



# Hong Leong Industries

A Member of the Hong Leong Group Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2008

The figures have not been audited

### CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2008

|   | Individual Quarter      |  | Cumulative Quarter       |   |
|---|-------------------------|--|--------------------------|---|
|   | Current Year<br>Quarter | (Restated)<br>Preceding Year<br>Corresponding<br>Quarter | Current Year-<br>To-Date | (Restated)<br>Preceding Year<br>Corresponding<br>Period |
|   | 31/03/2008<br>RM'000    | 31/03/2007<br>RM'000                                     | 31/03/2008<br>RM'000     | 31/03/2007<br>RM'000                                    |
| <b>Revenue</b>                              | 759,499                 | 672,912  | 2,280,580                | 2,104,137   |
| Cost of sales                               | (641,569)               | (568,489)  | (1,876,202)              | (1,735,064)   |
| <b>Gross profit</b>                         | 117,930                 | 104,423  | 404,378                  | 369,073   |
| Operating expenses                          | (43,998)                | (42,059)   | (131,813)                | (128,841)   |
| Other operating (expenses) / income         | (9,934)                 | 2,438  | (20,421)                 | 5,472   |
| Interest income                             | 1,798                   | 1,327  | 4,865                    | 4,587   |
| Finance costs                               | (13,110)                | (16,590)   | (39,004)                 | (53,591)  |
| Share of profit of associated companies     | 14,325                  | 23,434   | 33,831                   | 49,500  |
| <b>Profit before taxation</b>               | 67,011                  | 72,973   | 251,836                  | 246,200   |
| Taxation                                    | (15,799)                | (16,282)   | (39,650)                 | (34,892)  |
| <b>Profit for the period</b>                | 51,212                  | 56,691   | 212,186                  | 211,308   |
| <b>Attributable to:</b>                     |                         |  |                          |   |
| Equity holders of the parent                | 34,788                  | 37,562   | 125,567                  | 124,159   |
| Minority interests                          | 16,424                  | 19,129   | 86,619                   | 87,149  |
| <b>Profit for the period</b>                | 51,212                  | 56,691   | 212,186                  | 211,308   |
| <b>Earnings per ordinary share (sen) :-</b> |                         |  |                          |   |
| (a) Basic                                   | 13.24                   | 15.34  | 47.80                    | 50.98   |
| (b) Fully diluted                           | N/A                     | N/A  | N/A                      | N/A   |

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2007.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

The figures have not been audited

**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2008**

|  | As At End of<br>Current Quarter | (Restated)<br>As At End of<br>Preceding<br>Financial Year |
|--|---------------------------------|---|
|  | 31/03/2008<br>RM'000            | 30/06/2007<br>RM'000                                      |
| <b>Non-current assets</b>  |                                 |   |
| Property, plant and equipment  | 1,422,345                       | 1,353,216   |
| Prepaid lease payments   | 37,296                          | 37,593  |
| Investments in associated companies  | 406,100                         | 395,230   |
| Other investments  | 1,351                           | 1,351   |
| Intangible assets  | 467,702                         | 458,192   |
| Deferred tax assets  | 461                             | 461   |
|  | <u>2,335,255</u>                | <u>2,246,043</u>  |
| <b>Current assets</b>  |                                 |   |
| Inventories  | 235,989                         | 228,093   |
| Trade and other receivables  | 503,236                         | 461,053   |
| Tax recoverable  | 20,050                          | 30,933  |
| Short term investments   | 27                              | 27  |
| Deposits, cash and bank balances   | 186,179                         | 296,400   |
|  | <u>945,481</u>                  | <u>1,016,506</u>  |
| <b>TOTAL ASSETS</b>  | <u>3,280,736</u>                | <u>3,262,549</u>  |
| <b>Equity attributable to equity holders of the parent</b>                                 |                                 |   |
| Share capital  | 140,573                         | 140,573   |
| Reserves   | 1,099,464                       | 990,649   |
| Treasury shares - at cost  | (63,298)                        | (63,294)  |
|  | <u>1,176,739</u>                | <u>1,067,928</u>  |
| <b>Minority interests</b>  | 670,577                         | 618,135   |
| <b>TOTAL EQUITY</b>  | <u>1,847,316</u>                | <u>1,686,063</u>  |
| <b>Non-current liabilities</b>   |                                 |   |
| Borrowings   | 217,395                         | 294,810   |
| Redeemable Bonds   | -                               | 250,000   |
| Deferred tax liabilities   | 67,202                          | 55,051  |
| Retirement benefits  | 11,619                          | 10,962  |
|  | <u>296,216</u>                  | <u>610,823</u>  |
| <b>Current liabilities</b>   |                                 |   |
| Trade and other payables   | 406,906                         | 427,457   |
| Short term borrowings  | 461,471                         | 527,126   |
| Redeemable Bonds   | 250,000                         | -   |
| Taxation   | 18,827                          | 11,080  |
|  | <u>1,137,204</u>                | <u>965,663</u>  |
| <b>TOTAL LIABILITIES</b>   | <u>1,433,420</u>                | <u>1,576,486</u>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <u>3,280,736</u>                | <u>3,262,549</u>  |
| <b>Net assets per share attributable to ordinary equity holders<br/>of the parent (RM)</b> | 4.48                            | 4.06  |

