

DIRECTORS' REPORT

(continued)

Share capital

There were no changes in the issued and paid-up capital of the Company and the Company has not issued any debenture during the financial year under review.

There was no share buy back from the open market during the financial year. As at 30 June 2002, 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.

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.

At the date of this report there does not exist:

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 30 June 2002 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

On behalf of the Board

KWEK LENG SAN

RON LIM KIM CHAI

Kuala Lumpur
24 August 2002

BALANCE SHEETS

as at 30 June 2002

	Notes	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Property, plant and equipment	4	1,524,119	1,649,431	-	-
Investments in subsidiary companies	5	-	-	1,247,835	1,178,538
Investments in associated companies	6	160,003	197,904	182,762	182,762
Other Investments	7	497,197	504,151	365,490	365,490
Intangible assets	8	495,120	513,391	-	-
Current assets					
Property assets	9	36,432	49,903	-	-
Inventories	10	216,802	218,469	-	-
Trade and other receivables	11	628,699	616,473	84,478	84,843
Short term investments	7	500	1,215	500	-
Deposits, cash and bank balances	12	473,620	443,228	123,289	77
		1,356,053	1,329,288	208,267	84,920
Current liabilities					
Trade and other payables	13	691,242	706,618	164,161	151,443
Borrowings	14	694,750	626,683	404,085	338,873
Provision for taxation		32,203	48,891	-	-
		1,418,195	1,382,192	568,246	490,316
Net current liabilities		(62,142)	(52,904)	(359,979)	(405,396)
		2,614,297	2,811,973	1,436,108	1,321,394
SHARE CAPITAL AND RESERVES					
Share capital	15	112,564	112,564	112,564	112,564
Reserves		545,394	665,321	341,721	352,369
Treasury shares - at cost	16	(59,835)	(59,835)	(59,835)	(59,835)
		598,123	718,050	394,450	405,098
IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS	17	208,153	-	208,153	-
MINORITY SHAREHOLDERS' INTERESTS		574,009	690,344	-	-
LONG TERM AND DEFERRED LIABILITIES					
Borrowings	14	373,481	561,967	178,498	264,100
Deferred taxation	18	61,911	46,554	-	-
Retirement benefits	19	19,396	18,494	783	632
EuroConvertible bonds	20	279,224	276,564	279,224	276,564
Redeemable bonds	21	500,000	500,000	375,000	375,000
		1,234,012	1,403,579	833,505	916,296
		2,614,297	2,811,973	1,436,108	1,321,394

The financial statements were approved and authorised for issue by the Board of Directors on 24 August 2002.

The notes on pages 35 to 57 form part of these financial statements.

INCOME STATEMENTS

for the year ended 30 June 2002

	Notes	Group		Company	
		2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
REVENUE	22	1,950,268	2,510,654	121,731	135,913
OPERATING PROFIT/(LOSS)	22	63,278	392,886	103,677	(201,364)
Net financing costs	23	(95,622)	(102,180)	(75,394)	(73,161)
Share of losses of associated companies	24	(26,890)	(164,119)	-	-
(LOSS)/PROFIT BEFORE TAXATION		(59,234)	126,587	28,283	(274,525)
Taxation	25	(22,319)	(16,471)	(6,916)	4,900
(LOSS)/PROFIT AFTER TAXATION		(81,553)	110,116	21,367	(269,625)
Less: Minority interests		3,535	(180,140)	-	-
NET (LOSS)/PROFIT FOR THE YEAR		(78,018)	(70,024)	21,367	(269,625)
Basic loss per ordinary share (sen)	26	(35.82)	(31.68)		
Diluted loss per ordinary share (sen)	26	(35.82)	(31.68)		
Dividends per share - net (sen)	27	14.70	20.80		

The notes on pages 35 to 57 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2002

	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Distributable Reserve RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total RM'000
The Group									
At 1 July 2000	112,562	289,357	948	(18,171)	5,506	29,411	672,815	-	1,092,428
Net loss for the year	-	-	-	-	-	-	(70,024)	-	(70,024)
Dividends (Note 27)	-	-	-	-	-	-	(44,948)	-	(44,948)
Foreign currency translation differences	-	-	-	(6,406)	-	-	-	-	(6,406)
Realisation of disposal/ dissolution of associates and/ or subsidiaries	-	-	-	(1,461)	-	(876)	1,461	-	(876)
Share of associated company's brought forward reserve	-	-	-	13,124	-	-	(205,454)	-	(192,330)
Shares buy back	-	-	-	-	-	-	-	(59,835)	(59,835)
Exercise of ESOS	2	39	-	-	-	-	-	-	41
At 30 June 2001	112,564	289,396	948	(12,914)	5,506	28,535	353,850	(59,835)	718,050
Net loss for the year	-	-	-	-	-	-	(78,018)	-	(78,018)
Dividends (Note 27)	-	-	-	-	-	-	(32,015)	-	(32,015)
Foreign currency translation differences	-	-	-	(9,894)	-	-	-	-	(9,894)
At 30 June 2002	112,564	289,396	948	(22,808)	5,506	28,535	243,817	(59,835)	598,123
	(Note 15)				(Note 16)				
The Company									
At 1 July 2000	112,562	289,357	-	-	-	3,943	373,603	-	779,465
Net loss for the year	-	-	-	-	-	-	(269,625)	-	(269,625)
Dividends (Note 27)	-	-	-	-	-	-	(44,948)	-	(44,948)
Shares buy back	-	-	-	-	-	-	-	(59,835)	(59,835)
Exercise of ESOS	2	39	-	-	-	-	-	-	41
At 30 June 2001	112,564	289,396	-	-	-	3,943	59,030	(59,835)	405,098
Net profit for the year	-	-	-	-	-	-	21,367	-	21,367
Dividends (Note 27)	-	-	-	-	-	-	(32,015)	-	(32,015)
At 30 June 2002	112,564	289,396	-	-	-	3,943	48,382	(59,835)	394,450
	(Note 15)				(Note 16)				

*Non Distributable

The notes on pages 35 to 57 form part of these financial statements.

CASH FLOW STATEMENTS

for the year ended 30 June 2002

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH FLOW FROM OPERATING ACTIVITIES				
(Loss)/Profit before taxation	(59,234)	126,587	28,283	(274,525)
Adjustments for:-				
Share of losses of associated companies	26,890	164,119	-	-
Depreciation and amortisation of property, plant and equipment	272,148	272,043	-	45
Dividend income	(1,716)	(3,910)	(121,731)	(135,397)
Loss/(Gain) on disposal of plant and equipment	5,263	(257)	-	-
Plant and equipment written off	3,683	2,434	-	-
Provision for retirement benefits	3,361	2,598	176	51
Loss/(Gain) on foreign exchange	2,451	(2,458)	-	(310)
Interest income	(23,647)	(29,534)	(2,268)	(142)
Interest expenses	119,269	131,714	77,662	73,303
Loss on disposal of subsidiaries	7,938	-	7,289	-
Gain on disposal of associated company	-	(2,327)	-	-
Goodwill written off	2,184	-	-	-
Amortisation/Write off of development expenditure	3,455	5,811	-	-
Gain on disposal of investment	(11,090)	(2,682)	-	-
Write down/provision for diminution in value of investment	3,350	1,134	2,430	330,885
Provision for EuroConvertible Bond Put Premiums	4,985	4,985	4,985	4,985
Bad and doubtful debts	4,073	(3,478)	-	-
Other non-cash items	(1,222)	2,735	-	-
Operating profit/(loss) before working capital changes	362,141	669,514	(3,174)	(1,105)
Decrease/(Increase) in working capital:				
Inventories	(2,676)	19,439	-	-
Trade and other receivables	(244,074)	97,037	(3,008)	74,376
Trade and other payables	204,245	(109,745)	10,481	(252,332)
Cash generated from/(used in) operations	319,636	676,245	4,299	(179,061)
Income taxes (paid)/refunded	(20,236)	(28,916)	13,811	12,391
Net interest paid	(95,622)	(93,810)	(75,394)	(64,791)
Net dividend received	1,500	3,910	104,499	120,917
Retirement benefits paid	(2,031)	(1,968)	(25)	(49)
Net cash generated from/(used in) operating activities	203,247	555,461	47,190	(110,593)

CASH FLOW STATEMENTS

for the year ended 30 June 2002 (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH FLOW FROM INVESTING ACTIVITIES				
Addition of development expenditure	(1,078)	(7,038)	-	-
Proceeds from redemption of preference shares	-	80,760	-	80,760
Pre-acquisition dividend received from subsidiaries	-	-	216	10,440
Purchase of plant and equipment	(153,753)	(384,298)	-	(48)
Proceeds from disposal of plant and equipment	15,553	11,573	-	727
Proceeds from disposal of subsidiary	651	-	1,500	-
Proceeds from disposal of investment	30,866	34,189	1,642	-
Proceeds from disposal of associated company	-	3,655	-	-
Additional equity investment in subsidiaries	(27,895)	(8,013)	(83,084)	(19,175)
Purchase of investments	(7,422)	(42,426)	-	(362)
Investment in associated companies	-	(4,836)	-	(4,836)
Shares buy back				
- subsidiary	-	(79,920)	-	-
- company	-	(59,835)	-	(59,835)
Net cash (used in)/generated from investing activities	(143,078)	(456,189)	(79,726)	7,671
CASH FLOW FROM FINANCING ACTIVITIES				
Dividend paid to:				
- shareholders	(32,015)	(76,465)	(32,015)	(76,465)
- minority shareholders	(87,101)	(148,845)	-	-
Net (repayment to)/proceeds from borrowings	(147,861)	124,761	(48,793)	221,891
Proceeds from issue of ICULS	208,153	-	208,153	-
Proceeds from issue of new shares	-	41	-	41
Proceeds from shares issued to minority shareholders	429	820	-	-
Net cash (used in)/generated from financing activities	(58,395)	(99,688)	127,345	145,467
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,774	(416)	94,809	42,545
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	282,742	283,158	(99,006)	(141,551)
CASH AND CASH EQUIVALENTS AT END OF YEAR	284,516	282,742	(4,197)	(99,006)

