

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 2003.

Principal Activities

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

Results

	Group RM'000	Company RM'000
Net profit for the year	9,007	15,767

Dividend

Since the end of the previous financial year, the Company paid an interim dividend of 2.5 sen per share less tax amounting to RM3,920,121 on 31 March 2003 in respect of the financial year ended 30 June 2003.

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, YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar, YBhg Dato' Ahmad Johari bin Tun Abdul Razak and YBhg Dato' Dr Agoes Salim retire by rotation from the Board and, being eligible, offer themselves for re-election.



DIRECTORS' REPORT (cont'd)

Directors' Interests

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

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/options/convertible unsecured loan stocks*			
	Nominal Value Per Share/Stock Unit<	At 1-7-2002	Acquired/ Rights Issue~/ Bonus Issue+	Sold	At 30-6-2003
	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	5,717,000	4,573,600+ 597,000	-	10,887,600
	-	420,000*	336,000@*	597,000*	159,000*
Hong Leong Industries Berhad	0.50	1,268,000	-	-	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
Hume Industries (Malaysia) Berhad	1.00<	51,000	51,000~ 102,000+	170,000\$	34,000
Guoline International Limited (formerly known as GuoNet Limited)	USD1.00	1,200	-	1,200	-
Hume Cemboard Berhad	1.00	8,231,400	-	-	8,231,400
O.Y.L. Industries Bhd	1.00	-	17,000	-	17,000
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



DIRECTORS' REPORT (cont'd)

Directors' Interests (cont'd)

	Nominal Value Per Share/ Stock Unit<	Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks*			
		At 1-7-2002	Acquired/ Rights Issue~/ Bonus Issue+	Sold	At 30-6-2003
	RM				
Shareholdings in which Directors have direct interests					
Interests of Mr Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	97,500	-	-	97,500
Hong Leong Industries Berhad	0.50	1,550,000	-	-	1,550,000
	-	650,000*	-	-	650,000*
Malaysian Pacific Industries Berhad	0.50	315,000	-	-	315,000
HLG Capital Berhad	1.00	119,000	-	-	119,000
Hong Leong Bank Berhad	1.00	385,000	-	-	385,000
Interest of Mr David Edward Comley in:					
Malaysian Pacific Industries Berhad	0.50	262,000	-	-	262,000
	-	400,000*	-	-	400,000*
Interest of Mr Ron Lim Kim Chai in:					
Hong Leong Industries Berhad	0.50	50,000	-	-	50,000
	-	350,000*	-	-	350,000*



DIRECTORS' REPORT (cont'd)

Directors' Interests (cont'd)

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks*			
	Nominal Value Per Share/ Stock Unit<	At 1-7-2002	Acquired/ Rights Issue~/ Bonus Issue+	Sold	At 30-6-2003
	RM				
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
Guoline International Limited (formerly known as GuoNet Limited)	USD1.00	10,800	14,989,200	-	15,000,000
MEHY Sdn Bhd	1.00	650,000	-	-	650,000
Hong Leong Credit Berhad	1.00	451,828,024	361,462,430+ 24,946,600	8,125,300	830,111,754
HLG Capital Berhad	1.00	92,590,545	-	-	92,590,545
Hong Leong Bank Berhad	1.00	960,801,500	-	-	960,801,500
Hong Leong Properties Berhad	0.50	352,572,211	-	-	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
	0.01	685,940,000	-	-	685,940,000
		(preference shares)			(preference shares)
Hong Leong Industries Berhad	0.50	130,571,000	-	-	130,571,000
	-	39,431,984*	7,451*	-	39,439,435*
Hong Leong Yamaha Distributors Sdn Bhd	1.00	10,360,000	-	-	10,360,000
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
Guocera Tile Industries (Meru) Sdn Bhd	1.00	17,920,000	-	-	17,920,000



DIRECTORS' REPORT (cont'd)

Directors' Interests (cont'd)

	Nominal Value Per Share/ Stock Unit<	Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks*			
		At 1-7-2002	Acquired/ Rights Issue~/ Bonus Issue+	Sold	At 30-6-2003
	RM				
Shareholdings in which Directors have indirect interests					
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Guocera Tile Industries (Labuan) Sdn Bhd	1.00	13,090,001	-	6,545,000	6,545,001
Quayline Fairprice Sdn Bhd	1.00	9,600,000	-	-	9,600,000
RZA Logistics Sdn Bhd	1.00	8,870,000	325,270	-	9,195,270
Malaysian Pacific Industries Berhad	0.50	122,939,009	-	-	122,939,009
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	42,000,000	42,000,000~	-	84,000,000
	100.00	-	22,400~ (Redeemable Preference Shares)	-	22,400 (Redeemable Preference Shares)
Carsem Semiconductor Sdn Bhd	1.00	70,000,000	30,000,000	-	100,000,000
Guolene Packaging Industries Berhad	1.00	139,772,700	-	69,886,350	69,886,350
Guolene Plastic Films Sdn Bhd	1.00	9,350,002	-	-	9,350,002
Hume Industries (Malaysia) Berhad	1.00<	164,795,024	1,136,000	31,400	111,328,294
			167,817,257~ 333,582,881+	555,971,468\$	
Hume Furniture Industries Sdn Bhd	1.00	13,200,000	-	1,320,000	11,880,000
Hume Cemboard Berhad	1.00	42,530,000	180,000	-	42,710,000
O.Y.L. Industries Bhd	1.00	84,912,228	55,597,146	83,126,162&	57,383,212
O.Y.L.-Condair Industries Sdn Bhd	1.00	5,100,000	-	-	5,100,000



DIRECTORS' REPORT (cont'd)

Directors' Interests (cont'd)

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks*			
	Nominal Value Per Share/ Stock Unit<	At 1-7-2002	Acquired/ Rights Issue~/ Bonus Issue+	Sold	At 30-6-2003
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. Sentra Manufacturing	Rp2,106,000.00	1,200	800	-	2,000
	or USD1,000.00				
Shenzhen McQuay Air Conditioning Co., Ltd	^	6,040,000	-	-	6,040,000
McQuay Meditteranean 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	5,158,305	4,126,644+	-	9,284,949
Hong Leong Industries Berhad	0.50	1,998,800	-	-	1,998,800
	-	529,778*	-	-	529,778*
Hume Cemboard Berhad	1.00	10,000	-	-	10,000
Hong Leong Bank Berhad	1.00	120,000	-	-	120,000



DIRECTORS' REPORT (cont'd)

Directors' Interests (cont'd)

		Number of ordinary shares/stock units/new shares to be issued arising from the exercise of warrants/ options/convertible unsecured loan stocks*			
	Nominal Value Per Share/ Stock Unit<	At 1-7-2002	Acquired/ Rights Issue~/ Bonus Issue+	Sold	At 30-6-2003
RM					
Shareholdings in which Directors have indirect interests					
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.

LLC interest in USD.

Shareholding as at 1 November 2002 as the corporation ceased to be a related corporation.

@ Adjustment arising from the bonus issue.

§ Cancellation of ten (10) stock units in Hume Industries (Malaysia) Berhad ("HIMB") ("HIMB Stocks") for every twelve (12) HIMB Stocks held to effect the capital distribution of O.Y.L. Industries Berhad's ("OYL") shares.

Remaining shares held after capital reduction.

Entitlement to OYL shares pursuant to capital distribution by HIMB to entitled stockholders of HIMB on the basis of one (1) ordinary share in OYL for every twelve (12) HIMB Stocks held in HIMB.

& Capital distribution by HIMB to entitled stockholders of HIMB on the basis of one (1) ordinary share in OYL for every twelve (12) HIMB Stocks held in HIMB.

Cancellation pursuant to capital reduction.



DIRECTORS' REPORT (cont'd)

Directors' Benefits

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisitions and/or disposal of 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 or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interest and Mr Chuah Chuan Thye who may be deemed to derive a benefit in respect of those trading transactions, contracts and agreements between related corporations and corporations in which Mr Chuah Chuan Thye is deemed to have interest.

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

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

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

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

1. Eligible executives are those executives (including full-time executive directors) of the Group who have been confirmed in service on the date of offer. The maximum allowable allotments for the full-time executive directors have been approved by the shareholders of the Company in a general meeting.
2. The aggregate number of shares to be issued under the ESOS shall not exceed 10% of the total issued and paid-up ordinary share capital of the Company for the time being.
3. The Scheme shall be in force for a period of ten (10) years from 24 December 1999.
4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company of RM0.50.
5. An option holder may, in a particular year, exercise up to such maximum number of shares in the option certificate as determined by the Board of Directors or as specified in the option certificate.



DIRECTORS' REPORT (cont'd)

Executive Share Option Scheme (“ESOS” or “Scheme”) (cont'd)

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 1-7-2002	Options Granted	Options Lapsed	Options Exercised	Balance at 30-6-2003
Option price of RM8.83	28-12-1999	4,426,600	-	420,200	-	4,006,400
Option price of RM15.64	17-04-2000	680,500	-	74,500	-	606,000
		5,107,100	-	494,700	-	4,612,400

Share Capital And Debenture

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 2003, the total number of shares bought back was 7,344,000 shares which are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

Options Granted Over Unissued Shares

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

Warrants

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

The details of the warrants are as follows:-

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

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

- (b) The new ordinary shares issued upon exercise of the warrants shall be fully paid-up and shall rank pari passu in all respects with the existing ordinary shares of the Company save that these shares shall not be entitled to any dividends, rights, allotments or distributions declared or distributed if the Record Date for such dividends, rights, allotments and/or distributions is before the Subscription Date (Record Date means the date as at the close of business on which shareholders must be registered as members of the Company in order to participate in any dividends, rights, allotments or any distributions). The warrant holders will not have any voting rights in any general meeting of the Company unless the warrants are exercised.
- (c) No warrants were converted into new ordinary shares during the financial year. As of the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2002: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.



DIRECTORS' REPORT (cont'd)

Loan Stocks

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

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

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

There was no conversion of ICULS during the financial year ended 30 June 2003.

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.