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2007.

**HONG LEONG INDUSTRIES BERHAD (5486-P)  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2008**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2008**

|   | Share capital<br>RM'000 | Share premium<br>RM'000 | Attributable to equity holders of the parent |                                  |                                |                            |                 | Treasury shares<br>RM'000 | Total<br>RM'000 | Minority interests<br>RM'000 | Total equity<br>RM'000 |
|---|-------------------------|-------------------------|--|----------------------------------|--------------------------------|----------------------------|-----------------|---------------------------|-----------------|------------------------------|------------------------|
|   |                         |                         | Other reserves<br>RM'000                     | Reserve for own shares<br>RM'000 | Share option reserve<br>RM'000 | Retained profits<br>RM'000 | Total<br>RM'000 |                           |                 |                              |                        |
| <b>Current year-to date ended<br/>31 March 2008</b>   |                         |                         |  |                                  |                                |                            |                 |                           |                 |                              |                        |
| At 1 July 2007  | 140,573                 | 586,926                 | (43,885)                                     | (49,763)                         | 626                            | 496,745                    | (63,294)        | 1,067,928                 | 618,135         | 1,686,063                    |                        |
| Net profit for the period                             | -                       | -                       | -  | -                                | -                              | 125,567                    | -               | 125,567                   | 86,619          | 212,186                      |                        |
| Dividend paid   | -                       | -                       | -  | -                                | -                              | (9,720)                    | -               | (9,720)                   | (30,892)        | (40,612)                     |                        |
| Purchase of additional shares in a subsidiary company | -                       | -                       | -  | -                                | -                              | -                          | -               | -                         | (5,998)         | (5,998)                      |                        |
| Foreign currency translation differences              | -                       | -                       | (8,000)                                      | -                                | -                              | -                          | -               | (8,000)                   | 2,326           | (5,674)                      |                        |
| Purchase of treasury shares                           | -                       | -                       | -  | -                                | -                              | -                          | (4)             | (4)                       | -               | (4)                          |                        |
| Purchase of Trust Shares                              | -                       | -                       | -  | (436)                            | -                              | -                          | -               | (436)                     | -               | (436)                        |                        |
| Share-based payment                                   | -                       | -                       | 531  | -                                | 873                            | -                          | -               | 1,404                     | 387             | 1,791                        |                        |
| <b>At 31 March 2008</b>                               | <b>140,573</b>          | <b>586,926</b>          | <b>(51,354)</b>                              | <b>(50,199)</b>                  | <b>1,499</b>                   | <b>612,592</b>             | <b>(63,298)</b> | <b>1,176,739</b>          | <b>670,577</b>  | <b>1,847,316</b>             |                        |

pey

**HONG LEONG INDUSTRIES BERHAD (5486-P)  
 QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2008**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2008 (Cont'd)**