CASH FLOW STATEMENTS

for the year ended 30 June 2002 (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
CASH AND CASH EQUIVALENTS COMPRISE:-				
Deposits held with:				
- licensed financial institutions	205,145	244,104	51,000	-
- other corporations	7,500	15,073	-	-
Cash and bank balances	260,975	184,051	72,289	77
Bank overdrafts	(189,104)	(160,486)	(127,486)	(99,083)
	284,516	282,742	(4,197)	(99,006)
ANALYSIS OF THE DISPOSAL OF SUBSIDIARY				
Property, plant and equipment	348			
Intangible assets	9,851			
Current assets	18,971			
Current liabilities	(16,158)			
Long term liabilities	(428)			
Net assets	12,584			
Transfer to other investments	(3,146)			
Loss on disposal	(7,938)			
Consideration received in cash	1,500			
Cash and cash equivalents disposed	(849)			
Cash flow on disposal, net of cash disposed	651			

NOTES TO THE FINANCIAL STATEMENTS

1. Principal activities

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

2. Summary of significant accounting policies

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

(a) Basis of accounting

The financial statements of the Group and the Company are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment 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. All significant inter-company balances and transactions are eliminated on consolidation.

(c) Associated companies

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

(d) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost/valuation less depreciation and impairment losses. Certain freehold and leasehold properties and plant and equipment of certain subsidiary companies were revalued by the Directors based upon an independent professional valuation determined on the open market value basis as disclosed in Note 4 to the financial statements. It is the policy of the Group and 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 and Company were revalued in 1982 and 1993 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.

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

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(e) Intangible assets

(i) Goodwill

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

(ii) Development expenditure

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

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

(f) Investments

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

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

(i) Receivables

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

(j) Taxation

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

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

(k) Retirement benefits - Executive staff

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

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

(l) Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS

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

The assets and liabilities of the foreign subsidiaries have been translated into Ringgit Malaysia at rates of exchange approximating those ruling on 30 June 2002 and the results of their operations have been translated at the average rates of exchange applicable for the year. Unrealised translation gains or losses arising therefrom are carried to Exchange Equalisation Reserve.

The closing rates used in translation are as follows:-

	2002	2001
USD	RM3.80	RM3.80
HK\$	RM0.48	RM0.50
S\$	RM2.15	RM2.09
EURO	RM3.76	RM3.21
100JPY	RM3.18	RM3.05

(m) Bond issue expenses and put premium

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

Effective January 2000, additional provision is made for the contingency of a put premium of 20.3% of the principal amount of the ECB in progressive instalments until date on which the rights to the put premium may be exercised, on or nearest to 25 October 2002. Upon extension of the exercise date of the put option to 25 October 2005 (Note 20), the unprovided portion of the put premium of RM26,521,662 at 1 July 2000 is provided for progressively until 25 October 2005. Upon expiry of the rights to exercise the put option, the amount of the provision made for put premium for any and each of the unexercised rights shall be credited back to the income statement.

(n) Capitalisation of interest

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

(o) Revenue recognition

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

(p) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, deposits with financial institutions, bank overdrafts and highly liquid investments which have an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

3. Companies in the Group

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

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2002 %	2001 %	
Subsidiary companies				
Guocera Tile Industries (Kluang) Sdn Bhd	Malaysia	100.0	100.0	Manufacture of ceramic tiles.
Guocera Tile Industries (Kapar) Sdn Bhd	Malaysia	100.0	100.0	Manufacture of mosaic and ceramic tiles.
Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	64.0	64.0	Manufacture of ceramic tiles.
*Guocera Tile Industries (Labuan) Sdn Bhd	Malaysia	70.0	70.0	Manufacture and sale 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.
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	Dormant.
*MZ Holdings Limited	Hong Kong	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.
*Malaysian Pacific Industries Berhad	Malaysia	61.1	61.1	Investment holding.
•*Carsem (M) Sdn Bhd	Malaysia	42.8	42.8	Manufacture and test of semiconductor devices and electronic components.
•*Carsem Semiconductor Sdn Bhd	Malaysia	42.8	42.8	Manufacture and test of semiconductor devices and electronic components.
•*Carter Realty Sdn Bhd	Malaysia	42.8	42.8	Investment holding.
•*Signal Technology Sdn Berhad	Malaysia	42.8	42.8	In member's voluntary liquidation.
•*Carsem Inc	USA	42.8	42.8	Semiconductor devices' and electronic components' marketing agents.
•*Dynacraft Industries Sdn Bhd	Malaysia	61.1	61.1	Manufacture and sale of leadframes.
•*Dyna-Craft Industries, Inc	USA	61.1	61.1	Ceased operation during the year.
•*Dyna-Craft Marketing, Inc	USA	61.1	61.1	Ceased operation during the year.

NOTES TO THE FINANCIAL STATEMENTS

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2002 %	2001 %	
Subsidiary companies				
• *MPI (BVI) Limited	British Virgin Islands	61.1	61.1	Investment trading.
• *Classic Products Sdn Bhd	Malaysia	-	61.1	Dormant.
• *Carsem Advanced Technologies Sdn Bhd	Malaysia	61.1	61.1	Dormant.
• *Carsem Semiconductor (Suzhou) Co. Ltd.	People's Republic of China	61.1	-	Dormant. The intended activities are the design, manufacture, assembly, testing and marketing of semiconductor devices and electronic components.
*Guolene Packaging Industries Berhad	Malaysia	96.4	75.7	Investment holding.
• *Guolene Packaging & Printing Sdn Bhd	Malaysia	96.4	75.7	Manufacture and sale of duplex board boxes and flexible packaging materials.
• *Guolene Woven Products (Melaka) Sdn Bhd	Malaysia	96.4	75.7	Manufacture and sale of polypropylene and polyethylene bags, woven sacks, fabrics and industrial laminated products.
• *Guolene Plastic Films Sdn Bhd	Malaysia	65.6	51.5	Manufacture and sale of high and low density polyethylene and biaxially oriented polypropylene products.
• *Packaging Research Centre Sdn Bhd	Malaysia	96.4	75.7	Research and development on packaging products.
• Guolene Plastic Products Sdn Bhd	Malaysia	96.4	75.7	Ceased operation.
• *Guolene Paper Products Sdn Bhd	Malaysia	96.4	75.7	Ceased operation.
• *Jadipack Industries Sdn Bhd	Malaysia	96.4	75.7	In member's voluntary liquidation.
• *Guolene Packaging & Printing (Duplex) Sdn Bhd	Malaysia	96.4	75.7	Dormant.
• Joint Steel Works Sdn Bhd	Malaysia	96.4	75.7	In member's voluntary liquidation.
*MPI Property Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
• *MPI Paper Mill Sdn Bhd	Malaysia	100.0	100.0	Dormant.
*MPI Polyester Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of polyester resin.
Megah Court Condominium Development Sdn Bhd	Malaysia	100.0	100.0	Property management.
Taman Terang Sdn Bhd	Malaysia	100.0	100.0	Investment holding and property management.
HLI-HUME Management Co Sdn Bhd	Malaysia	51.0	100.0	Provision of management services.
*HLI Trading Limited	Hong Kong	100.0	100.0	Investment trading and trading in securities.
Kasih Sayang Realty Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
*Guotrade (Malaysia) Sdn Bhd	Malaysia	100.0	100.0	Dormant.
*HLI Overseas Limited	Jersey, Channel Islands	100.0	100.0	Investment holding.
• *HLI Holdings Limited	Jersey, Channel Islands	100.0	100.0	Dormant.

NOTES TO THE FINANCIAL STATEMENTS

Name of Company	Country of Incorporation	Effective interest		Principal activities
		2002 %	2001 %	
Subsidiary companies				
*HLI Holdings Inc	Philippines	100.0	100.0	Investment holding.
Mai Kah Corporation Sdn Bhd	Malaysia	100.0	100.0	Dormant.
*RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Dormant.
#Kobelco Construction Machinery Malaysia Sdn Bhd (formerly known as Hong Leong Equipment Sdn Bhd)	Malaysia	25.0	100.0	Sale of heavy equipment and spare parts and provision of after sales service.
Quayline Fairprice Sdn Bhd	Malaysia	60.0	60.0	Dormant.
Hong Leong Maruken Sdn Bhd	Malaysia	70.0	70.0	In members' voluntary liquidation.
Jasa Court Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.
HLI Vinyl Industries Sdn Bhd	Malaysia	100.0	100.0	Dormant.
Quayline Company Pte Ltd	Singapore	100.0	100.0	In member's voluntary liquidation.
Associated companies				
*Camerlin Group Berhad	Malaysia	28.9	28.9	Investment holding.
*Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	Malaysia	30.0	30.0	Manufacture and assembly of motorcycle engines.
HL Yamaha Motor Research Centre Sdn Bhd	Malaysia	49.0	49.0	Provision of research and development services.
*Yamaha Motor Vietnam Co Ltd	Vietnam	24.0	24.0	Manufacture and assemble motorcycles, spare parts and components, and provision of maintenance and repair service for motorcycles.
*Jiangxi Hongdu HongLeong Motor Co Ltd	People's Republic of China	30.0	30.0	Manufacture and sale of motorcycles, engines and related parts.
*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	Investment holding.
*Picop Holdings Inc	Philippines	40.0	40.0	Investment holding.