DIRECTORS' REPORT (cont'd)

Other Statutory Information (cont'd)

In the opinion of the Directors, except as disclosed in the Financial Statements, the results of the operations of the Group and of the Company for the financial year ended 30 June 2003 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
28 August 2003



BALANCE SHEETS as at 30 June 2003

	Notes	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Property, plant and equipment	4	1,434,430	1,524,119	-	-
Investments in subsidiaries	5	-	-	1,180,986	1,247,835
Investments in associated companies	6	189,243	160,003	182,762	182,762
Other investments	7	512,844	497,197	419,579	365,490
Intangible assets	8	494,300	494,811	-	-
Deferred tax assets	18	1,500	1,500	-	-
Current assets					
Property assets	9	25,285	36,432	-	-
Inventories	10	249,427	216,802	-	-
Trade and other receivables	11	502,541	550,541	18,693	14,145
Tax recoverable		84,720	78,158	70,333	70,333
Short term investments	7	41,271	500	-	500
Deposits, cash and bank balances	12	277,236	473,620	169	123,289
		1,180,480	1,356,053	89,195	208,267
Current liabilities					
Trade and other payables	13	680,288	691,242	66,145	164,161
Borrowings (unsecured)	14	602,738	694,750	374,263	404,085
Taxation		6,282	32,203	-	-
		1,289,308	1,418,195	440,408	568,246
Net current liabilities		(108,828)	(62,142)	(351,213)	(359,979)
		2,523,489	2,615,488	1,432,114	1,436,108
Share capital and reserves					
Share capital	15	112,564	112,564	112,564	112,564
Reserves		558,889	535,953	345,173	341,721
Treasury shares - at cost	16	(59,835)	(59,835)	(59,835)	(59,835)
Irredeemable convertible unsecured loan stocks ("ICULS")	17	208,153	208,153	208,153	208,153
		819,771	796,835	606,055	602,603
Minority shareholders' interest		543,231	561,735	-	-
Long term and deferred liabilities					
Borrowings (unsecured)	14	297,027	373,481	170,797	178,498
Deferred liabilities	18	63,013	84,817	-	-
Retirement benefits	19	21,223	19,396	1,038	783
EuroConvertible bonds	20	279,224	279,224	279,224	279,224
Redeemable bonds	21	500,000	500,000	375,000	375,000
		1,160,487	1,256,918	826,059	833,505
		2,523,489	2,615,488	1,432,114	1,436,108

The financial statements were approved and authorised for issue by the board of Directors on 28 August 2003.

The notes on pages 39 to 76 form part of these financial statements.



INCOME STATEMENTS for the year ended 30 June 2003

	Notes	Group		Company	
		2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue	22	2,044,420	1,950,268	99,457	121,731
Operating profit	22	135,383	63,278	88,487	103,677
Interest income		16,199	23,647	3,104	2,268
Finance cost		(99,003)	(119,269)	(62,897)	(77,662)
Share of losses of associated companies		(1,378)	(26,890)	-	-
Profit/(loss) before taxation	23	51,201	(59,234)	28,694	28,283
Taxation	24	6,916	(21,588)	(12,927)	(6,916)
Profit/(loss) after taxation		58,117	(80,822)	15,767	21,367
Less: Minority interests		(49,110)	1,968	-	-
Net profit/(loss) for the year		9,007	(78,854)	15,767	21,367
Basic earnings/(loss) per ordinary share (sen)	25	0.28	(36.21)		
Diluted earnings/(loss) per ordinary share (sen)	25	0.28	(36.21)		
Dividends per ordinary share - net (sen)	26	1.80	14.70		

The notes on pages 39 to 76 form part of these financial statements.



STATEMENTS OF CHANGES IN EQUITY for the year ended 30 June 2003

	Share Capital RM'000	Share Premium* RM'000	Revaluation Reserve* RM'000	Exchange Equalisation Reserve* RM'000	Distributable Reserve RM'000	Others* RM'000	Retained Profits RM'000	Treasury Shares RM'000	ICULS RM'000	Total RM'000
Group										
At 1 July 2001 -										
as previously reported	112,564	289,396	948	(12,914)	5,506	28,535	353,850	(59,835)	-	718,050
Effect on adoption of MASB 25	-	-	-	-	-	-	(8,605)	-	-	(8,605)
At 1 July 2001 - as restated	112,564	289,396	948	(12,914)	5,506	28,535	345,245	(59,835)	-	709,445
Net loss for the year										
- As previously reported	-	-	-	-	-	-	(78,018)	-	-	(78,018)
- Effect on adoption of MASB 25	-	-	-	-	-	-	(836)	-	-	(836)
- As restated	-	-	-	-	-	-	(78,854)	-	-	(78,854)
Dividends (Note 26)	-	-	-	-	-	-	(32,015)	-	-	(32,015)
Foreign currency translation differences	-	-	-	(9,894)	-	-	-	-	-	(9,894)
Issue of ICULS	-	-	-	-	-	-	-	-	208,153	208,153
At 30 June 2002	112,564	289,396	948	(22,808)	5,506	28,535	234,376	(59,835)	208,153	796,835
Net profit for the year	-	-	-	-	-	-	9,007	-	-	9,007
Dividend (Note 26)	-	-	-	-	-	-	(3,920)	-	-	(3,920)
Interest on ICULS	-	-	-	-	-	-	(8,395)	-	-	(8,395)
Realisation of foreign currency reserve	-	-	-	2,448	-	-	(2,448)	-	-	-
Change of equity in associated company	-	-	-	(673)	-	-	-	-	-	(673)
Foreign currency translation differences	-	-	-	27,533	-	-	(616)	-	-	26,917
Transfer	-	-	-	-	(5,506)	5,549	(43)	-	-	-
At 30 June 2003	112,564	289,396	948	6,500	-	34,084	227,961	(59,835)	208,153	819,771
	(Note 15)							(Note 16)	(Note 17)	
Company										
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 26)	-	-	-	-	-	-	(32,015)	-	-	(32,015)
Issue of ICULS	-	-	-	-	-	-	-	-	208,153	208,153
At 30 June 2002	112,564	289,396	-	-	-	3,943	48,382	(59,835)	208,153	602,603
Net profit for the year	-	-	-	-	-	-	15,767	-	-	15,767
Dividend (Note 26)	-	-	-	-	-	-	(3,920)	-	-	(3,920)
Interest on ICULS	-	-	-	-	-	-	(8,395)	-	-	(8,395)
At 30 June 2003	112,564	289,396	-	-	-	3,943	51,834	(59,835)	208,153	606,055
	(Note 15)							(Note 16)	(Note 17)	

*Now distributable

The notes on pages 39 to 76 form part of these financial statements.



CASH FLOW STATEMENTS for the year ended 30 June 2003

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	51,201	(59,234)	28,694	28,283
Adjustments for:-				
Share of losses of associated companies	1,378	26,890	-	-
Depreciation and amortisation of property, plant and equipment	266,926	272,148	-	-
Dividend income	(2,660)	(1,716)	(99,457)	(121,731)
Loss on disposal of plant and equipment	7,712	5,263	-	-
Plant and equipment written off	3,076	3,683	-	-
Retirement benefits	3,946	3,361	261	176
(Gain)/Loss on foreign exchange - unrealised	(7,072)	3,021	-	-
Interest income	(16,199)	(23,647)	(3,104)	(2,268)
Finance cost	99,003	119,269	62,897	77,662
Loss on disposal of subsidiary	-	7,938	-	7,289
Loss on liquidation of subsidiary	18	-	8,966	-
Appreciation in value of investment in subsidiaries	-	-	(5,518)	-
Goodwill written off	12	2,184	-	-
Development expenditure amortised/written off	2,833	3,455	-	-
Gain on disposal of investments	(2,017)	(11,090)	(29)	-
(Appreciation of)/Write down in value of investment	(16,599)	3,350	-	2,430
EuroConvertible bond put premiums	4,985	4,985	4,985	4,985
Bad and doubtful debts	6,309	4,073	-	-
Gain on disposal of property assets	(3,559)	-	-	-
Other non-cash items	86	(1,222)	-	-
Operating profit/(loss) before working capital changes	399,379	362,711	(2,305)	(3,174)
Changes in working capital:				
Inventories	(22,647)	(2,676)	-	-
Trade and other receivables	132,484	(245,620)	(4,548)	(3,008)
Trade and other payables	(113,796)	204,245	(103,002)	10,481
Cash generated from/(used in) operations	395,420	318,660	(109,855)	4,299
Income taxes (paid)/refunded	(46,889)	(20,236)	-	13,811
Net finance cost paid	(82,804)	(95,622)	(59,793)	(75,394)
Net dividend received	2,400	1,500	86,530	104,499
Retirement benefits paid	(2,119)	(2,031)	(6)	(25)
Net cash generated from/(used in) operating activities	266,008	202,271	(83,124)	47,190

The notes on pages 39 to 76 form part of these financial statements.



CASH FLOW STATEMENTS for the year ended 30 June 2003 (cont'd)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary (Note 32)	(106)	-	-	-
Cash distribution from liquidation of a subsidiary	-	-	14,080	-
Addition of development expenditure	(2,108)	(1,078)	-	-
Pre-acquisition dividend received from a subsidiary	-	-	-	216
Purchase of plant and equipment	(181,068)	(153,753)	-	-
Proceeds from disposal of plant and equipment	4,346	15,553	-	-
Proceeds from disposal of subsidiaries (Note 33)	-	651	79	1,500
Proceeds from disposal of investments	24,456	30,866	529	1,642
Proceeds from capital reduction of subsidiaries	-	-	76,458	-
Additional equity investment in subsidiaries	(54)	(27,895)	(27,215)	(83,084)
Acquisition of other investments	(62,257)	(7,422)	(54,089)	-
Investment in an associated company	(8,814)	-	-	-
Proceeds from disposal of property assets	14,707	-	-	-
Net cash (used in)/generated from investing activities	(210,898)	(143,078)	9,842	(79,726)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital reduction in subsidiary paid to minority shareholders	(5,403)	-	-	-
Dividends paid to:				
- shareholders	(3,920)	(32,015)	(3,920)	(32,015)
- minority shareholders of subsidiaries	(119,344)	(87,101)	-	-
Payment of ICULS interest	(8,395)	-	(8,395)	-
Net (repayment)/drawdown to borrowings	(50,718)	(147,861)	59,398	(48,793)
Proceeds from issue of ICULS	-	208,153	-	208,153
Proceeds from shares issued to minority shareholders of subsidiaries	60,225	429	-	-
Net cash (used in)/generated from financing activities	(127,555)	(58,395)	47,083	127,345
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(72,445)	798	(26,199)	94,809
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	284,516	282,742	(4,197)	(99,006)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CONSOLIDATION OF CASH AND CASH EQUIVALENTS	(1,680)	976	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	210,391	284,516	(30,396)	(4,197)

The notes on pages 39 to 76 form part of these financial statements.



CASH FLOW STATEMENTS for the year ended 30 June 2003 (cont'd)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
CASH AND CASH EQUIVALENTS COMPRISE :-				
Deposits with:				
- licensed financial institutions	102,836	205,145	-	51,000
- other corporations	35,000	7,500	-	-
Cash and bank balances	139,400	260,975	169	72,289
Bank overdrafts	(66,845)	(189,104)	(30,565)	(127,486)
	210,391	284,516	(30,396)	(4,197)

The notes on pages 39 to 76 form part of these financial statements.



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 accounting policies of the Group and of the Company are consistent with those adopted in the previous years. In addition, the Group and the Company adopted the following new accounting policies in the current financial year ended 30 June 2003:-

- (i) MASB 22, Segment Reporting
- (ii) MASB 23, Impairment of Assets
- (iii) MASB 24, Financial Instruments: Disclosure and Presentation
- (iv) MASB 25, Income Taxes; and
- (v) MASB 27, Borrowing Costs

Apart from the inclusion of the new policies and extended disclosures where required by these new standards, the effects of the changes in the above accounting policies are disclosed in Note 29 to the financial statements.