|   | Share capital | Share premium | Other reserves | Reserve for own shares | Share option reserve | Retained profits | Treasury shares | Total    | ICULS    | Minority interests | Total equity |
|---|---------------|---------------|----------------|------------------------|----------------------|------------------|-----------------|----------|----------|--------------------|--------------|
|   | RM'000        | RM'000        | RM'000         | RM'000                 | RM'000               | RM'000           | RM'000          | RM'000   | RM'000   | RM'000             | RM'000       |
| Preceding year corresponding period ended 31 March 2007                                   | 112,995       | 294,301       | (20,772)       | -                      | -                    | 392,907          | (63,283)        | 716,148  | 202,817  | 600,671            | 1,519,636    |
| At 1 July 2006  | -             | -             | -              | -                      | -                    | (325)            | -               | (325)    | -        | (225)              | (550)        |
| As previously reported  | -             | -             | -              | -                      | -                    | 6,884            | -               | (34,930) | -        | (17,137)           | (52,067)     |
| Prior year adjustments:   |               |               |                |                        |                      |                  |                 |          |          |                    |              |
| Effect of adoption of FRS 5 "Non-Current Assets Held for Sale and Discontinued Operation" |               |               |                |                        |                      |                  |                 |          |          |                    |              |
| Effect of adoption of IC Interpretation 112 "Consolidation - Special Purpose Entities"    |               |               |                |                        |                      |                  |                 |          |          |                    |              |
| As restated   | 112,995       | 294,301       | (44,924)       | (17,662)               | -                    | 399,466          | (63,283)        | 680,893  | 202,817  | 583,309            | 1,467,019    |
| Net profit for the period   | -             | -             | -              | -                      | -                    | 124,159          | -               | 124,159  | -        | 87,149             | 211,308      |
| Dividend paid   | -             | -             | -              | -                      | -                    | (7,758)          | -               | (7,758)  | -        | (35,845)           | (43,603)     |
| Interest on ICULS   | -             | -             | -              | -                      | -                    | (5,704)          | -               | (5,704)  | -        | -                  | (5,704)      |
| Foreign currency translation differences  | -             | -             | (5,307)        | -                      | -                    | -                | -               | (5,307)  | -        | -                  | (5,307)      |
| Conversion of ICULS into ordinary shares  | 2,614         | 29,799        | -              | -                      | -                    | -                | -               | 32,413   | (32,413) | -                  | -            |
| Purchase of treasury shares   | -             | -             | -              | -                      | -                    | -                | (6)             | (6)      | -        | -                  | (6)          |
| Purchase of Trust Shares  | -             | -             | 398            | (32,101)               | -                    | -                | -               | (31,703) | -        | 290                | (31,413)     |
| Transfer to capital reserves  | -             | -             | 100            | -                      | -                    | (100)            | -               | -        | -        | -                  | -            |
| Disposal of a subsidiary company  | -             | -             | -              | -                      | -                    | -                | -               | -        | -        | (209)              | (209)        |
| Changes in equity in subsidiary companies   | -             | -             | -              | -                      | -                    | -                | -               | -        | -        | (7,842)            | (7,842)      |
| At 31 March 2007  | 115,609       | 324,100       | (49,733)       | (49,763)               | -                    | 510,063          | (63,289)        | 786,987  | 170,404  | 626,852            | 1,584,243    |

Dividends received by the ESOS Trust amounted to RM520,000 (2007: RM680,000) are eliminated against the dividend expense of the Company following the consolidation of ESOS Trust.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2007.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