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

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

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

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

•Sub-subsidiary companies.

#Ceased to be a subsidiary during the year. Balance investment is held for sale and accounted for as simple investment.

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment

	Freehold Land, Improvements & Buildings RM'000	Long Leasehold Land, Improvements & Buildings RM'000	Plant & Equipment & Plant Held For Operating Lease RM'000	Capital Work-In-Progress RM'000	Total RM'000
Group Cost/Valuation					
At 1-7-2001					
-Valuation	2,406	21,988	7,622	-	32,016
-Cost	237,601	162,459	2,441,272	78,039	2,919,371
Translation differences	721	-	921	16,069	17,711
Additions	721	5,036	92,342	55,374	153,473
Disposals	-	-	(69,324)	(91)	(69,415)
Written off	-	(7)	(73,256)	(5,575)	(78,838)
Reclassification	(8,028)	21,932	25,682	(22,263)	17,323
At 30-6-2002	233,421	211,408	2,425,259	121,553	2,991,641
Accumulated Depreciation Cost/Valuation					
At 1-7-2001	28,917	51,085	1,221,954	-	1,301,956
Translation differences	129	-	6,722	-	6,851
Charge for the year	5,477	8,719	257,952	-	272,148
Disposals	-	-	(48,212)	-	(48,212)
Written off	-	-	(65,221)	-	(65,221)
Reclassification	(4,934)	4,934	-	-	-
At 30-6-2002	29,589	64,738	1,373,195	-	1,467,522
Net Book Value					
At 30-6-2002	203,832	146,670	1,052,064	121,553	1,524,119
Net Book Value					
At 30-6-2001	211,090	133,362	1,226,940	78,039	1,649,431
Depreciation charge for the year ended 30-6-2001	4,238	8,001	259,804	-	272,043

The Company has no property, plant and equipment during the year. Depreciation charge in respect of previous year was RM45,000.

The building of a sub-subsidiary company is situated on the land held under operating leases (Note 29). The title of the leasehold land is in the process of being issued by the relevant authorities.

The information on the carrying amount of revalued properties had the assets been carried at cost under the Benchmark Treatment of Malaysian Accounting Standards Board MASB 15, Property, Plant and Equipment, is not disclosed due to absence of historical record as permitted under the transitional provisions of the said MASB 15.

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

* Details of independent professional valuations of fixed assets of the Group at 30 June 2002 are as follows:-

GROUP			
Year of Valuation	Description of Property	Landed Properties RM'000	Plant & Machinery RM'000
1990	Long leasehold land and buildings	6,196	-
	Plant and equipment	-	5,378
1985	Freehold land	655	-
	Long leasehold land and buildings	1,127	-
	Plant and equipment	-	1,380
1984	Long leasehold land and buildings	1,087	-
1983	Long leasehold land and buildings	13,578	-
1982	Freehold land	1,415	-
1980	Freehold land and buildings	336	-
	Plant and equipment	-	864
		24,394	7,622

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

5. Investments in subsidiary companies

	Company	
	2002 RM'000	2001 RM'000
At cost:		
- Malaysian quoted shares	607,111	607,111
- Unquoted shares	640,724	578,627
- Provision for diminution	-	(7,200)
	640,724	571,427
	1,247,835	1,178,538
At market value:		
- Malaysian quoted shares	1,805,437	1,578,263

The subsidiary companies and their principal activities are disclosed in Note 3.

6. Investments in associated companies

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At cost less amount written off:				
- Malaysian quoted shares	511,250	511,250	148,410	148,410
At cost:				
- Unquoted shares	34,352	34,352	34,352	34,352
Share of capital reserve	3,310	13,754	-	-
Share of losses	(388,909)	(361,452)	-	-
	160,003	197,904	182,762	182,762

NOTES TO THE FINANCIAL STATEMENTS

6. Investments in associated companies (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At market value:				
- Malaysian quoted shares	105,973	119,017	93,291	104,773

Investments in associated companies is represented by:

	Group	
	2002 RM'000	2001 RM'000
Share of net assets other than goodwill of the associated companies	151,112	189,013
Premium on acquisition	8,891	8,891
Carrying value	160,003	197,904

The associated companies and their principal activities are disclosed in Note 3.

In the financial year ended 30 June 2001, the Company wrote down the cost of investment in an associated company, by the sum RM323,670,000 on account of losses sustained by the associated company. The write down is eliminated on consolidation as the losses of the associated has already been equity accounted for in the Group accounts.

7. Other investments

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Long term				
At cost:				
Malaysian quoted related companies	70,323	66,429	-	-
Foreign quoted shares	3,970	14,402	-	-
Unquoted shares	366,105	366,105	365,092	365,092
Unquoted convertible preferred stock and loan stock	795	795	398	398
Unquoted floating rate note	56,711	56,420	-	-
	497,904	504,151	365,490	365,490
Less: Write down	(707)	-	-	-
	497,197	504,151	365,490	365,490
Short term				
At cost less amount written off:				
Malaysian quoted shares	-	1,847	-	-
Less: Unrealised loss	-	(632)	-	-
	-	1,215	-	-
Unquoted shares	3,146	-	2,930	-
Less: Write down	(2,646)	-	(2,430)	-
	500	-	500	-
	500	1,215	500	-
Market value of quoted securities:-				
Long term				
Malaysian quoted related companies	96,170	46,450	-	-
Foreign quoted shares	6,942	26,450	-	-
Short term				
Malaysian quoted shares	-	1,215	-	-

NOTES TO THE FINANCIAL STATEMENTS

7. Other investments (continued)

The Company has unquoted investments in Malaysian Newsprint Industries Sdn Bhd ("MNI") amounting to RM364,378,068 (2001: RM364,378,068). This investment represents 33.65% (2001: 33.65%) equity interest in the investee. MNI is principally engaged in the production of newsprint and related paper products.

The Board of Directors have 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.

8. Intangible assets

	Goodwill RM'000	Group Development Expenditure RM'000	Total RM'000
2002			
Cost			
At 1 July 2001	495,596	17,795	513,391
Goodwill arising from changes in equity interest in subsidiaries	2,469	-	2,469
Subsidiary disposed off	(9,851)	-	(9,851)
Additions	-	1,078	1,078
Reclassification	-	(3,833)	(3,833)
Exchange differences	-	(2,495)	(2,495)
Written off	(2,184)	(570)	(2,754)
Amortisation	-	(2,885)	(2,885)
At 30 June 2002	486,030	9,090	495,120
2001			
Cost			
At 1 July 2000	451,653	17,079	468,732
Goodwill arising from changes in equity interest in subsidiaries	43,943	-	43,943
Additions	-	7,038	7,038
Exchange differences	-	(511)	(511)
Written off	-	(2,326)	(2,326)
Amortisation	-	(3,485)	(3,485)
At 30 June 2001	495,596	17,795	513,391

9. Property assets

	2002 RM'000	Group 2001 RM'000
At cost:		
Freehold land and industrial building	10,391	10,391
Leasehold land and industrial building	24,379	37,850
Long leasehold condominium units	1,662	1,662
	36,432	49,903

NOTES TO THE FINANCIAL STATEMENTS

10. Inventories

	Group	
	2002 RM'000	2001 RM'000
At cost:		
Raw materials and consumables	98,979	88,342
Work-in-progress	25,287	34,655
Finished goods	73,194	75,979
	197,460	198,976
At net realisable value:		
Raw materials and consumables	932	1,302
Finished goods	18,410	18,191
	19,342	19,493
	216,802	218,469

11. Trade and other receivables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade receivables	400,815	362,891	-	-
Less: Allowance for doubtful debts	(19,270)	(18,536)	-	-
	381,545	344,355	-	-
Amount due from				
- subsidiary companies	-	-	50	175
- related companies	77,695	97,136	602	206
- associated companies	12,137	12,123	-	-
Other receivables, deposits and prepayments	157,322	162,859	83,826	84,462
	628,699	616,473	84,478	84,843

The amounts due from subsidiary companies, related companies and associated companies are unsecured, have no fixed terms of repayment with interest charged from 7.0% to 8.5% (2001: interest at 9.7% to 13.5%).