(a) Basis of accounting

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

(b) Basis of consolidation

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

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

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

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

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

(c) Associated companies

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Summary of significant accounting policies (cont'd)

(c) Associated companies (cont'd)

Goodwill or reserve arising from acquisition represents the difference between the cost of investment and the Group's share of the net assets of the associates at the date of acquisition. Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

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

(d) Property, plant and equipment and depreciation

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

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

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

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

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

(e) Investments

Long term investments other than in subsidiaries and associates are stated at cost. Write down is made when the directors are of the view that there is a permanent diminution or impairment in the value of an investment. Investment in subsidiaries are stated at revalued amount less impairment loss where applicable. Investment in associates is stated at cost in the Company less impairment loss where applicable.

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Summary of significant accounting policies (cont'd)

(f) Intangible assets

(i) Goodwill

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

(ii) Development expenditure

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

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

(g) Property assets

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

(h) Inventories

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

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

(i) Receivables

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

(j) Impairment of assets

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Summary of significant accounting policies (cont'd)

(j) Impairment of assets (cont'd)

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

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

(k) Liabilities

Borrowings and trade and other payables are stated at cost.

(l) Taxation

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

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

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

(m) Repurchases of shares

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

(n) Provisions

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

(o) 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.

(p) Cash and cash equivalents

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Summary of significant accounting policies (cont'd)

(q) Foreign currency

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations/entities

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

	2003 RM	2002 RM
1 AUD	2.53	2.14
1 RMB	0.46	-
1 HKD	0.49	0.48
1 SGD	2.16	2.15
1 THB	0.09	-
1 USD	3.80	3.80
1 EURO	4.34	3.76
1 SWF	2.80	2.53
100 JPY	3.22	3.18

(r) Financial instruments

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

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

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

(i) Financial instruments recognised on the balance sheet

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Summary of significant accounting policies (cont'd)

(r) Financial instruments (cont'd)

(i) Financial instruments recognised on the balance sheet (cont'd)

Compound financial instruments

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

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

(ii) Fair value estimation for disclosure purposes

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

In assessing the fair value of non-traded derivatives and financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The face values, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value.

(s) Bond issue expenses and put premium

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

Effective January 2000, additional provision is made for the contingency of a put premium of 20.3% of the principal amount of the ECB in progressive installments 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.

(t) Capitalisation of interest

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

(u) Revenue

(i) Goods sold and services rendered

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

2. Summary of significant accounting policies (cont'd)

(u) Revenue (cont'd)

(ii) Dividend income

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

(iii) Interest and rental income

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

(v) Expenses

(i) Operating lease rentals

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

(ii) Financing costs

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

(w) Dividends

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

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
		2003 %	2002 %	
Subsidiary companies				
Guocera Holdings Sdn Bhd (formerly known as Guocera Tile Industries (Kluang) Sdn Bhd)	Malaysia	100.0	100.0	Investment holding; ceased operation during the year.
• Guocera Tile Industries Sdn Bhd (formerly known as Guocera Tile Industries (Kapar) Sdn Bhd)	Malaysia	100.0	100.0	Manufacture of mosaic and ceramic tiles.
• Guocera Tile Industries (Meru) Sdn Bhd	Malaysia	64.0	64.0	Manufacture of ceramic tiles.
•*Guocera Tile Industries (Labuan) Sdn Bhd	Malaysia	70.0	70.0	Manufacture of 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.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Companies in the group (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2003 %	2002 %	
Subsidiary companies				
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	100.0	Investment holding.
*MZ Motorrad Sdn Bhd	Malaysia	100.0	100.0	Assembly of motorcycles, electric scooters and related parts and products.
*MZ Motorrad- und Zweiradwerk GmbH	Germany	100.0	100.0	Manufacture and distribution of motorcycles.
•*MuZ North America Inc	USA	100.0	-	Distribution of motorcycles and spare parts.
*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	Ceased operation during the year.
•*Carsem Semiconductor (Suzhou) Co Ltd	People's Republic of China	61.1	61.1	The intended activities are the design, manufacture, assembly, testing and marketing of semiconductor devices and electronic components.
•*Carter Realty Sdn Bhd	Malaysia	42.8	42.8	Investment holding.
•*Signal Technology Sdn Berhad	Malaysia	-	42.8	Wound up.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Companies in the group (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2003 %	2002 %	
Subsidiary companies				
•*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.
•*Dyna-Craft Marketing, Inc	USA	-	61.1	Wound up.
•*MPI (BVI) Limited	British Virgin Islands	61.1	61.1	Investment trading.
•*Techad Sdn Bhd (formerly known as Carsem Advanced Technologies Sdn Bhd)	Malaysia	61.1	61.1	Dormant.
*Guolene Packaging Industries Berhad	Malaysia	96.4	96.4	Investment holding.
•*Guolene Packaging & Printing Sdn Bhd	Malaysia	96.4	96.4	Manufacture and sale of duplex board boxes and flexible packaging materials.
•*Guolene Woven Products (Melaka) Sdn Bhd	Malaysia	96.4	96.4	Manufacture and sale of polypropylene and polyethylene bags, woven sacks, fabrics and industrial laminated products.
•*Guolene Plastic Films Sdn Bhd	Malaysia	65.6	65.6	Manufacture and sale of high and low density polyethylene and biaxially oriented polypropylene products.
•*Packaging Research Centre Sdn Bhd	Malaysia	96.4	96.4	Research and development on packaging products.
• Guolene Plastic Products Sdn Bhd	Malaysia	96.4	96.4	Dormant.
•*Guolene Paper Products Sdn Bhd	Malaysia	96.4	96.4	Dormant.
•*Jadipack Industries Sdn Bhd	Malaysia	-	96.4	Wound up.
•*Guolene Packaging & Printing (Duplex) Sdn Bhd	Malaysia	96.4	96.4	Dormant.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Companies in the group (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2003 %	2002 %	
Subsidiary companies				
• Joint Steel Works Sdn Bhd	Malaysia	96.4	96.4	In member's voluntary liquidation.
*MPI Polyester Industries Sdn Bhd	Malaysia	100.0	100.0	Manufacture of polyester resin.
*MPI Property Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
•*MPI Paper Mill Sdn Bhd	Malaysia	100.0	100.0	Dormant.
Megah Court Condominium Development Sdn Bhd	Malaysia	100.0	100.0	Property management.
Taman Terang Sdn Bhd	Malaysia	100.0	100.0	Investment holding.
HLI-HUME Management Co Sdn Bhd	Malaysia	51.0	51.0	Provision of management services.
*HLI Trading Limited	Hong Kong	100.0	100.0	Investment trading.
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	Dissolved.
*HLI Holdings Inc	Philippines	100.0	100.0	Investment holding.
Mai Kah Corporation Sdn Bhd	Malaysia	100.0	100.0	In member's voluntary liquidation.
*RZA Logistics Sdn Bhd	Malaysia	59.1	59.1	Investment holding.
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	Wound up.
Hume Cemboard Marketing Sdn Bhd (formerly known as HLI Vinyl Industries Sdn Bhd)	Malaysia	-	100.0	Dormant.
Quayline Company Pte Ltd	Singapore	-	100.0	Wound up.
Associated companies				
*Camerlin Group Berhad	Malaysia	27.8	28.9	Investment holding.
*Hicom-Yamaha Manufacturing Malaysia Sdn Bhd	Malaysia	30.0	30.0	Manufacture and assembly of motorcycle engines.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Companies in the group (cont'd)

Name of Company	Country of Incorporation	Effective Interest		Principal Activities
		2003 %	2002 %	
Associated companies				
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 motor-cycles, engines and related parts.
*HLLS Holdings Bhd	Malaysia	35.0	35.0	Investment holding and renting of properties.
*Millennium Motors Company Limited	Thailand	49.0	-	Distribution of motorcycles and spare parts.
*Southern Iron & Steel Centre Sdn Bhd	Malaysia	36.0	36.0	Dormant.
*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
+ Millennium Motors Company Limited	31 December

+ Group share of profit is based on latest audited financial statements and latest management financial statements available.

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

• Sub-subsidiary companies.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. Property, plant and equipment

	Freehold Land, Improvements & Buildings RM'000	Long Leasehold Land, Improvements & Buildings RM'000	Plant Equipment & Motor Vehicles RM'000	Capital Work-In- Progress RM'000	Total RM'000
Group					
Net Book Value					
At 1-7-2002	203,832	146,670	1,052,064	121,553	1,524,119
Translation differences	652	-	4,945	5,596	11,193
Additions	745	1,972	123,052	55,298	181,067
Reclassification	2,293	1,298	38,547	(42,138)	-
Disposals	(2,664)	(48)	(9,345)	-	(12,057)
Acquisition of a subsidiary	-	-	110	-	110
Written off	-	-	(3,076)	-	(3,076)
Depreciation	(4,358)	(8,382)	(254,186)	-	(266,926)
At 30-6-2003	200,500	141,510	952,111	140,309	1,434,430
At 30-6-2003					
Cost	234,802	188,330	2,556,554	140,309	3,119,995
Valuation	2,070	22,324	7,622	-	32,016
Accumulated depreciation	(36,372)	(69,144)	(1,612,065)	-	(1,717,581)
Net Book Value	200,500	141,510	952,111	140,309	1,434,430
At 30-6-2002					
Cost	231,015	189,420	2,417,637	121,553	2,959,625
Valuation	2,070	22,324	7,622	-	32,016
Accumulated depreciation	(29,589)	(64,738)	(1,373,195)	-	(1,467,522)
Net Book Value	203,496	147,006	1,052,064	121,553	1,524,119

The building of a sub-subsidiary company is situated on land held under operating leases (Note 30).

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

4. Property, plant and equipment (cont'd)

* Details of independent professional valuations of fixed assets of the Group at 30 June 2003 are as follows:-

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	Long leasehold 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 which were determined on the replacement value basis.

5. Investments in subsidiaries

	Company	
	2003 RM'000	2002 RM'000
At cost:		
- Malaysian quoted shares	607,111	607,111
- Unquoted shares	573,875	640,724
	1,180,986	1,247,835
At market value:		
- Malaysian quoted shares	1,721,741	1,805,437

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

6. Investments in associated companies

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At cost less amount written down:				
- Malaysian quoted shares	511,250	511,250	148,410	148,410
At cost:				
- Unquoted shares	43,166	34,352	34,352	34,352
Share of capital reserves	25,923	3,310	-	-
Share of losses	(391,096)	(388,909)	-	-
	189,243	160,003	182,762	182,762
At market value:				
Malaysian quoted shares	103,528	105,973	91,138	93,291



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6. Investments in associated companies (cont'd)

Investments in associated companies is represented by:

	Group	
	2003	2002
	RM'000	RM'000
Share of net assets other than goodwill of the associated companies	180,384	151,112
Premium on acquisition	8,859	8,891
Carrying value	189,243	160,003

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

7. Other Investments

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Long term				
At cost:				
Malaysian quoted related companies	50,878	70,323	-	-
Malaysian quoted Irredeemable convertible unsecured loan stocks in an associated company	54,089	-	54,089	-
Foreign quoted shares	3,970	3,970	-	-
Unquoted shares	365,398	365,398	365,092	365,092
Unquoted convertible preferred stocks and loan stocks	795	795	398	398
Unquoted floating rate notes	37,714	56,711	-	-
	512,844	497,197	419,579	365,490
Short term				
At market value:				
Malaysian quoted shares	8,987	-	-	-
Malaysian quoted related companies	32,284	-	-	-
	41,271	-	-	-
At cost:				
Unquoted shares	-	3,146	-	2,930
Less:				
Allowance for diminution in value	-	(2,646)	-	(2,430)
	41,271	500	-	500



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

7. Other Investments (cont'd)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Market Value of quoted securities:-				
Long term				
Malaysian quoted related companies	51,339	96,170	-	-
Malaysian quoted Irredeemable convertible unsecured loan stocks in an associated company	59,363	-	59,363	-
Foreign quoted shares	8,540	6,942	-	-
	119,242	103,112	59,363	-
Short term				
Malaysian quoted shares	8,987	-	-	-
Malaysian quoted related companies	32,284	-	-	-
	41,271	-	-	-
	160,513	103,112	59,363	-

The Company has unquoted investments in Malaysian Newsprint Industries Sdn Bhd ("MNI") amounting to RM364,378,068 (2002: RM364,378,068). This investment represents 33.65% (2002: 33.65%) equity interest in the investee. MNI is principally engaged in the production of newsprint and related paper products.

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

8. Intangible assets

	Group		
	Goodwill RM'000	Development Expenditure RM'000	Total RM'000
2003			
At cost			
At 1 July 2002	485,721	9,090	494,811
Acquisition of a subsidiary	226	-	226
Additions	-	2,108	2,108
Written off	(12)	(638)	(650)
Amortisation	-	(2,195)	(2,195)
At 30 June 2003	485,935	8,365	494,300
2002			
At cost			
At 1 July 2001	495,596	17,795	513,391
Goodwill arising from			
changes in equity interest in subsidiaries			
- As previously reported	2,469	-	2,469
- Effect of adoption of MASB 25	(309)	-	(309)
- As restated	2,160	-	2,160
Disposal of subsidiary	(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	485,721	9,090	494,811



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. Property assets

	Group	
	2003	2002
	RM'000	RM'000
At cost:		
Freehold land and industrial building	10,391	10,391
Leasehold land and industrial building	13,232	24,379
Long leasehold condominium units	1,662	1,662
	25,285	36,432

10. Inventories

	Group	
	2003	2002
	RM'000	RM'000
At cost:		
Raw materials and consumables	123,072	98,979
Work-in-progress	23,042	25,287
Finished goods	74,097	73,194
	220,211	197,460
At net realisable value:		
Raw materials and consumables	2,095	932
Finished goods	27,121	18,410
	29,216	19,342
	249,427	216,802

11. Trade and other receivables

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Trade receivables	385,924	400,815	-	-
Less: Allowance for doubtful debts	(18,930)	(19,270)	-	-
	366,994	381,545	-	-
Amount due from:				
- subsidiaries	-	-	4,809	50
- related companies	46,095	77,695	557	602
- associated companies	10,113	12,137	-	-
Other receivables, deposits and prepayments	79,339	79,164	13,327	13,493
	502,541	550,541	18,693	14,145

The amounts due from subsidiaries and related companies are unsecured, have no fixed terms of repayment with interest charged from 1.0% to 7.0% (2002: interest at 7.0% to 8.5%) and the amount due from associated companies are unsecured, interest free and with no fixed terms of repayment.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. Deposits, cash and bank balances

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits with:				
- licensed financial institutions	102,836	205,145	-	51,000
- other corporations	35,000	7,500	-	-
Cash and bank balances	139,400	260,975	169	72,289
	277,236	473,620	169	123,289

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Deposits held with licensed financial institutions	22,482	33,991	-	31,000
Cash and bank balances	87,674	93,893	169	72,289

13. Trade and other payables

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Trade payables	172,476	172,320	-	-
Bankers acceptances	266,634	304,612	-	-
Amount due to				
- subsidiaries	-	-	9,599	110,938
- related companies	6,391	10,774	12	25
- associated companies	7,957	5,195	-	-
Other payables and accrued liabilities	226,830	198,341	56,534	53,198
	680,288	691,242	66,145	164,161

Interest charged on bankers acceptances during the year ranged from 2.5% to 3.9% (2002: 2.8% to 3.5%). The amounts due to subsidiaries were unsecured and have no fixed terms of repayment with interest charged ranging from 1.0% to 7.0% (2002: 4.3% to 8.5%) per annum and the amount due to related and associated companies are unsecured, interest free and with no fixed terms of repayment.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

14. Borrowings (unsecured)

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Short term:				
Term loans				
- bank loans	315,893	335,646	123,698	106,599
- other borrowings	220,000	170,000	220,000	170,000
Bank overdrafts	66,845	189,104	30,565	127,486
	602,738	694,750	374,263	404,085
Long term:				
Term loans				
- bank loans	217,027	243,481	90,797	48,498
- other borrowings	80,000	130,000	80,000	130,000
	297,027	373,481	170,797	178,498
The long term borrowings are repayable as follows:-				
- one to two years	136,213	161,009	47,998	80,900
- two to five years	160,814	212,472	122,799	97,598
	297,027	373,481	170,797	178,498

The term loans bear interest from 2.3% to 4.9% (2002: 2.8% to 8.5%) per annum. Included in the bank loans are foreign currency bank loans amounting to RM278,338,000 (2002: RM319,448,000) as follows:-

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
USD Loan	234,210	290,203	104,494	55,100
Euro Loan	44,128	29,245	-	-
	278,338	319,448	104,494	55,100

15. Share capital

	Group and Company			
	2003		2002	
	Number of Shares '000	RM'000	Number of Shares '000	RM'000
Authorised:-				
600,000,000 ordinary shares of 50 sen each	600,000	300,000	600,000	300,000
Issued and fully paid:-				
At beginning/End of year	225,129	112,564	225,129	112,564

The number of shares in issue after deducting treasury shares of 7,344,000 (2002: 7,344,000) ordinary shares (See Note 16 to the financial statements) held at financial year end was 217,784,500 (2002: 217,784,500) ordinary shares of RM0.50 each.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. Share capital (cont'd)

(i) Warrants

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

The details of the warrants are as follows:-

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

Each warrant entitles its registered holder to subscribe for one (1) new ordinary share of RM0.50 each at an exercise price of RM8.00 per new ordinary share.

The subscription period of the outstanding warrants was extended for a further 5 years from the existing expiry date of 13 November 2001 to 13 November 2006.

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

No warrants were converted into new ordinary shares during the financial year. As of the balance sheet date, the total number of warrants which remained unexercised was 35,081,200 (2002: 35,081,200) warrants. Any warrants which have not been exercised at the date of expiry will lapse and cease to be valid for any purpose.

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

As at 30 June 2003, 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 1-7-2002	Options Granted	Options Lapsed	Options Exercised	Balance at 30-6-2003
Option price of RM8.83	28-12-1999	4,426,600	-	420,200	-	4,006,400
Option price of RM15.64	17-04-2000	680,500	-	74,500	-	606,000
		5,107,100	-	494,700	-	4,612,400

16. Treasury shares - at cost

	Group and Company			
	2003		2002	
	Number of Shares of RM0.50 each '000	RM'000	Number of Shares of RM0.50 each '000	RM'000
At 1 July/At 30 June	7,344	59,835	7,344	59,835



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16. Treasury shares - at cost (cont'd)

There was no buy back of the Company's shares during the financial year. As at 30 June 2003, 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.

17. Irredeemable convertible unsecured loan stocks - 2002/2007 ("ICULS")

	Group and Company	
	2003 RM'000	2002 RM'000
At beginning of year	208,153	-
Issued during the year	-	208,153
At end of year	208,153	208,153

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

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

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

There was no conversion of ICULS during the financial year ended 30 June 2003.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Deferred taxation

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

	Group	
	2003 RM'000	2002 RM'000
Deferred tax assets		
At 1 July - As previously reported	-	-
Effect of adoption of MASB 25	1,500	2,909
At 1 July - As restated	1,500	2,909
Transfer to income statement		
- Effect of adoption of MASB 25	-	(1,409)
At 30 June - As restated	1,500	1,500
Deferred tax liabilities		
At 1 July - As previously reported	61,911	46,554
Effect of adoption of MASB 25	22,906	25,046
At 1 July - As restated	84,817	71,600
Transfer (to)/from income statement		
- As previously reported	(21,804)	15,357
- Effect of adoption of MASB 25	-	(2,140)
As restated	(21,804)	13,217
At 30 June - As restated	63,013	84,817

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

	Group	
	2003 RM'000	2002 RM'000
Deferred tax assets		
Accelerated capital allowances	(1,024)	(2,305)
Allowances	618	665
Unabsorbed capital allowances	1,906	3,140
	1,500	1,500



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Deferred taxation (cont'd)

	Group	
	2003 RM'000	2002 RM'000
Deferred tax liabilities		
Accelerated capital allowances	64,537	93,251
Allowances	(1,478)	(6,496)
Unabsorbed capital allowances	-	(1,869)
Unutilised tax losses	(46)	(69)
	63,013	84,817

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Accelerated capital allowances	(27,916)	(19,708)	-	-
Allowances	6,223	6,049	-	-
Unabsorbed capital allowances	49,476	55,885	435	435
Unutilised tax losses	54,412	56,755	2,621	2,621
	82,195	98,981	3,056	3,056

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

19. Retirement benefits

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
At 1 July	19,396	18,494	783	632
Charged to income statement	3,946	3,361	261	176
Contribution paid to approved retirement fund	(1,635)	(2,031)	(6)	(25)
Disposal of a subsidiary	-	(428)	-	-
Payment to retired employee	(484)	-	-	-
At 30 June	21,223	19,396	1,038	783



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

20. EuroConvertible bonds

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Zero Coupon EuroConvertible Bonds due 2006 ("ECB")				
- US\$73,480,000	279,224	279,224	279,224	279,224

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

During the financial year ended 30 June 2001, the ECB Bondholders and the Securities Commission, approved the extension of the exercise date of the Put Option from 25 October 2001 to 25 October 2005 ("extension"). The Company will at the option of the Bondholders, redeem the ECB at 120.3% of its principal amount on the nearest half-year date following on or nearest to 25 October 2005, in which event the Company will be liable to pay an additional sum of approximately RM56,682,472 based on the current exchange rate of RM3.80 to US\$1.00. The accumulated provision for the Put Option liability stands at RM45,115,094 (2002: RM40,130,332) at 30 June 2003 and the remaining balance of RM11,567,378 will be provided for progressively until 25 October 2005.