12. Deposits, cash and bank balances

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits held with:				
- licensed financial institutions	205,145	244,104	51,000	-
- other corporations	7,500	15,073	-	-
Cash and bank balances	260,975	184,051	72,289	77
	473,620	443,228	123,289	77

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Deposits held with licensed financial institutions	33,991	366	31,000	-
Cash and bank balances	93,893	116,777	72,289	74

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other payables

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Trade payables	172,320	141,859	-	-
Bankers acceptances	304,612	336,226	-	-
Amount due to				
- subsidiary companies	-	-	110,938	104,262
- related companies	10,774	8,430	25	77
- associated companies	5,195	13,302	-	-
Other payables and accrued liabilities	198,341	206,801	53,198	47,104
	691,242	706,618	164,161	151,443

Interest charged on bankers acceptances during the year ranged from 2.8% to 3.5% (2001: 3.0% to 5.0%). The amounts due to subsidiary companies were unsecured and have no fixed terms of repayment with interest charged ranging from 4.3% to 8.5% (2001: 3.0% to 8.5%) per annum.

14. Borrowings (unsecured)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Short term				
Term loans				
- bank loans	335,646	287,534	106,599	105,790
- other borrowings	170,000	178,663	170,000	134,000
Bank overdrafts	189,104	160,486	127,486	99,083
	694,750	626,683	404,085	338,873
Long term				
Term loans				
- bank loans	243,481	354,967	48,498	57,100
- other borrowings	130,000	207,000	130,000	207,000
	373,481	561,967	178,498	264,100
The long term borrowings are repayable as follows:-				
one to two years	161,009	238,450	80,900	81,300
two to five years	212,472	243,517	97,598	102,800
more than five years	-	80,000	-	80,000
	373,481	561,967	178,498	264,100

The term loans bear interest from 2.8% to 8.5% (2001: 3.8% to 8.5%) per annum. Included in the bank loans are foreign currency bank loans amounting to RM319,448,000 (2001: RM402,740,000).

NOTES TO THE FINANCIAL STATEMENTS

15. Share capital

	Group and Company 2002		2001	
	Numbers of Shares	RM	Numbers of Shares	RM
Authorised:-				
600,000,000 ordinary shares of 50 sen each	600,000,000	300,000,000	600,000,000	300,000,000
Issued and fully paid:-				
At beginning of year	225,128,500	112,564,250	225,123,900	112,561,950
Shares issued				
- Exercise of Executive Share Option Scheme	-	-	4,600	2,300
At end of year	225,128,500	112,564,250	225,128,500	112,564,250

The number of outstanding shares in issue after deducting treasury shares of 7,344,000 (2001: 7,344,000) ordinary shares (See Note 16) held at financial year end was 217,784,500 (2001: 217,784,500) ordinary shares of RM0.50 each.

(i) Warrants

During the financial year ended 30 June 1997, the Company issued 35,083,500 detachable warrants together with the 1996/2001 Bonds as stated in Note 21(i). 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. Each warrant gives the registered holder the right at any time during the exercise period to subscribe for one fully paid ordinary share of RM0.50 each at an exercise price of RM8.00 per new share.

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

None of the warrants were exercised during the year. As at 30 June 2002, 2,300 (2001: 2,300) warrants had been exercised.

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

As at 30 June 2002, the Company has outstanding options issued under the Group's ESOS as follows:-

		No. of unissued ordinary shares of RM0.50 each under the ESOS				
	Offer Date	Balance at 1-7-2001	Options Granted	Options Lapsed	Options Exercised	Balance at 30-6-2002
Option price of RM8.83	28-12-1999	4,681,400	-	254,800	-	4,426,600
Option price of RM15.64	17-04-2000	699,000	-	18,500	-	680,500
		5,380,400	-	273,300	-	5,107,100

16. Treasury shares - at cost

	2002		2001	
	Numbers of Shares of RM0.50 each	RM'000	Numbers of Shares of RM0.50 each	RM'000
At 1 July	7,344,000	59,835	-	-
Additions	-	-	7,344,000	59,835
At 30 June	7,344,000	59,835	7,344,000	59,835

There was no buy back of the Company's shares during the financial year. As at 30 June 2002, the Company had accumulated 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 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.

NOTES TO THE FINANCIAL STATEMENTS

17. Irredeemable convertible unsecured loan stocks

During the year, 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 based on a minimum subscription level of RM120,000,000 nominal value of ICULS.

Allotment of the ICULS was effected on 28 June 2002 and was subsequently officially listed on the Kuala Lumpur Stock Exchange on 10 July 2002.

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

The ICULS which are irredeemable has a maturity date of 28 June 2007 and carries 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.

18. Deferred taxation

	Group	
	2002 RM'000	2001 RM'000
At 1 July	46,554	29,976
Transfer from income statements	15,357	16,578
At 30 June	61,911	46,554

The deferred tax of revalued assets are not disclosed due to the fact that the Group does not have an intention to dispose off these asset.

The deferred tax liability is in respect of the following timing differences calculated at the current tax rate.

	Group	
	2002 RM'000	2001 RM'000
Tax effects of:		
Timing differences between depreciation and capital allowances of property, plant and equipment	62,926	50,647
Timing differences on provision	(1,015)	(4,093)
	61,911	46,554

19. Retirement benefits

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
At 1 July	18,494	17,864	632	630
Charge to income statement	3,361	2,598	176	51
Contribution paid to approved retirement fund	(2,031)	(1,968)	(25)	(49)
Disposal of subsidiary	(428)	-	-	-
At 30 June	19,396	18,494	783	632

NOTES TO THE FINANCIAL STATEMENTS

20. EuroConvertible bonds

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Zero Coupon EuroConvertible Bonds due 2006 ("ECB") - US\$73,480,000	279,224	279,224	279,224	279,224
Unexpired portion of prepaid discount on issue of ECB	-	(2,660)	-	(2,660)
	279,224	276,564	279,224	276,564

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 RM40,130,332 (2001: RM35,145,571) at 30 June 2002 and the remaining balance of RM16,552,140 will be provided for progressively until 25 October 2005.

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

Concurrently with the extension, the right to redeem the ECB at their nominal value at the option of the Company has been extended from after 25 October 2001 to 25 October 2005. The Company may also buy back the ECB at 120.3% of its nominal value at each interest payment date falling after 25 October 2002 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.

21. Redeemable bonds

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
(i) 4.5% Unsecured Redeemable Bonds 1996/2001	-	250,000	-	250,000
(ii) 8.5% Unsecured Redeemable Bonds 2004	250,000	250,000	125,000	125,000
(iii) Islamic Bond 2001/2008	250,000	-	250,000	-
	500,000	500,000	375,000	375,000

(i) The RM250,000,000 4.5% Unsecured Redeemable Bond 1996/2001 ("1996/2001 Bonds") was issued with 35,083,500 detachable warrants on a "bought deal" basis at 100% nominal amount. The warrants are listed on the Kuala Lumpur Stock Exchange. The 1996/2001 Bonds were fully redeemed in cash at nominal amount on maturity of the bonds in November 2001.

(ii) In December 1999, the Company together with its subsidiary company, Malaysian Pacific Industries Berhad ("MPI"), each issued RM125,000,000 nominal amount of 8.5% Unsecured Redeemable Bond 2001/2004 ("2001/2004 Bonds") which has a maturity date for repayment in cash at its nominal amount in December 2004.

(iii) During the year, the Company refinanced the redemption of the 1996/2001 Bonds by issuing Islamic Private Debt Securities under the Syariah Financing Principles of Al Bai' Bithaman Ajil which 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. The financing cost of the primary debt of RM250,000,000 represented by the Secondary Notes are accounted for progressively over the seven year tenure of the notes.

NOTES TO THE FINANCIAL STATEMENTS

22. Operating profit/(loss)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Revenue				
Sales of goods and services	1,942,432	2,474,601	-	516
Rental income	1,105	2,194	-	-
Sales of investments	5,015	29,949	-	-
Dividend receivable	1,716	3,910	121,731	135,397
	1,950,268	2,510,654	121,731	135,913
Cost of sales	(1,712,728)	(1,926,247)	-	-
Gross profit	237,540	584,407	121,731	135,913
Distribution costs	(88,496)	(69,235)	-	-
Administration expenses	(90,252)	(108,731)	(3,628)	(4,468)
Other operating expenses				
- Write down of investment in associated company	-	-	-	(323,670)
- provision for diminution in subsidiary company	-	-	-	(7,200)
- Loss on disposal of subsidiary	(7,938)	-	(7,289)	-
- Others	(15,793)	(42,005)	(7,625)	(4,985)
Other operating income	28,217	28,450	488	3,046
Operating profit/(loss)	63,278	392,886	103,677	(201,364)
Operating profit is arrived at after (crediting)/charging:-				
Gross dividend income				
- Shares quoted in Malaysia	(738)	(25)	-	-
- Associated companies quoted in Malaysia	-	-	-	2,153
- Associated companies unquoted in Malaysia	-	-	(360)	-
- Subsidiary company quoted in Malaysia	-	-	(53,804)	(83,696)
- Unquoted subsidiary companies	-	-	(67,567)	(52,146)
- Others	(978)	(3,885)	-	(1,708)
Rental income	(1,252)	(2,297)	-	-
Gain on disposal of investments	(11,090)	(2,682)	-	-
Gain on disposal of associated company	-	(2,327)	-	-
Auditors' remuneration				
- auditors of the Company:				
- current year	667	672	46	44
- prior year	-	17	2	2
- other services	200	-	200	-
- other auditors				
- other services	506	138	143	-
Depreciation and amortisation of property, plant and equipment	272,148	272,043	-	45
Directors' fee				
- current year	545	565	260	260
- prior year	-	(16)	-	(14)
Directors' emoluments				
- current year	4,215	7,860	966	1,710
- prior year	-	30	-	30
Rental of plant and equipment	708	1,122	-	-
Rental of premises	5,921	5,551	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. Operating profit/(loss) (continued)

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Provision/(write back) for bad and doubtful debts	4,073	(3,478)	-	-
Plant and equipment written off	3,683	2,434	-	-
Loss/(Gain) on disposal of plant and equipment	5,263	(257)	-	-
Write down/Provision for diminution in value of investment	3,350	1,134	2,430	7,200
Loss/(Gain) on foreign exchange	2,451	504	-	(733)
Loss on disposal of subsidiaries	7,938	-	7,289	-
Provision for retirement benefits	3,361	2,598	159	51
Amortisation/write off of development expenditure	3,455	5,811	-	-
Provision for EuroConvertible Bond Put Premiums	4,985	4,985	4,985	4,985
Investment in associated company written down	-	-	-	323,670
Goodwill written off	2,184	-	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and Company are RM133,000 (2001: RM129,000) and RM25,000 (2001: RM21,000) respectively.