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

Concurrently with the extension, the right to redeem the ECB at their nominal value at the option of the Company has been extended from 26 October 2001 to 25 October 2005. The Company may also buy back the ECB at 120.3% of its nominal value at each interest payment date falling after 25 October 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	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
(i) 8.5% Unsecured Redeemable Bonds 2004	250,000	250,000	125,000	125,000
(ii) Islamic Bond 2001/2008	250,000	250,000	250,000	250,000
	500,000	500,000	375,000	375,000

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

22. Operating profit

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Revenue				
Sales of goods and services	2,041,450	1,942,432	-	-
Rental income	310	1,105	-	-
Sales of investments	-	5,015	-	-
Dividend receivable	2,660	1,716	99,457	121,731
	2,044,420	1,950,268	99,457	121,731
Cost of sales	(1,763,109)	(1,712,728)	-	-
Gross profit	281,311	237,540	99,457	121,731
Distribution costs	(77,690)	(88,496)	-	-
Administration expenses	(93,275)	(90,252)	(2,611)	(3,628)
Other operating expenses				
- Loss on disposal of subsidiary	-	(7,938)	-	(7,289)
- Others	(17,176)	(15,793)	(13,951)	(7,625)
Other operating income	42,213	28,217	5,592	488
Operating profit	135,383	63,278	88,487	103,677

23. Profit/(loss) before taxation

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit/(loss) before taxation is arrived at after (crediting)/charging:-				
Gross dividend income				
- Malaysian quoted shares	(1,392)	(738)	-	-
- Malaysian unquoted associated companies	-	-	(1,800)	(360)
- Subsidiary quoted in Malaysia	-	-	(47,826)	(53,804)
- Unquoted subsidiaries	-	-	(49,831)	(67,567)
- Others	(1,268)	(978)	-	-
Interest income				
- Irredeemable convertible unsecured loan stocks in an associated company	(2,854)	-	(2,854)	-
- Related companies	(6,455)	(8,229)	(69)	-
- Others	(6,890)	(15,418)	(181)	(2,268)
Rental income	(852)	(1,252)	-	-
Gain on disposal of investments	(2,017)	(11,090)	(29)	-
Appreciation in value of investment in subsidiaries	-	-	(5,518)	-



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

23. Profit/(loss) before taxation (cont'd)

	Group		Company	
	2003	2002	2003	2002
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- current year	556	667	48	48
- other services	-	706	-	343
Depreciation and amortisation of property, plant and equipment	266,926	272,148	-	-
Directors' fee	544	545	260	260
Directors' emoluments	4,470	4,215	927	966
Rental of plant and equipment	566	708	-	-
Rental of premises				
- related	1,096	1,123	-	-
- others	4,922	4,798	-	-
Bad and doubtful debts	6,309	4,073	-	-
Plant and equipment written off	3,076	3,683	-	-
Loss on disposal of plant and equipment	7,712	5,263	-	-
(Appreciation of)/Write down in value of investment	(16,599)	3,350	-	2,430
(Gain)/Loss on foreign exchange				
- realised	(4,146)	(570)	-	-
- unrealised	(7,072)	3,021	-	-
Loss on disposal of subsidiaries	-	7,938	-	7,289
Retirement benefits	3,946	3,361	261	176
Amortisation/Write off of development expenditure	2,833	3,455	-	-
EuroConvertible Bond Put Premiums	4,985	4,985	4,985	4,985
Goodwill written off	12	2,184	-	-
Loss on liquidation of subsidiary	18	-	8,966	-
Finance cost				
- Bank overdrafts	1,438	4,502	585	757
- Related companies	228	347	488	4,315
- Term loans	18,867	25,167	-	859
- Others	78,470	89,253	61,824	71,731
Research and development expenditure	11,114	9,069	-	-

The estimated monetary value of Directors' benefits-in-kind of the Group and of the Company are RM117,800 (2002: RM133,000) and RM9,550 (2002: RM25,000) respectively.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

24. Taxation

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Current taxation				
- Malaysian	6,255	9,706	3,301	9,000
- Foreign	22	211	-	-
Deferred taxation				
- As previously reported	(21,918)	16,779	-	-
- Effect of adoption of MASB 25	-	(731)	-	-
As restated	(21,918)	16,048	-	-
Share of associated companies' taxation	(486)	307	-	-
	(16,127)	26,272	3,301	9,000
(Over)/Under provision in prior years				
- Taxation	9,097	(3,262)	9,626	(2,084)
- Deferred taxation	114	(1,422)	-	-
	(6,916)	21,588	12,927	6,916

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

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Profit/(Loss) before taxation	51,201	(59,234)	28,694	28,283
Taxation at Malaysian statutory tax rate of 28%	14,336	(16,585)	8,034	7,919
Tax effect in respect of:				
Difference of tax rate in foreign jurisdictions	(1,781)	599	-	-
Non allowable expenses	29,599	30,961	11,609	17,933
Non taxable income	(14,215)	(1,268)	(16,342)	(16,221)
Difference attributable to associated companies	(101)	7,836	-	-
(Utilisation)/Addition of temporary differences not recognised	(16,786)	20,203	-	(631)
Tax incentive	(27,179)	(15,474)	-	-
Current year tax expense/(income)	(16,127)	26,272	3,301	9,000
Prior year under/(over) provision	9,211	(4,684)	9,626	(2,084)
Total tax (income)/expense	(6,916)	21,588	12,927	6,916



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25. Earning/(loss) per ordinary share

Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share is calculated by dividing the sum of RM612,000 (2002: (RM78,854,000)) being the earnings/(loss) of RM9,007,000 (2002: (RM78,854,000)) less the interest of RM8,395,000 (2002: RM Nil) on the 4% Irredeemable Convertible Unsecured Loan Stocks by the number of ordinary shares outstanding during the financial year of 217,784,500 (2002: 217,784,500) ordinary shares.

Diluted earnings/(loss) per ordinary share

For the year, the basic and diluted earnings/(loss) per ordinary 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 earnings/(loss) per ordinary share.

26. Dividends per ordinary share

	Group and Company	
	2003 RM'000	2002 RM'000
Interim		
- 2.5 sen per share less tax (2002: 3.5 sen per share tax exempt and a special interim dividend of 5 sen per share less tax)	3,920	15,463
Second interim		
- Nil (2002: 4 sen per share tax exempt and a special interim dividend of 5 sen per share less tax)	-	16,552
	3,920	32,015

27. Employees Information

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Staff costs	336,043	328,627	-	-

The number of employees of the Group (excluding directors) at the end of the year was 13,107 (2002: 13,055). For the Company, there are no staff cost as there are no employees other than directors in the Company.

28. Segmental report

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. Segmental report (cont'd)

Business segments

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

	Motorcycles RM'000	Building Materials RM'000	Semi- conductor RM'000	Packaging RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Group							
2003							
Revenue							
External sales	350,642	507,887	882,523	206,758	96,610	-	2,044,420
Inter-segment sales	-	-	-	3,427	-	(3,427)	-
Total revenue	350,642	507,887	882,523	210,185	96,610	(3,427)	2,044,420
Result							
Segment results	(2,995)	58,053	62,480	17,260	2,350	-	137,148
Unallocated corporate expenses							(1,765)
Operating profit							135,383
Finance cost							(99,003)
Interest income							16,199
Share of profits/(losses) of associated companies	5,736	-	-	-	(7,114)	-	(1,378)
Profit before taxation							51,201
Taxation							6,916
Profit after taxation							58,117
Consolidated balance sheet							
Segment assets	396,611	407,116	1,623,922	154,156	606,400	-	3,188,205
Investment in associates	40,127	-	-	-	149,116	-	189,243
Unallocated corporate assets							435,349
Consolidated total assets							3,812,797
Segment liabilities	138,279	201,055	201,975	43,037	108,298	-	692,644
Unallocated corporate liabilities							1,757,151
Consolidated total liabilities							2,449,795
Other information							
Capital expenditure	57,752	3,124	114,744	7,156	399	-	183,175
Depreciation and amortisation	22,826	26,960	200,564	13,567	3,009	-	266,926
Non-cash expenses other than depreciation and amortisation	3,450	2,439	3,207	(309)	(1,013)	-	7,774



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28. Segmental report (cont'd)

	Motorcycles RM'000	Building Materials RM'000	Semi- conductor RM'000	Packaging RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Group							
2002							
Revenue							
External sales	391,254	500,492	768,842	185,494	104,186	-	1,950,268
Inter-segment sales	-	-	-	3,074	-	(3,074)	-
Total revenue	391,254	500,492	768,842	188,568	104,186	(3,074)	1,950,268
Result							
Segment results	8,351	55,291	2,755	15,137	(17,415)	-	64,119
Unallocated corporate expenses							(841)
Operating profit							63,278
Finance cost							(119,269)
Interest income							23,647
Share of profits/(losses) of associated companies	142	-	-	-	(27,032)	-	(26,890)
Loss before taxation							(59,234)
Taxation							(21,588)
Loss after taxation							(80,822)
Consolidated balance sheet							
Segment assets	366,232	420,412	1,705,236	155,502	634,561	-	3,281,943
Investment in associates	29,175	-	-	-	130,828	-	160,003
Unallocated corporate assets							591,737
Consolidated total assets							4,033,683
Segment liabilities	159,283	213,130	193,828	44,106	73,611	-	683,958
Unallocated corporate liabilities							1,991,155
Consolidated total liabilities							2,675,113
Other information							
Capital expenditure	21,800	4,398	115,092	10,590	2,671	-	154,551
Depreciation and amortisation	16,675	29,230	210,022	13,353	2,868	-	272,148
Non-cash expenses other than depreciation and amortisation	5,250	3,062	4,098	(1,399)	9,192	-	20,203

Geographical segments

There is no segmental analysis by geographical location as the Group's operations are principally located in Malaysia and the customer base does not reflect the actual location of the end customers.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

29. Changes in accounting policies and prior year adjustments

In the current financial year, the Group and the Company adopted five new MASB Standards. The adoption of these new standards resulted in changes in accounting policies as follows:-

- MASB 22, Segmental Reporting and MASB 24, Financial Instruments: Disclosure and Presentation, which have been adopted prospectively. As allowed under the transitional provision of MASB 24, the component part classification for compound instruments into equity and liability will only be adopted in respect of instruments issued on or after 1 January 2003.
- MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustment are therefore not presented. The adoption of this standard has no material impact on the financial statements.
- MASB 25, Income Taxes which has been adopted retrospectively. Comparatively figures have been adjusted to reflect the change in this accounting policy.
- MASB 27 Borrowing Costs which is applied retrospectively. Comparatively figures have not been restated as the previous accounting policy was in line with the accounting standard.

The adoption of MASB 25 has resulted in the recognition in full of all taxable temporary differences. Previously, deferred tax liabilities were not provided if no liability was expected to arise in the foreseeable future and there were no indications that the timing differences would reverse thereafter. Deferred tax assets are now recognised when it is probable that taxable profits will be available against which the deferred tax asset can be utilised (previously only recognised where there was a reasonable expectation of realisation in the near future).

The change in accounting policy, applied retrospectively, has the following impact on results as follows:-

	Group		Company	
	2003 RM'000	2002 RM'000	2003 RM'000	2002 RM'000
Net profit before change in accounting policy	9,007	(78,018)	15,762	21,367
Effect of adopting MASB 25	-	(836)	-	-
Net profit for the year	9,007	(78,854)	15,767	21,367

Following the adoption of MASB 25, comparative figures have been restated as follows:-

	Group	
	As Restated RM'000	As Previously Reported RM'000
Consolidated balance sheet		
Intangible assets	494,811	495,120
Deferred tax assets	1,500	-
Reserves	535,953	545,394
Minority interests	561,735	574,009
Deferred taxation	84,817	61,911
Consolidated income statement		
Taxation	(21,588)	(22,319)
Minority interest	1,968	3,535



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

30. Commitments

	Group	
	2003 RM'000	2002 RM'000
Capital commitments:		
Authorised but not contracted for	18,358	27,351
Authorised and contracted for	63,843	87,682
Operating lease commitments:		
Expiring within one year	1,352	697
Expiring between one to five years	4,900	3,381
Expiring after five years	44,281	45,188
	50,533	49,266

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.

31. Holding company

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

32. Acquisition of subsidiary company

The Company's wholly-owned subsidiary, MZ Motorrad-und Zweiradwerk GmbH, had on 22 November 2002, acquired 100% equity interest in MuZ North America Inc for a total cash consideration of USD105,650 (equivalent to RM401,470).

Effect of acquisition

The acquisition's effect on the Group's assets and liabilities as at 30 June 2003 was as follows:-

	2003 RM'000
Plant and equipment	110
Inventories	7,340
Trade and other receivables	2,912
Cash and bank balances	295
Trade and other payables	(10,481)
	176
Goodwill on acquisition	225
Consideration paid, satisfied in cash	401
Cash and cash equivalents acquired	(295)
Cash flow on acquisition, net of cash acquired	106

The subsidiary acquired has contributed a revenue of RM12,817,000 and resulted a net loss of RM429,000 to the consolidated income statement for the year ended 30 June 2003.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

33. Disposal of subsidiary company

The Company had, on 5 July 2001, disposed of Hong Leong Equipment Sdn Bhd, a subsidiary for a total cash consideration of RM1,500,000.

Effect of disposal

The disposal's effect on the Group's assets and liabilities as at 30 June 2002 was as follows:-

	2002 RM'000
Property, plant and equipment	348
Inventories	4,327
Trade and other receivables	13,794
Cash and bank balances	899
Trade and other payables	(12,157)
Bank overdraft	(50)
Bank borrowings	(4,000)
Retirement benefits	(428)
	2,733
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

The subsidiary disposed of has contributed a revenue of RM NIL and resulted a net loss of RM7,938,000 to the consolidated income statement for the year ended 30 June 2002.

34. Related parties

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

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

- (i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company. YBhg Tan Sri Quek Leng Chan ("Tan Sri Quek"), a Director and a deemed major shareholder of the Company, is a Director and a major shareholder of HLCM. Mr Kwek Leng San ("Mr Kwek LS"), a Director of the Company, is a brother of Tan Sri Quek. Mr Kwek Leng Beng ("Mr Kwek LB"), a deemed major shareholder of the Company, is a Director and a deemed major shareholder of HLCM. Tan Sri Quek, Mr Kwek LS and Mr Kwek LB are persons connected with HLCM;
- (ii) Tasek Corporation Berhad ("Tasek") is a person connected with Mr Kwek LB, who is a person connected with 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 with Mr Chuah Chuan Thye, a Director of the Company and a related company of the Company;



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. Related parties (cont'd)

- (iv) Syarikat Motor Singa Sdn Bhd ("Syarikat Motor Singa") and Sing Heng Motor Trading Sdn Bhd ("Sing Heng Motor") are persons connected with Mr Ng Choong Hai, a Director of certain subsidiaries of the Company;
- (v) MZ Engineering GmbH and Petr Karel Korous Management Consulting are persons connected with Mr Petr Karel Korous, a Director of certain subsidiaries of the Company;
- (vi) Yamaha Motor Co. Ltd ("YMC") is a major shareholder of certain subsidiaries of the Company. Yamaha Motor Asia Pte Ltd ("YMA"), Thai Yamaha Motor Co Ltd ("TYM") and P.T. Yamaha Indonesia Motor Manufacturing ("PT") are persons connected with YMC (YMC, YMA, TYM & PT collectively referred to as "YMC Group"); and
- (vii) BIB Insurance Brokers Sdn Bhd ("BIB") is a person connected with YBhg Tan Sri Dato' Zaki bin Tun Azmi, a Director of certain related companies of the Company.

Significant transactions with related parties are as follows:-

Transaction	Related Party	Group	
		2003 RM'000	2002 RM'000
(a) Rental of properties	Subsidiary companies of HLCM	1,096	1,123
(b) Receipt of insurance and insurance broking services	Subsidiary companies of HLCM and BIB	9,938	11,991
(c) Sales of goods and services	Subsidiary and associated companies of HLCM	39,951	36,621
	Syarikat Motor Singa and Sing Heng Motor	4,565	5,020
	Hong Bee Hardware and Hong Bee Motors	23,221	22,873
	MZ Engineering GmbH	1,363	4,391
	YMC Group	17,651	10,290
(d) Provision of legal, secretarial, tax, personnel, credit control services and corporate office support services	Subsidiary and associated companies of HLCM	5,963	3,485
(e) Payment of usage of the Hong Leong logo and trademark	HLCM	42	50
(f) Purchase of goods and services	Subsidiary and associated companies of HLCM	122,399	119,791
	Tasek	36,245	38,813
	MZ Engineering GmbH	29,178	9,616
	Petr Karel Korous Management Consulting	532	421
	YMC Group	61,945	67,896



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

34. Related parties (cont'd)

Significant transactions with related parties are as follows:- (cont'd)

Transaction	Related Party	Group	
		2003 RM'000	2002 RM'000
(g) Receipt of Group management and/or support services	Subsidiary and associated companies of HLCCM	8,278	9,048
(h) Interest income	Subsidiary companies of HLCCM	7,983	8,434

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.

35. Financial instruments

Financial risk management objectives and policies

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

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

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

Credit risk

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

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

Liquidity risk

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

Interest rate risk

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. Financial instruments (cont'd)

Effective interest rates and repricing analysis

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

	Effective Interest Rate %	Total RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More Than 5 Years RM'000
Group					
Financial assets					
Deposit, cash and bank balances	2.77	171,851	171,851	-	-
Amount due from related companies	6.30	39,523	39,523	-	-
Financial liabilities					
Borrowings					
- Floating rate	6.31	729,682	540,029	189,653	-
- Fixed rate	6.40	170,083	66,709	103,374	-
EuroConvertible bonds	3.96	279,224	-	279,224	-
Redeemable bonds					
- Local	8.50	250,000	-	250,000	-
- Islamic	6.35	250,000	-	-	250,000
Banker acceptances	2.89	266,634	266,634	-	-
Company					
Financial assets					
Amount due from a subsidiary company	1.00	4,809	4,809	-	-
Financial liabilities					
Borrowings					
- Floating rate	3.12	415,059	324,263	90,796	-
- Fixed rate	6.49	130,000	50,000	80,000	-
EuroConvertible bonds	3.96	279,224	-	279,224	-
Redeemable bonds					
- Local	8.50	125,000	-	125,000	-
- Islamic	6.35	250,000	-	-	250,000

Foreign currency risk

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

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



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35. Financial instruments (Cont'd)

Fair value

Recognised financial instruments

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

	<----- 2003 ----->	
	Carrying Amount RM'000	Fair Value RM'000
Group		
Financial assets		
Long term investment		
- quoted shares	193,890	163,407
- quoted Irredeemable convertible unsecured loan stocks in an associated company	54,089	59,363
Financial liabilities		
Redeemable bonds	250,000	262,072
Company		
Financial assets		
Long term investment		
- quoted shares	755,521	1,812,879
- quoted Irredeemable convertible unsecured loan stocks in an associated company	54,089	59,363
Financial liabilities		
Redeemable bonds	125,000	131,036

Unrecognised financial instruments

The nominal amount of the financial instruments not recognised in the balance sheet of the Group as at 30 June 2003 is:-

	Group 2003 RM'000
Forward foreign exchange contracts	211,406

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

Comparative information are not disclosed under the Transitional Provisions of MASB 24 Financial Instruments: Disclosure and Presentation.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

36. Significant events during the year

During the year:-

(a) The Company had undertaken an internal restructuring exercise which involved the transfer of:

- (i) its entire equity interests in the following five (5) subsidiary companies to its wholly-owned subsidiary, Guocera Holdings Sdn Bhd [formerly known as Guocera Tile Industries (Kluang) Sdn Bhd] ["GTI (Kluang)"], for a total consideration of RM42,078,910.00 ("Consideration").

	<u>% of Shares Held</u>
Guocera Tile Industries Sdn Bhd (formerly known as Guocera Tile Industries (Kapar) Sdn Bhd) ["GTI"]	100
Ceramic Research Company Sdn Bhd	100
Guocera Marketing Sdn Bhd	100
Guocera Tile Industries (Labuan) Sdn Bhd	70
Guocera Tile Industries (Meru) Sdn Bhd	64.

The Consideration was satisfied by the issuance and allotment of 4,200 new redeemable preference shares ("RPS") in GTI (Kluang) at an issue price of RM10,000.00 per RPS comprising a nominal value of RM100.00 and a premium of RM9,900.00 each, credited as fully paid-up, and cash payment of RM78,910.00;

- (ii) GTI (Kluang)'s business of manufacture and sale of ceramic tiles and assets (excluding land and building) to GTI, for RM65,627,000.00 equivalent to the unaudited net tangible assets value of GTI (Kluang)'s business and assets as at 31 March 2003; and
- (iii) GTI (Kluang)'s land and building, all in the Mukim of Kluang, Daerah Kluang, bearing the postal address 201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim to GTI, for a consideration of RM49,684,388.01.
- (b) Carsem (M) Sdn Bhd ("CM"), a 70% subsidiary of Malaysian Pacific Industries Berhad ("MPI"), which in turn is a 61.1% owned subsidiary of HLI, had on 2 May 2003, entered into a Share Purchase Agreement with MPI and Permodalan Nasional Berhad to acquire the entire share capital of Carsem Semiconductor Sdn Bhd ("CS") comprising 100,000,000 ordinary shares of RM1.00 each, for a total cash consideration of RM180 million ("Acquisition"). The Acquisition was completed on 18 June 2003.

On 26 June 2003, CS transferred its business together with certain assets and liabilities to CM for a total consideration of RM453,031,485.57.

37. Subsequent events

Subsequent to the financial year-end, HLI had, on 30 July 2003, obtained shareholders' mandate to purchase and/or dispose of up to 20,000,000 ordinary shares of RM0.50 each in MPI ("MPI Shares"), representing approximately 10% of the adjusted issued and paid-up share capital of MPI, through the open market or stockbroker(s) as part of the HLI Group's investment holding activities. The HLI Group had, on 26 July 2003, placed out 5,000,000 MPI Shares, representing 2.5% equity interest in MPI at RM14.40 per MPI Share (before expenses) and on 19 August 2003, HLI placed out another 5,000,000 MPI Shares at RM14.90 per MPI Share (before expenses) ("Placements").

After the Placements, the HLI Group's equity interest in MPI is reduced from 121,609,547 ordinary shares of RM0.50 each to 111,609,547 ordinary shares of RM0.50 each, representing 56.1% of the adjusted issued and paid-up share capital of MPI.