23. Net financing costs

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Interest payable:				
Bank overdrafts	4,502	1,674	757	501
Related companies' interest	347	180	4,315	7,961
Term loans	25,167	44,100	859	6,641
Others	89,253	85,760	71,731	58,200
	119,269	131,714	77,662	73,303
Interest receivable:				
Deposit held with licensed financial institutions and other corporations	(15,418)	(21,059)	(2,268)	(142)
Related companies' interest	(8,229)	(8,475)	-	-
	(23,647)	(29,534)	(2,268)	(142)
	95,622	102,180	75,394	73,161

24. Share of losses of associated companies

Share of losses of associated companies consist of the following:-

	Group	
	2002 RM'000	2001 RM'000
Share of losses before exceptional item	(26,890)	(32,779)
*Share of exceptional item	-	(131,340)
	(26,890)	(164,119)

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

NOTES TO THE FINANCIAL STATEMENTS

25. Taxation

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

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Current taxation				
- Malaysian	9,706	(1,891)	9,000	(4,060)
- Foreign	211	90	-	-
Deferred taxation	16,779	17,273	-	-
Share of associated companies' taxation	307	1,168	-	-
	27,003	16,640	9,000	(4,060)
(Over)/Under provision in prior years:				
- Taxation	(3,262)	526	(2,084)	(840)
- Deferred taxation	(1,422)	(695)	-	-
	22,319	16,471	6,916	(4,900)

There is tax charge for the year despite a group loss due to the absence of group relief for loss making subsidiaries.

The effective tax rate of the Company is higher than the statutory rate of tax mainly due to the disallowance of certain expenses under Section 60F of the Income Tax Act.

The Company has estimated unabsorbed losses and unabsorbed capital allowances of RM10,019,469 (2001: RM9,361,590) and RM1,552,956 (2001: RM1,552,956) respectively available to offset future business taxable profits.

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

Subject to the agreement of the Inland Revenue Board, the Company has sufficient tax exempt credit and tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its retained profits at 30 June 2002.

26. Loss per ordinary share

Basic loss per share

The basic loss per ordinary share is calculated by dividing the Group loss after taxation and minority shareholders' interests of RM78,018,000 (2001: RM70,024,000) by the number of ordinary shares outstanding during the financial year of 217,784,500 (2001: Weighted average of 221,005,938).

Diluted loss per share

The diluted loss per share is calculated by dividing the loss of RM78,018,000 (2001: RM70,024,000) by the diluted weighted average number of 217,784,500 (2001: 221,005,938) ordinary shares that would be in issue on 1 July 2001 had all the dilutive options been exercised at that date. For the year, the basic and diluted loss per share is the same for reason that all of the potential ordinary shares are anti-dilutive and are therefore ignored in the calculation of the diluted loss per share.

27. Dividends

	Group and Company	
	2002 RM'000	2001 RM'000
First interim		
- 7% tax exempt and a further special interim dividend of 10% less tax (2001: 10% tax exempt and a further special interim dividend of 15% less tax)	15,463	22,650
Second interim		
- 8% tax exempt and a further special interim dividend of 10% less tax (2001: 10% tax exempt and a further special interim dividend of 15% less tax)	16,552	22,650
Write back of previous year final dividend in respect of shares bought back and held as treasury shares	-	(352)
	32,015	44,948

NOTES TO THE FINANCIAL STATEMENTS

28. Holding company

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

29. Commitments

	Group	
	2002 RM'000	2001 RM'000
Capital commitments:		
Authorised but not contracted for	27,351	36,991
Authorised and contracted for	87,682	138,278
Operating lease commitments:		
Expiring within one year	697	1,641
Expiring between one to five years	3,381	4,935
Expiring after five years	45,188	46,093
	49,266	52,669

The Group has lease commitments of RM697,465 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 3% every five years and lease expires 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 which is exercisable in any of the calendar years 1999, 2004, 2009, 2014, 2019, 2024 and 2029. None of the leases include contingent rental.

30. Segmental report

	Revenue RM'000	(Loss)/Profit Before Taxation RM'000	Total Assets RM'000
2002			
Semiconductor	768,842	(13,225)	1,887,844
Motorcycles	391,254	3,499	386,725
Building materials	500,492	45,788	458,750
Packaging	185,494	15,054	237,837
Investment holdings and others	104,186	(83,460)	1,061,336
	1,950,268	(32,344)	4,032,492
Share of losses of associated companies	-	(26,890)	-
	1,950,268	(59,234)	4,032,492
2001			
Semiconductor	1,332,153	326,030	2,133,436
Motorcycles	356,007	(6,929)	339,695
Building materials	476,926	28,929	471,813
Packaging	188,408	16,535	216,727
Investment holdings and others	157,160	(73,859)	1,032,494
	2,510,654	290,706	4,194,165
Share of losses of associated companies	-	(164,119)	-
	2,510,654	126,587	4,194,165

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

NOTES TO THE FINANCIAL STATEMENTS

31. Employees information

	Group		Company	
	2002 RM'000	2001 RM'000	2002 RM'000	2001 RM'000
Staff costs	331,224	365,591	-	1,187

The number of employees of the Group and the Company (excluding directors) at the end of the year was 12,963 (2001: 14,041) and Nil (2001: 11) respectively.

32. Disposal of subsidiary company

The Company entered into an agreement to dispose of Hong Leong Equipment Sdn Bhd, a subsidiary company, on 5 July 2001 for a cash consideration of RM1,500,000.

- (i) The disposal resulted in a loss for the Company of RM7,289,000; and
- (ii) Effect of disposal on the results of the Group was as follows:-

	2002 RM'000	2001 RM'000
Revenue	-	31,895
Cost of sales	-	(27,634)
Gross profit	-	4,261
Other operating income	-	4,447
Distribution costs	-	(894)
Administration costs	-	(1,457)
Other operating expenses	-	(76)
Profit from operation	-	6,281
Finance costs	-	(520)
Profit attributable to shareholders	-	5,761
The effects of the disposal on the Group was as follows:-		
Property, plant and equipment	348	348
Inventories	4,327	4,327
Trade and other receivables	13,794	13,794
Cash and bank balances	899	1,115
Trade and other payables	(12,157)	(12,157)
Bank overdraft	(50)	(50)
Bank borrowings	(4,000)	(4,000)
Provision for staff retirement benefits	(428)	(428)
	2,733	2,949
Goodwill	9,851	
Transfer to other investment	(3,146)	
Proceeds on disposal	(1,500)	
Loss on disposal	7,938	
Total proceeds from disposal	1,500	
Cash and cash equivalents in subsidiary disposed	(849)	
Net cash inflows on disposal	651	

NOTES TO THE FINANCIAL STATEMENTS

33. 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 substantial shareholders of the Company and/or related corporations and/or persons connected to them as follows:

- (i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a substantial shareholder of the Company. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a Director and a deemed substantial shareholder of the Company, is a Director and a substantial 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 substantial shareholder of the Company, is a Director and a deemed substantial shareholder of HLCM. Tan Sri Quek, Mr Kwek LS and Mr Kwek LB are persons connected to HLCM;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected to Mr Kwek LB, who is a person connected to HLCM as stated in (i) above;
- (iii) Hong Bee Hardware Co. Sdn Bhd ("Hong Bee Hardware") and Hong Bee Motors Sdn Bhd ("Hong Bee Motors") are persons connected to 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 to Mr Ng Choong Hai, a Director of certain subsidiaries of the Company;
- (v) MZ Engineering GmbH, MuZ North America Inc. ("MZ NA") and Petr Karel Korous Management Consulting are persons connected to Mr Petr Karel Korous, a Director of a subsidiary of the Company;
- (vi) Yamaha Motor Co. Ltd ("YMC") is a substantial 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 to YMC (YMC, YMA, TYM and PT collectively referred to as "YMC Group");
- (vii) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected to YBhg Tan Sri Dato' Zaki bin Tun Azmi, a Director of certain related companies of the Company. BIB ceased to be a subsidiary of Hong Leong Credit Berhad ("HLC") on 29 January 2002;
- (viii) HLC and Hong Leong Bank Berhad ("HLB") are subsidiaries of HLCM.