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

38. 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 reported RM'000	Reclassification RM'000	As restated RM'000
Group			
Balance Sheet			
Trade and other receivables	628,699	(78,158)	550,541
Tax recoverable	-	78,158	78,158
Company			
Balance sheet			
Trade and other receivables	84,478	(70,333)	14,145
Tax recoverable	-	70,333	70,333



STATEMENTS BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

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 33 to 76 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 2003 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
28 August 2003

STATUTORY DECLARATION

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

I, Soon Seong Keat, being the officer primarily responsible for the financial management of HONG LEONG INDUSTRIES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 33 to 76 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)	
abovenamed Soon Seong Keat at Kuala Lumpur)	SOON SEONG KEAT
in the Federal Territory on 28 August 2003)	

Before me

TEONG KIAN MENG

Pesuruhjaya Sumpah
Commissioner for Oaths



REPORT OF THE AUDITORS

We have audited the financial statements set out on pages 33 to 76 of HONG LEONG INDUSTRIES BERHAD. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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

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

In our opinion:-

- (a) the financial statements which have been properly drawn up in accordance with the provisions of the Companies Act 1965 and applicable approved accounting standards so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements of the Group and of the Company; and
 - (ii) the state of affairs of the Group and of the Company at 30 June 2003 and of the results of the operations of the Group and of the Company and of the cash flows of the Group and of the Company for the year ended on that date; and
- (b) the accounting and other records and the registers required by the Companies Act 1965 to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

The names of the subsidiaries of which we have not acted as auditors are indicated on pages 45 to 49. 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
28 August 2003



OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2003

Location	Tenure	Existing use	Date/year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book value As At 30 June 2003 (RM'000)
Lot 57, Persiaran Bukit Rahman Putra 3, 47000 Sungai Buloh, Selangor Darul Ehsan	Freehold	Factory Buildings	14 Apr 1994	1,577,316	7	52,436
Lot 14/70, Jalan Utas, 40000 Shah Alam, Selangor Darul Ehsan	11 Jun 2071	Factory Buildings	1983	456,000	16-22	13,794
PF 70, Alte Marienberger Strasse, 30-35,09401 Zschopau-Hohndorf, Germany	Freehold	Factory Buildings Office Building and Store	01 Sep 1996	823,338	8-22	4,094
5 1/2 miles, Jalan Kapar, Rantau Panjang, 42100 Klang, Selangor Darul Ehsan	Freehold	Factory Buildings	1982	667,513	12-34	21,973
5 1/2 miles, Jalan Meru, 41050 Klang, Selangor Darul Ehsan	Freehold	Factory Buildings	1983	871,600	22	21,911
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Factory Buildings	17 Apr 1985	261,633	18	5,785
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Factory Buildings	17 Apr 1985	1,061,775	13	6,555
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Factory Buildings	17 Apr 1985	747,108	10	21,721
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Industrial Land	17 Apr 1985	256,187	-	259
201, Jalan Mengkibol, 86000 Kluang, Johor Darul Takzim	Freehold	Warehouses	17 Apr 1985	907,790	8	15,366
Ranca-Ranca Industrial Estate	31 Dec 2043	Factory Buildings	1990	457,790	19	2,992



OTHER INFORMATION

1. Properties Held By The Group As At 30 June 2003 (cont'd)

Location	Tenure	Existing use	Date/year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book value As At 30 June 2003 (RM'000)
CL-205228842, Lot 5331 Labuan Sabah	01 Jan 2057	Industrial Land	17 Jun 1993	243,936	-	354
No 367 A & B, Jalan Melaka Raya, Taman Melaka Raya, 75000 Melaka	04 Oct 2082	3 storey Mid Terraced Shop Office	29 Aug 1996	1,399	20	184
Jalan Lapangan Terbang 30720 Ipoh, Perak	20 Apr 2074	Factory Building and Office Building	21 Sep 1998	158,297	7-28	12,272
Jalan Lapangan Terbang 30720 Ipoh, Perak	15 Sep 2081	Factory Building and Office Building	21 Sep 1998	64,469	5-15	15,276
Jalan Lapangan Terbang 30720 Ipoh, Perak	23 May 2082	Factory Building and Office Building	21 Sep 1998	19,849	7-15	1,993
Jalan Lapangan Terbang 30720 Ipoh, Perak	08 May 2039	Industrial Land	28 Jan 1999 30 Mar 1998	53,274	-	17,802
Jalan Lapangan Terbang 30720 Ipoh, Perak	08 May 2078	Industrial Land	24 Feb 1998	61,676	-	1,313
Jalan Lapangan Terbang 30720 Ipoh, Perak	08 May 2039	Factory Building and Office Building	07 Apr 1989	45,680	9	5,999
Lot 52986, Kawasan Perindustrian Taman Meru, Jelapang, Perak	29 Oct 2091	Factory Building and Office Building	30 Oct 1992	1,344,579	12	76,375
Plot 73021, Shen Hu Rd in District 2, Suzhou Industrial Park, Jiangsu, 215021, People's Republic of China.	01 Jan 2052	Vacant Industrial Land	30 Apr 2002	430,550	-	1,838
Lot 2367, Bayan Lepas, Pulau Pinang	2031	Factory Buildings, Office Building and Store	1996	257,000	9	25,116



OTHER INFORMATION (cont'd)

1. Properties Held By The Group As At 30 June 2003 (cont'd)

Location	Tenure	Existing use	Date/year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book value As At 30 June 2003 (RM'000)
Lot 8, Bayan Lepas, Pulau Pinang	16 Jun 2058	Factory Buildings, Office Building and Store	1996	105,000	4	18,223
4060, norbatrol Ave, Murrysville, Pennsylvania	Freehold	Factory Buildings, Office Building and Store	22 Jan 1996	52,000	38	2,063
Lot 5078 & 5079, Jalan Jenjarom 28/39, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan	Freehold	Factory Building, Office Building and Store	1985	233,024	9-11	16,974
Lot 3, Mukim Batu, Batu Caves Industrial Estate, Selangor Darul Ehsan	05 Sep 2074	Factory Building	1985	43,479	28	892
Plots 75 & 76, 83-85, Kawasan Perindustrian, Peringkat III, Mukim Bukit Katil, State of Melaka	04 Jan 2082 30 Oct 2077	Factory Building, Office Building and Store	1983	390,959	19-20	2,707
D127, Ground Floor, Block D, Tanjung Biru Condominium, Port Dickson, Negeri Sembilan	Freehold	Condominium	22 Nov 1983	840	19	66
Lot 9-10 Ayer Keroh Industrial Estate 75450 Melaka	30 Jun 2071	Factory Building, Office Building and Store	14 May 1979	194,863	26	3,548
D128, Ground Floor, Block D, Tanjung Biru Condominium, Port Dickson, Negeri Sembilan	Freehold	Condominium for staff	22 Nov 1983	840	19	117
Lot No 1, Jalan Dunggun 28/30, Seksyen 28, 40000 Shah Alam, Selangor Darul Ehsan	Freehold	Factory Building, Office Building and Store	28 Jun 1993	548,856	7	31,652



OTHER INFORMATION (cont'd)

1. Properties Held By The Group As At 30 June 2003 (cont'd)

Location	Tenure	Existing use	Date/year of last Revaluation/ Acquisition	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book value As At 30 June 2003 (RM'000)
Lot 5035 & 5037 Jalan Tadun 28/42, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan	Freehold	Vacant Industrial Land (Property Assets)	1981	180,338	-	1,244
Lot 5036 Jalan Teluk Datuk 28/40 40000 Shah Alam, Selangor Darul Ehsan	Freehold	Vacant Factory Building, Office Building and Store (Property Assets)	1981	440,278	10-14	9,147
Section 7, Phase 1A, Pulau Indah Industrial Park, West Port, Selangor Darul Ehsan	24 Feb 2097	Vacant Industrial Land (Property Assets)	03 Jan 1996	871,200	-	13,231
Unit 3-1-1 & 3-2-3, Block 3, Conlay court Condominiums, section 63, Kuala Lumpur	17 Jul 2083	Condominium (Property Asset)	1996	4,238	7 (CF 25 May 1996)	1,662



OTHER INFORMATION (cont'd)

2. Analysis of Shareholdings As At 29 August 2003

Class of Share : Ordinary share of RM0.50 each

Voting Rights

• On a show of hands : 1 vote

• On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 29 August 2003

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	100	2.26	1,291	0.00
100 – 1,000	1,718	38.82	1,638,968	0.75
1,001 – 10,000	2,057	46.47	8,304,275	3.81
10,001 – 100,000	428	9.67	13,406,782	6.16
100,001 – less than 5% of issued shares	119	2.69	109,681,292	50.36
5% and above of issued shares	4	0.09	84,751,892	38.92
	4,426	100.00	217,784,500	100.00

List of Thirty Largest Shareholders As At 29 August 2003

Name of Shareholders	No. of Shares	%
1. RHB Merchant Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	29,495,000	13.54
2. HSBC Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	22,746,000	10.44
3. Employees Provident Fund Board	17,668,100	8.11
4. Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	14,842,792	6.82
5. AMMB Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	10,533,333	4.84
6. Scotia Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	9,343,600	4.29
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. EB Nominees (Tempatan) Sendirian Berhad - Hong Leong Company (Malaysia) Berhad	5,200,000	2.39
10. AllianceGroup Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	4,500,000	2.07
11. Bumiputra-Commerce Nominees (Tempatan) Sdn. Bhd. - Hong Leong Company (Malaysia) Berhad	3,900,000	1.79



OTHER INFORMATION (cont'd)

2. Analysis of Shareholdings As At 29 August 2003 (cont'd)

List of Thirty Largest Shareholders As At 29 August 2003 (cont'd)

Name of Shareholders	No. of Shares	%
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	3,509,000	1.61
14. UOBM Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,200,000	1.01
15. Public Nominees (Tempatan) Sdn Bhd - Hong Leong Company (Malaysia) Berhad	2,000,475	0.92
16. Hong Bee Hardware Company Sdn Bhd	1,770,000	0.81
17. Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad	1,705,000	0.78
18. HLG Nominee (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.71
19. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	1,490,000	0.68
20. Malaysia Nominees (Tempatan) Sendirian Berhad - Amanah Smallcap Fund Berhad	1,423,000	0.65
21. Perbadanan Nasional Berhad	1,310,000	0.60
22. PAB Nominee (Tempatan) Sdn Bhd - Quek Leng Chan	1,268,000	0.58
23. AMMB Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,250,000	0.57
24. Scotia Nominees (Asing) Sdn Bhd - TMT Global Limited	1,244,000	0.57
25. HSBC Nominees (Asing) Sdn Bhd - Invesco Gt Asean Fund	1,188,000	0.55
26. Rothputra Nominees (Tempatan) Sdn Bhd - Employees Provident Fund	1,100,000	0.51
27. Lembaga Tabung Angkatan Tentera	1,036,000	0.48
28. Grandeur Holdings Sdn Bhd	1,022,000	0.47
29. Universal Trustee (Malaysia) Berhad - SBB High Growth Fund	942,000	0.43
30. Bank Of Tokyo-Mitsubishi (Malaysia) Berhad - Hong Leong Company (Malaysia) Berhad	902,000	0.41
	161,688,300	74.24