Significant transactions with related parties are as follows:

Transaction	Related Party	Group	
		2002 RM'000	2001 RM'000
(a) Leasing/Rental of properties	Subsidiary company of HLCM	1,273	540
(b) Receipt of insurance and insurance broking services	Hong Leong Assurance Berhad, a subsidiary of HLC, and BIB	11,991	5,813
(c) Sales of goods and services	Subsidiary and associated companies of HLCM	36,621	32,260
	Syarikat Motor Singa and Sing Heng Motor	5,020	7,321
	MZ NA	20,489	18,653
	Hong Bee Hardware and Hong Bee Motors	22,873	19,564
	MZ Engineering GmbH	4,391	2,188
	YMC Group	10,290	8,734
(d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	3,485	524
(e) Payment of usage of the Hong Leong logo and trademark	HLCM	50	10
(f) Purchase of goods and services	Subsidiary and associated companies of HLCM	119,791	121,221
	Tasek	38,813	46,629
	MZ Engineering GmbH	9,616	17,979
	Petr Karel Korous Management Consulting	421	421
	YMC Group	67,896	63,173
(g) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCM	9,048	9,794
(h) Interest income	HLB	8,434	8,475

NOTES TO THE FINANCIAL STATEMENTS

33. Related parties (continued)

Significant transactions entered into by the Company with related corporations are as follows:

	Group	
	2002 RM'000	2001 RM'000
Subsidiaries		
Rental expenses	108	151
Management fee receivable	-	516
Management and professional fees payable	1,727	336
Insurance premium payable	3	7
Disposal of plant and equipment	-	727

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.

34. Significant events during the year

During the year:

- (a) The Company had, on 5 July 2001, entered into an agreement with Kobelco International (S) Pte Ltd ("Kobelco") and Ricon Private Ltd ("Ricon"), to dispose of 75% of its equity interest in Hong Leong Equipment Sdn Bhd ("HLE") comprising 1,500,000 ordinary shares of RM1.00 each, for a total consideration of RM1.5 million, in which the Company has a put option and Kobelco has a call option in respect of the remaining 25% of the equity shares comprising 500,000 ordinary shares of RM1.00 each ("Option Shares") within the period commencing one year from the completion date (26 December 2001) and ending two years from the completion date (25 December 2003), at a purchase price based on the higher of the par value of the Option Shares or the Net Tangible Assets value of HLE on the option exercise date ("Disposal"). The Disposal was completed on 26 December 2001.

- (b) The Company had undertaken a rights issue of RM217,784,500 nominal value of 4% 5-year irredeemable convertible unsecured loan stocks ("ICULS") at 100% of the nominal value on the basis of RM1.00 nominal value of ICULS for every one (1) existing ordinary share of RM0.50 held in the Company. The ICULS were allotted on 28 June 2002.

- (c) Guocera Tile Industries (Labuan) Sdn Bhd ("GTI(L)"), a 70% subsidiary of HLI, had undertaken a return of capital to its shareholders amounting to RM9,350,001 on the basis of RM0.50 for every one (1) GTI(L) ordinary share of RM1.00 each held, by the cancellation of RM0.50 from every GTI(L) ordinary share and the consolidation of every two (2) resultant GTI(L) ordinary shares of RM0.50 each into one (1) GTI(L) ordinary share of RM1.00 each ("GTI(L) Return of Capital").

The Court Order was granted and sealed on 6 May 2002 and 27 June 2002 respectively. The Sealed Order was subsequently lodged with the Registrar of Companies on 12 July 2002.

The GTI(L) Return of Capital was completed on 12 July 2002.

- (d) Guolene Packaging Industries Berhad ("GPIB"), a 96.4% subsidiary of HLI, had undertaken a return of capital to its shareholders amounting to RM72,510,972.50 on the basis of RM0.50 for every one (1) GPIB ordinary share of RM1.00 each held, by the cancellation of RM0.50 from every GPIB ordinary share and the consolidation of every two (2) resultant GPIB ordinary shares of RM0.50 each into one (1) GPIB ordinary share of RM1.00 each ("GPIB Return of Capital").

The GPIB Return of Capital is now pending sanction of the High Court of Malaya.

- (e) MZ Holdings Limited ("MZHL"), a wholly-owned subsidiary, had entered into a share subscription agreement with Mr Piti Manomaiphibul ("PM"), Mrs Daranit Srfuengfung ("DS"), the spouse of PM, Millennium Motors Company Limited ("MMCL") and the remaining shareholders of MMCL, for the subscription by MZHL of 9,800,000 ordinary shares of par value Thai Baht ten (10) each representing 49% of the enlarged paid-up share capital of MMCL for a total cash subscription price of Thai Baht 98,000,000 (equivalent to approximately RM8,805,300) ("Subscription").

The Subscription was completed on 8 August 2002.

NOTES TO THE FINANCIAL STATEMENTS

35. Comparative figures

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

	As Previously Stated RM'000	Reclassification RM'000	As Restated RM'000
Group			
Income Statements			
Other operating expenses	37,020	4,985	42,005
Exceptional items	4,985	(4,985)	-
Company			
Income Statements			
Other operating expenses	-	335,855	335,855
Exceptional items	335,855	(335,855)	-

STATEMENT BY DIRECTORS

We, Kwek Leng San and Ron Lim Kim Chai, being two of the Directors of HONG LEONG INDUSTRIES BERHAD state that in the opinion of the Directors, the financial statements set out on pages 29 to 57 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 2002 and of the results of the business of the Group and of the Company and the cash flows of the Group and of the Company for the year ended on that date.

On behalf of the Board

KWEK LENG SAN

RON LIM KIM CHAI

Kuala Lumpur
24 August 2002

STATUTORY DECLARATION

Pursuant to Sub-Section (16) of Section 169 of the Companies Act, 1965

I, Soon Seong Keat, being the officer primarily responsible for the financial management of HONG LEONG INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 29 to 57 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)	
by the abovenamed Soon Seong Keat)	SOON SEONG KEAT
at Kuala Lumpur in the Federal)	
Territory on 24 August 2002)	

Before me

TEONG KIAN MENG
Commissioner for Oaths

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements set out on pages 29 to 57 of HONG LEONG INDUSTRIES BERHAD. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

In our opinion:-

- (a) the financial statements which have been prepared under the historical cost convention, as modified by the revaluation of certain assets, are properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company at 30 June 2002 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 38 to 40. 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

161/5/04 (J/PH)

Kuala Lumpur

24 August 2002

OTHER INFORMATION

1 Properties Held By The Group As At 30 June 2002

Location	Tenure	Existing Use	Date/Year of Last Revaluation/ Acquisition	Approx Area (Sq Ft)	Approx Age of Building (Years)	Net Book Value as at 30 June 2002 (RM'000)
5 1/2 miles, Jalan Kapar Rantau Panjang, 42100 Klang Selangor Darul Ehsan	Freehold	Factory Buildings	1982	667,513	11-33	22,355
5 1/2 miles, Jalan Meru 41050 Klang Selangor Darul Ehsan	Freehold	Factory Buildings	1982	871,600	21	22,337
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Factory Buildings	17-Apr-85	261,633	17	5,938
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Factory Buildings	17-Apr-85	1,061,775	12	6,702
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Factory Buildings	17-Apr-85	747,108	9	22,213
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Industrial Land	17-Apr-85	256,187	-	259
201, Jalan Mengkibol 86000 Kluang Johor Darul Takzim	Freehold	Warehouses	17-Apr-85	907,790	7	15,603
Ranca-Ranca Industrial Estate, Labuan	Leasehold (31/12/2043)	Factory Buildings	1990	457,790	18	3,234
CL-205228842, Lot 5331 Labuan, Sabah	Leasehold (01/01/2057)	Industrial Land	17-Jun-93	243,936	-	361
No 367 A & B Jalan Melaka Raya 4 Taman Melaka Raya 75000 Melaka	Leasehold (04/10/2082)	3-storey Mid Terraced Shop Office	29-Aug-96	1,399	19	186
Lot 14/70, Jalan Utas 40000 Shah Alam Selangor Darul Ehsan	Leasehold (11/06/2071)	Factory Buildings	1983	456,000	21	13,489
Lot 57, Persiaran Bukit Rahman Putra 3 47000 Sungai Buloh Selangor Darul Ehsan	Freehold	Factory Buildings	14-Apr-94	1,577,316	6	53,209
PF 70, Alte Marienberger Strasse, 30-35, 09401 Zschopau-Hohndorf, Germany	Freehold	Factory Buildings, Office Building and Store	1-Sep-96	823,338	7-21	4,181
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (20/04/2074)	Factory Building and Office Building	21-Sep-98	158,297	6-27	13,254
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (15/08/2081)	Factory Building and Office Building	21-Sep-98	64,469	4-14	13,906

OTHER INFORMATION

(continued)

1. Properties Held By The Group As At 30 June 2002 (continued)

Location	Tenure	Existing Use	Date/Year of Last Revaluation/ Acquisition	Approx Area (Sq Ft)	Approx Age of Building (Years)	Net Book Value as at 30 June 2002 (RM'000)
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (23/05/2082)	Factory Building and Office Building	21-Sep-98	19,849	6-14	2,135
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (08/05/2039)	Industrial Land (Factory under construction)	28-Jan-99 and 30-Mar-98	53,274	-	15,549
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (08/05/2078)	Industrial Land	24-Feb-98	61,676	-	1,330
Jalan Lapangan Terbang 30720 Ipoh, Perak	Leasehold (08/05/2039)	Factory Building and Office Building	7-Apr-89	45,680	8	6,515
Lot 52986 Kawasan Perindustrian Taman Meru, Jelapang Perak Darul Ridzuan	Leasehold (29/10/2091)	Factory Building and Office Building	30-Oct-92	1,344,579	11	81,972
Shenxu Road, Suzhou Industrial Park The Municipality of Suzhou The Province of Jingsu The People's Republic of China	Leasehold (1/1/2052)	Vacant Industrial Land	30-Apr-02	430,550	-	1,870
Lot 2367, Bayan Lepas Pulau Pinang	Leasehold (2031)	Factory Buildings, Office Building and Store	1996	257,000	9	25,681
Lot 8, Bayan Lepas Pulau Pinang	Leasehold (16/06/2058)	Factory Buildings, Office Building and Store	1996	105,000	4	18,189
194, Goodview Drive Apollo, Pennsylvania USA	Freehold	Factory Buildings, Office Building and Store	09-Jul-97	22,700	42	2,659
4060, Norbatrol Ave Murrys ville, Pennsylvania USA	Freehold	Factory Buildings Office Building and Store	22-Jan-96	51,000	38	2,065
Lot 5035 & Lot 5037 Jalan Teluk Datuk 28/40 40000 Shah Alam, Selangor	Freehold	Vacant Industrial Land (Property Assets)	1981	180,338	-	1,244
Lot 5036, Jalan Teluk Datuk 28/40, 40000 Shah Alam, Selangor	Freehold	Vacant Factory Building, Office Building and Store (Property Assets)	1981	440,278	9-13	9,147
Lot 295-297, Mukim No.1 Kawasan Perusahaan Prai Prai Industrial Complex 13600 Seberang Prai, Penang	Leasehold (01/04/2041)	Factory Building, Office Building and Store (Property Assets)	1981	55,234	13	780
Lot 295-297, Mukim No.1 Kawasan Perusahaan Prai Prai Industrial Complex 13600 Seberang Prai, Penang	Leasehold (31/10/2035)	Factory Building, Office Building and Store (Property Assets)	1981	130,244	13	1,838

OTHER INFORMATION

(continued)

1. Properties Held By The Group As At 30 June 2002 (continued)

Location	Tenure	Existing Use	Date/Year of Last Revaluation/ Acquisition	Approx Area (Sq Ft)	Approx Age of Building (Years)	Net Book Value as at 30 June 2002 (RM'000)
Lot 5078 & 5079 Jalan Jenjarom 28/39 Sekyen 28 40000 Shah Alam Selangor Darul Ehsan	Freehold	Factory Building, Office Building and Store	1985	233,024	8-10	17,369
Lot 3, Mukim Batu Batu Caves Industrial Estate Selangor Darul Ehsan	Leasehold (05/09/2074)	Factory Building	1985	43,479	27	963
Plots 75 & 76, 83-85 Kawasan Perindustrian Peringkat III Mukim Bukit Katil State of Melaka	Leasehold (04/01/2082) (30/10/2077)	Factory Building, Office Building and Store	1983	390,959	18-19	2,982
D127, Ground Floor, Block D Tanjung Biru Condominium Port Dickson Negeri Sembilan Darul Khusus	Freehold	Condominium for staff use	22-Nov-83	840	18	85
Lot 9-10, Ayer Keroh Industrial Estate 75450 Melaka	Leasehold (30/06/2071)	Factory Building, Office Building and Store	14-May-79	194,863	25	3,644
D128, Ground Floor, Block D Tanjung Biru Condominium Port Dickson Negeri Sembilan Darul Khusus	Freehold	Condominium for staff use	22-Nov-83	840	18	120
Lot No 1, Jalan Gunggun 28/30 Sekyen 28, 40000 Shah Alam Selangor Darul Ehsan	Freehold	Factory Building, Office Building and Store	28-Jun-93	548,856	6	31,149
Lot 223, Jalan Utas 15/7 Shah Alam Industrial Estate 40702 Shah Alam Selangor Darul Ehsan	Leasehold (19/04/2075)	Vacant Factory Building (Property Assets)	30-Jul-91	261,360	20	8,530
Unit 3-1-1 & 3-2-3, Block 3 Conlay Court Condominiums Section 63 City of Kuala Lumpur	Leasehold (17/07/2083)	Condominium (Property Assets)	1996	4,238	6	1,662
Lot 31, Section 7, Phase 1A Pulau Indah Industrial Park West Port Selangor Darul Ehsan	Leasehold (24/02/2097)	Vacant Industrial Land (Property Assets)	3-Jan-96	871,200	-	13,231

OTHER INFORMATION

(continued)

2 Analysis Of Shareholdings As At 30 September 2002

Class of Share : Ordinary share of RM0.50 each

Voting rights

- on show of hands : 1 vote

- on a poll : 1 vote for each share held

Distribution Schedule of Shareholders as at 30 September 2002

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 1,000	199	4.89	50,422	0.02
1,000 – 10,000	3,329	81.83	8,857,768	4.07
10,001 – 100,000	407	10.01	13,525,213	6.21
100,001 – less than 5% of issued shares	128	3.15	104,607,305	48.03
5% and above of issued shares	5	0.12	90,743,792	41.67
	4,068	100.00	217,784,500	100.00

List of Thirty Largest Shareholders as at 30 September 2002

Name of Shareholders	No. of Shares	%
1. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	33,195,000	15.24
2. Employees Provident Fund Board	16,280,000	7.48
3. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	14,204,792	6.52
4. HLG Nominee (Asing) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	14,064,000	6.46
5. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	13,000,000	5.97
6. AMMB Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	9,533,333	4.38
7. PAB Nominee (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,700,000	3.08
8. RC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	6,000,000	2.76
9. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	5,343,600	2.45
10. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	2.39
11. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,900,000	1.79
12. Malaysia Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	3,850,000	1.77
13. RHB Capital Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	3,000,000	1.38
14. AllianceGroup Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,500,000	1.15

OTHER INFORMATION

(continued)

2 Analysis Of Shareholdings As At 30 September 2002 (continued)

List of Thirty Largest Shareholders as at 30 September 2002 (continued)

Name of Shareholders	No. of Shares	%
15. UOBM Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,200,000	1.01
16. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,000,475	0.92
17. Hong Bee Hardware Company Sdn Bhd	1,770,000	0.81
18. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad	1,768,000	0.81
19. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	1,705,000	0.78
20. HLG Nominee (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.71
21. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	1,490,000	0.68
22. Universal Trustee (Malaysia) Berhad - BHLB Pacific High Growth Fund	1,348,000	0.62
23. Perbadanan Nasional Berhad	1,310,000	0.60
24. PAB Nominee (Tempatan) Sdn Bhd - Quek Leng Chan	1,268,000	0.58
25. Scotia Nominees (Asing) Sdn Bhd - TMT Global Limited	1,244,000	0.57
26. AMMB Nominees (Tempatan) Sdn Bhd - BHLB Pacific Dana Al-Ihsan	1,206,000	0.55
27. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,202,000	0.55
28. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund	1,188,000	0.55
29. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Smallcap Fund Berhad	1,164,000	0.53
30. Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Growth Fund	1,128,000	0.52
	160,312,200	73.61

OTHER INFORMATION

(continued)

2 Analysis Of Shareholdings As At 30 September 2002 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2002 are as follows:-

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Company (Malaysia) Berhad	127,813,200	58.69	2,757,800#	1.26#
2. YBhg Tan Sri Quek Leng Chan	1,268,000	0.58	130,571,000*	59.95*
3. HL Holdings Sdn Bhd	-	-	130,571,000*	59.95*
4. Hong Realty (Private) Limited	-	-	130,571,000*	59.95*
5. Hong Leong Investment Holdings Pte Ltd	-	-	130,571,000*	59.95*
6. Kwek Holdings Pte Ltd	-	-	130,571,000*	59.95*
7. Mr Kwek Leng Beng	-	-	130,571,000*	59.95*
8. Employees Provident Fund Board	22,683,000	10.42	-	-

Notes:-

Deemed interests through subsidiary companies

* Deemed interests through Hong Leong Company (Malaysia) Berhad

3 Analysis Of Warrantholdings As At 4 October 2002

Voting rights

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

Distribution Schedule of 1996/2006 Warrantholders as at 4 October 2002

Size of Holdings	No. of 1996/2006 Warrantholders	%	No. of 1996/2006 Warrants	%
Less than 1,000	116	3.73	47,047	0.13
1,000 – 10,000	2,765	88.94	7,029,560	20.04
10,001 – 100,000	208	6.69	5,743,721	16.37
100,001 – less than 5% of issued 1996/2006 warrants	18	0.58	4,965,872	14.16
5% and above of issued 1996/2006 warrants	2	0.06	17,295,000	49.30
	3,109	100.00	35,081,200	100.00