OTHER INFORMATION (cont'd)

2. Analysis of Shareholdings As At 29 August 2003 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 29 August 2003 are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
1. Hong Leong Company (Malaysia) Berhad	128,322,200	58.92	555,000#	0.26#
2. Y Bhg Tan Sri Quek Leng Chan	1,268,000	0.58	128,877,200*	59.18*
3. HL Holdings Sdn Bhd	-	-	128,877,200*	59.18*
4. Hong Realty (Private) Limited	-	-	128,877,200*	59.18*
5. Hong Leong Investment Holdings Pte Ltd	-	-	128,877,200*	59.18*
6. Kwek Holdings Pte Ltd	-	-	128,877,200*	59.18*
7. Mr Kwek Leng Beng	-	-	128,877,200*	59.18*
8. Mr Kwek Leng Kee	-	-	128,877,200*	59.18*
9. Davos Investment Holdings Private Limited	-	-	128,877,200*	59.18*
10. Mr Quek Leng Chye	-	-	128,877,200*	59.18*
11. Employees Provident Fund Board	23,822,100	10.94	-	-

Notes:

Deemed interests through subsidiary companies

* Deemed interests through Hong Leong Company (Malaysia) Berhad

3. Analysis Of Warrantholdings As At 29 August 2003

Voting Rights

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

Distribution Schedule Of 1996/2006 Warrantholders As At 29 August 2003

Size of Holdings	No. of 1996/2006 Warrantholders		No. of 1996/2006 Warrants	
		%		%
Less than 100	8	0.25	388	0.00
100 – 1,000	1,302	41.39	1,237,159	3.53
1,001 – 10,000	1,590	50.54	6,101,810	17.39
10,001 – 100,000	233	7.41	6,242,971	17.80
100,001 – less than 5% of issued 1996/2006 warrants	11	0.35	4,203,872	11.98
5% and above of issued 1996/2006 warrants	2	0.06	17,295,000	49.30
	3,146	100.00	35,081,200	100.00



OTHER INFORMATION (cont'd)

3. Analysis Of Warrantholdings As At 29 August 2003 (cont'd)

List of Thirty Largest 1996/2006 Warrantholders As At 29 August 2003

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	1,573,372	4.49
4. Citicorp Nominees (Tempatan) Sdn Bhd - Malaysian Assurance Alliance Bhd	450,000	1.28
5. Allianz General Insurance Malaysia Berhad	445,000	1.27
6. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	330,000	0.94
7. HSBC Nominees (Asing) Sdn Bhd - Universities Superannuation Scheme Limited	312,500	0.89
8. Lim King Huak	266,000	0.76
9. HSBC Nominees (Asing) Sdn Bhd - Tenacious Hold Limited	233,000	0.66
10. RHB Nominees (Asing) Sdn Bhd - Tan Yan Tin	217,000	0.62
11. Malaysian Assurance Alliance Berhad	182,000	0.52
12. KPM Securities Sdn Bhd	140,000	0.40
13. Lai Kui Yin	135,000	0.38
14. Polywell Enterprise Sendirian Berhad	100,000	0.29
15. DB (Malaysia) Nominee (Asing) Sdn Bhd - Cablestar Limited	99,000	0.28
16. Mayban Nominees (Tempatan) Sdn Bhd - Saham Amanah Sabah	95,000	0.27
17. TCL Nominees (Tempatan) Sdn. Bhd. - Tay Ah Moi @ Tey Ah Moy	92,000	0.26
18. Siew Yau Wai @ Siew Ah Why	90,000	0.26
19. SBBAM Nominees (Tempatan) Sdn. Bhd. - Pertubuhan Keselamatan Sosial	89,000	0.25
20. TA Nominees (Tempatan) Sdn Bhd - Ng Wai Leong	85,100	0.24



OTHER INFORMATION (cont'd)

3. Analysis Of Warrantholdings As At 29 August 2003 (cont'd)

List of Thirty Largest 1996/2006 Warrantholders As At 29 August 2003 (cont'd)

Name of 1996/2006 Warrantholders	No. of 1996/2006 Warrants	%
21. Gun Bee Leh @ Gan Hwee Peng	81,000	0.23
22. Senawang Land Sdn Bhd	80,000	0.23
23. SBBAM Nominees (Tempatan) Sdn. Bhd. - Yayasan Tunku Abdul Rahman	78,000	0.22
24. Wong Chin Tong	76,000	0.22
25. Lim Kim Huat @ Lim Kee Chooi	75,000	0.21
26. PM Nominees (Tempatan) Sdn Bhd - Ng Faai @ Ng Yoke Pei	74,700	0.21
27. SBBAM Nominees (Tempatan) Sdn. Bhd. - Yayasan Mohd Noah	70,000	0.20
28. Argemari @ Stephanie A/PAmalappasamy	69,000	0.20
29. BBMB Securities Nominees (Tempatan) Sdn Bhd - Petroleum Research Fund	69,000	0.20
30. Mayban Nominees (Tempatan) Sdn Bhd - Wong Tuck Eng	67,500	0.19
	22,969,172	65.47

4. Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holders As At 29 August 2003

Voting Rights

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

Distribution Schedule Of 2002/2007 ICULS Holders As At 29 August 2003

Size of Holdings	No. of 2002/2007 ICULS Holders	%	No. of 2002/2007 ICULS	%
Less than 100	1	0.05	15	0.00
100 – 1,000	637	28.78	627,707	0.30
1,001 – 10,000	1,183	53.46	5,096,958	2.45
10,001 – 100,000	317	14.32	9,588,600	4.60
100,001 – less than 5% of issued 2002/2007 ICULS	72	3.25	39,458,700	18.96
5% and above of issued 2002/2007 ICULS	3	0.14	153,380,800	73.69
	2,213	100.00	208,152,780	100.00



OTHER INFORMATION (cont'd)

4. Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holders As At 29 August 2003 (cont'd)

List of Thirty Largest 2002/2007 ICULS Holders As At 29 August 2003

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	17,540,800	8.43
3. Employees Provident Fund Board	15,840,000	7.61
4. Hong Leong Assurance Berhad	10,000,000	4.80
5. Citicorp Nominees (Tempatan) Sdn Bhd - Prudential Assurance Malaysia Berhad	1,799,000	0.86
6. Hong Bee Hardware Company Sdn Bhd	1,767,000	0.85
7. HLG Nominee (Asing) Sdn Bhd - Kwek Leng San	1,550,000	0.74
8. Soon Li Voon	1,409,000	0.68
9. Universal Trustee (Malaysia) Berhad - SBB High Growth Fund	1,346,000	0.65
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. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Berhad (Non-Life)	1,000,000	0.48
14. Hong Leong Fund Management Sdn Bhd - Hong Leong Assurance Berhad (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	860,000	0.41
17. SBBAM Nominees (Tempatan) Sdn. Bhd. - Pertubuhan Keselamatan Sosial	728,000	0.35
18. Mayban Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Simpanan Pekerja	714,000	0.34



OTHER INFORMATION (cont'd)

4. Analysis Of Irredeemable Convertible Unsecured Loan Stocks ("ICULS") Holders As At 29 August 2003 (cont'd)

List of Thirty Largest 2002/2007 ICULS Holders As At 29 August 2003 (cont'd)

Name of 2002/2007 ICULS Holders	No. of 2002/2007 ICULS	%
19. Amanah Raya Berhad - SBB Double Growth Fund	662,000	0.32
20. Citicorp Nominee (Asing) Sdn Bhd - Stichting Shell Pensioenfonds	660,000	0.32
21. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	645,000	0.31
22. Chong Fong	620,000	0.30
23. Mayban Nominees (Tempatan) Sdn Bhd - Future Goals Fund	552,000	0.26
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. Cimsec Nominees (Tempatan) Sdn Bhd - Chia Kwoon Meng	407,000	0.20
28. Universal Trustee (Malaysia) Berhad - Mayban Unit Trust Fund	404,000	0.19
29. Cartaban Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	388,000	0.19
30. Mayban Nominees (Tempatan) Sdn Bhd - Balanced Returns Fund	368,000	0.18
	185,969,800	89.34



OTHER INFORMATION (cont'd)

5. Directors' Interests As At 29 August 2003

Subsequent to the financial year-end, there is no change as at 29 August 2003 to the Directors' interests in the ordinary shares and/or warrants/options/convertible unsecured loan stocks of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 23 to 28 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:

	Ordinary shares/new shares to be issued arising from the exercise of warrants/options/ convertible unsecured loan stocks*	
	No. of Shares	Indirect %
YBhg Tan Sri Quek Leng Chan		
Hong Leong Bank Berhad	955,801,500	60.51
Hong Leong Credit Berhad	814,826,754	78.34
Malaysian Pacific Industries Berhad	112,939,009	56.78
Hong Leong Industries Berhad ("HLI")	128,877,200	59.18
Mr Chuah Chuan Thye		
HLI	1,998,800	0.92
	341,778*	0.12#

Based on the enlarged share capital of HLI assuming full exercise/conversion of the options, warrants and convertible unsecured loan stocks as at 29 August 2003.

6. 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:

- Carsem (M) Sdn Bhd ("CM"), a 70% owned subsidiary of Malaysian Pacific Industries Berhad ("MPI"), which in turn is a 61.1% owned subsidiary of the Company had, on 2 May 2003, entered into a Share Purchase Agreement with MPI and Permodalan Nasional Berhad to acquire the entire share capital of Carsem Semiconductor Sdn Bhd ("CS") comprising 100,000,000 ordinary shares of RM1.00 each, for a total cash consideration of RM180,000,000 ("Acquisition"). The Acquisition was completed on 18 June 2003.
- Contract notes dated 24 March 2003 and 21 July 2003 for the disposal of 1,300,000 ordinary shares of RM1.00 each and 7,295,000 ordinary shares of RM1.00 each respectively, representing in total 0.825% of the issued and paid-up share capital of Hong Leong Credit Berhad ("HLC") by Kasih Sayang Realty Sdn Bhd, a wholly-owned subsidiary of the Company, for a total cash consideration of RM36,266,451.50 (after deduction of brokerage and stamp duty charges).

YBhg Tan Sri Quek Leng Chan is a Director of the Company and HLC and a major shareholder of the Company, MPI, CM, CS and HLC.

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

Hong Leong Company (Malaysia) Berhad is a major shareholder of the Company, MPI, CM, CS and HLC.





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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 Fortieth Annual General Meeting of the Company to be held at the Theatre, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Wednesday, 29 October 2003 at 11.00 a.m. and at any adjournment thereof.

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

RESOLUTIONS	FOR	AGAINST
1. To receive the Audited Financial Statements and Reports		
2. To approve the payment of Directors' fees		
3. To re-elect the following Directors: (a) YBhg Dato'Ahmad Johari bin Tun Abdul Razak (b) YAM Tunku Dara Tunku Tan Sri Naquiah bt Tuanku Ja'afar (c) YBhg Dato' Dr Agoes Salim	(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 2003

Number of shares held

Signature(s) of member(s)

Notes:

- 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.
- 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.
- 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.
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 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.
- 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.