List of Thirty Largest Warrantholders as at 4 October 2002

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. Malaysia Nominees (Tempatan) Sendirian Berhad		
- Great Eastern Life Assurance (Malaysia) Berhad	3,595,000	10.25
3. Assets Nominees (Tempatan) Sdn Bhd		
- Hong Leong Company (Malaysia) Berhad	1,575,372	4.49
4. Allianz General Insurance Malaysia Berhad	445,000	1.27
5. HSBC Nominees (Tempatan) Sdn Bhd		
- Malaysian Assurance Alliance Berhad	400,000	1.14
6. HSBC Nominees (Asing) Sdn Bhd		
- Universities Superannuation Scheme Limited	312,500	0.89

OTHER INFORMATION

(continued)

3 Analysis Of Warrantholdings As At 4 October 2002 (continued)

List of Thirty Largest Warrantholders as at 4 October 2002 (continued)

Name of 1996/2006 Warrantholders	No. of 1996/2006 Warrants	%
7. AMMB Nominees (Tempatan) Sdn Bhd - BHLB Pacific Dana Al-Ihsan	310,000	0.88
8. HSBC Nominees (Asing) Sdn Bhd - Tenacious Hold Limited	233,000	0.66
9. Straits Nominees (Asing) Sdn Bhd - Tan Yan Tin	217,000	0.62
10. Hong Bee Hardware Company Sdn Bhd	188,000	0.54
11. HLG Nominee (Asing) Sdn Bhd - Cheng Fu Zay	185,000	0.53
12. Tahan Insurance Malaysia Berhad	185,000	0.53
13. Malaysian Assurance Alliance Berhad	182,000	0.52
14. Lim King Huak	178,000	0.51
15. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	164,000	0.47
16. Mayban Nominees (Tempatan) Sdn Bhd - Susy Ding	158,000	0.45
17. KPM Securities Sdn Bhd	140,000	0.40
18. Citicorp Nominees (Tempatan) Sdn Bhd - Susy Ding	127,000	0.36
19. Mayban Nominees (Tempatan) Sdn Bhd - Saham Amanah Sabah	112,000	0.32
20. Lai Kui Yin	110,000	0.31
21. Polywell Enterprise Sendirian Berhad	100,000	0.28
22. DB (Malaysia) Nominee (Asing) Sdn Bhd - Cablestar Limited	99,000	0.28
23. SBBAM Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial	94,000	0.27
24. TCL Nominees (Tempatan) Sdn Bhd - Tay Ah Moi @ Tey Ah Moy	92,000	0.26
25. Citicorp Nominees (Asing) Sdn Bhd - American International Assurance Company Limited	91,000	0.26
26. Gun Bee Leh @ Gan Hwee Peng	81,000	0.23
27. SBBAM Nominees (Tempatan) Sdn Bhd - Yayasan Tunku Abdul Rahman	78,000	0.22
28. SBBAM Nominees (Tempatan) Sdn Bhd - Yayasan Mohd Noah	76,000	0.22
29. Wong Chin Tong	76,000	0.22
30. Lim Kim Huat @ Lim Kee Chooi	75,000	0.21
	23,378,872	66.64

OTHER INFORMATION

(continued)

4 Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holders As At 4 October 2002

Voting rights

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

Distribution Schedule of 2002/2007 ICULS Holders as at 4 October 2002

Size of Holdings	No. of 2002/2007 ICULS Holders	%	No. of 2002/2007 ICULS	%
Less than 1,000	15	0.69	5,822	0.00
1,000 – 10,000	1,777	81.78	5,460,558	2.62
10,001 – 100,000	305	14.03	9,489,400	4.56
100,001 – less than 5% of issued 2002/2007 ICULS	73	3.36	40,343,800	19.38
5% and above of issued 2002/2007 ICULS	3	0.14	152,853,200	73.44
	2,173	100.00	208,152,780	100.00

List of Thirty Largest 2002/2007 ICULS Holders as at 4 October 2002

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	57.65
2. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	17,013,200	8.17
3. Employees Provident Fund Board	15,840,000	7.61
4. Hong Leong Assurance Berhad	10,000,000	4.80
5. Hong Bee Hardware Company Sdn Bhd	1,767,000	0.85
6. HLG Nominee (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.75
7. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad	1,401,000	0.67
8. Soon Li Voon	1,400,000	0.67
9. Universal Trustee (Malaysia) Berhad - BHLB Pacific High Growth Fund	1,389,000	0.67
10. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund	1,188,000	0.57
11. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Smallcap Fund Berhad	1,164,000	0.56
12. Rothputra Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,100,000	0.53
13. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Assurance Berhad (Life)	1,000,000	0.48
14. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Assurance Berhad (Non-Life)	1,000,000	0.48
15. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	900,000	0.43
16. AM Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	800,000	0.38

OTHER INFORMATION

(continued)

4 Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holders As At 4 October 2002 (continued)

List of Thirty Largest 2002/2007 ICULS Holders as at 4 October 2002 (continued)

Name of 2002/2007 ICULS Holders	No. of 2002/2007 ICULS	%
17. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	734,000	0.35
18. BAM Nominees (Tempatan) Sdn Bhd - Pertubuhan Keselamatan Sosial	728,000	0.35
19. Citicorp Nominee (Asing) Sdn Bhd - Stichting Shell Pensioenfond	660,000	0.32
20. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	645,000	0.31
21. Chong Fong	620,000	0.30
22. Universal Trustee (Malaysia) Berhad - Mayban Unit Trust Fund	546,000	0.26
23. Assets Nominees (Tempatan) Sdn Bhd - Hongvest Sdn Bhd	509,000	0.25
24. Universal Trustee (Malaysia) Berhad - CMS Premier Fund	476,000	0.23
25. Mayban Nominees (Tempatan) Sdn Bhd - Saham Amanah Sabah	460,000	0.22
26. Cimsec Nominees (Tempatan) Sdn Bhd - Commerce Asset-Holding Berhad	422,000	0.20
27. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	388,000	0.19
28. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	380,000	0.18
29. Mayban Nominees (Tempatan) Sdn Bhd - Balanced Returns Fund	368,000	0.18
30. Amanah Raya Berhad - BHLB Pacific Double Growth Fund	351,000	0.17
	184,799,200	88.78

OTHER INFORMATION

(continued)

5 Directors' Interests As At 30 September 2002

Subsequent to the financial year end, there is no change as at 30 September 2002 to the Directors' interests in the ordinary shares and/or stock units and/or warrants/options/irredeemable convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' report on pages 23 to 26 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 except for the changes set out below:

	Direct Interest		Deemed Interest	
	No.	%	No.	%
YBhg Tan Sri Quek Leng Chan				
Hong Leong Credit Berhad	10,290,600	0.99	813,290,454	78.27
	756,000*	-	-	-
Hume Industries (Malaysia) Berhad	51,000#	0.02	165,176,024#	66.25
Hume Cemboard Berhad	8,231,400	13.33	42,710,000	69.17
Mr Chuah Chuan Thye				
Hong Leong Credit Berhad	-	-	9,284,949	0.89

6 Public Sanctions and/or Penalties

There are no public sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies.

7 Material Contracts

Save for the following, 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 the Kuala Lumpur Stock Exchange:

- Hong Leong Yamaha Motor Sdn Bhd ("HLYM"), a 69.41% owned subsidiary of the Company had, on 6 May 2002, entered into a Sale and Purchase Agreement with MZ Motorrad Sdn Bhd ("MZ"), a wholly-owned subsidiary of the Company for the sale and transfer of a piece of leasehold land located at Shah Alam, Selangor Darul Ehsan together with industrial factory and one office block erected thereon to MZ for a total cash consideration of RM23,400,000 ("the Sale"). The Sale was completed on 28 June 2002.

YBhg Tan Sri Quek Leng Chan is a Director of the Company and HLYM and a major shareholder of the Company, HLYM and MZ.

Mr Kwek Leng San, a brother of YBhg Tan Sri Quek Leng Chan, is a Director of the Company and HLYM. He is a shareholder of the Company.

Mr Ron Lim Kim Chai is a Director of the Company, HLYM and MZ. He is a shareholder of the Company.

Hong Leong Company (Malaysia) Berhad is a major shareholder of the Company, HLYM and MZ.

8 Approved Utilisation Of Funds

Description	Approved Utilisation RM'000	Actual Utilisation RM'000
Renounceable Rights Issue of RM217,784,500 Nominal Value of 4% Five (5)-Year Irredeemable Convertible Unsecured Loan Stocks ("ICULS") 2002/2007 At 100% Nominal Value On the Basis of RM1.00 Nominal Value of ICULS for every One (1) Existing Ordinary Shares of RM0.50 Each Held	208,153	208,153



Hong Leong Industries Berhad (5486-P)

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

FORM OF PROXY

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

of _____
or failing him/her _____

of _____
or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Thirty-ninth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 12 November 2002 at 3.00 p.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements and Reports		
2. To approve the payment of Directors' fees		
3. To re-elect the following as Directors: (a) YBhg Tan Sri Quek Leng Chan; (b) Mr David Edward Comley; and (c) Mr Chuah Chuan Thye	(a) (b) (c)	(a) (b) (c)
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 2002

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. Pursuant to paragraph 7.22 of the Listing Requirements of the Kuala Lumpur Stock Exchange, where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint 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.