The figures have not been audited

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31**  
**MARCH 2008**

|   | Current Year-<br>To-Date | Preceding Year<br>Corresponding<br>Period |
|---|--------------------------|---|
|   | 31/03/2008<br>RM'000     | 31/03/2007<br>RM'000                      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                          |   |
| Profit before taxation  | 251,836                  | 246,200                                   |
| Adjustments for:-   |                          |   |
| Share of profit of associated companies                                     | (33,831)                 | (49,500)                                  |
| Depreciation and amortisation   | 191,714                  | 200,486                                   |
| Non cash items  | 9,408                    | 10,214                                    |
| Net financing costs   | 34,139                   | 49,004                                    |
| Operating profit before changes in working capital                          | <u>453,266</u>           | <u>456,404</u>                            |
| Changes in working capital  |                          |   |
| Net change in current assets  | (56,217)                 | 28,853                                    |
| Net change in current liabilities   | (20,551)                 | (139,853)                                 |
| Net income taxes paid   | (8,869)                  | (21,126)                                  |
| Other operating income received   | 12,701                   | 919                                       |
| Net financing costs paid  | (34,139)                 | (49,004)                                  |
| <b>Net cash generated from operating activities</b>                         | <u>346,191</u>           | <u>276,193</u>                            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                          |   |
| Equity investments  | (14,940)                 | (21,298)                                  |
| Other investments   | (261,283)                | (167,369)                                 |
| <b>Net cash used in investing activities</b>                                | <u>(276,223)</u>         | <u>(188,667)</u>                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |                          |   |
| Dividend paid   | (40,612)                 | (43,790)                                  |
| ICULS interest paid   | -                        | (4,036)                                   |
| Net repayments of borrowings  | (139,605)                | (69,390)                                  |
| Purchase of treasury shares   | (14)                     | (36)                                      |
| Purchase of Trust Shares  | (436)                    | (31,913)                                  |
| <b>Net cash used in financing activities</b>                                | <u>(180,667)</u>         | <u>(149,165)</u>                          |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                              | (110,699)                | (61,639)                                  |
| <b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                   | 295,767                  | 252,245                                   |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | (960)                    | (846)                                     |
| <b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>                         | <u>184,108</u>           | <u>189,760</u>                            |

Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:

|                                  | 31/03/2008<br>RM'000 | 31/03/2007<br>RM'000 |
|----------------------------------|----------------------|----------------------|
| Deposits, cash and bank balances | 186,179              | 191,988              |
| Bank overdraft                   | (2,071)              | (2,228)              |
|                                  | <u>184,108</u>       | <u>189,760</u>       |

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2007.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

**The figures have not been audited**

**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2007.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2007 except for the changes in accounting policies and presentation resulting from the adoption of applicable FRSs adopted by the Malaysian Accounting Standards Board that are effective for the financial period beginning after 1 October 2006 and 1 July 2007 as follows:-

| Standard/Interpretation              |  | Effective date |
|--------------------------------------|--|----------------|
| FRS 107                              | Cash Flow Statements   | 1 July 2007    |
| FRS 112                              | Income Taxes   | 1 July 2007    |
| FRS 117                              | Leases   | 1 October 2006 |
| FRS 118                              | Revenue  | 1 July 2007    |
| FRS 119                              | Employee Benefits  | 1 July 2007    |
| FRS 124                              | Related Party Disclosures  | 1 October 2006 |
| FRS 137                              | Provisions, Contingent Liabilities and Contingent Assets                                 | 1 July 2007    |
| Amendment to FRS 119 <sup>2004</sup> | Employees Benefits - Actuarial Gains and Losses, Group Plans and Disclosures             | 1 January 2007 |
| Amendment to FRS 121                 | The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation | 1 July 2007    |

The adoption of FRSs 107, 112, 118, 119, 124, 137, Amendment to FRS 119<sup>2004</sup> and Amendment to FRS 121 do not have any significant financial impact on the Group.

The adoption of FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land are classified as prepaid lease payments and are amortised on a straight-line basis over the remaining lease term of the land. Where the leasehold land had been previously revalued, the unamortized revalued amount of leasehold land is retained as surrogate carrying amount of the prepaid lease payments as allowed by the transitional provisions of FRS 117.

Prior to 1 July 2007, leasehold lands were classified as property, plant and equipment and were stated at cost / valuation less accumulated depreciation and accumulated impairment.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

**The figures have not been audited**

**1. Basis of preparation (Cont'd)**

The following comparatives have been restated due to the adoption of FRS 117 which has an retrospective impact on the preceding period's financial statements:-

**Condensed Consolidated Balance Sheet**

|                               | At 30 June 2007              |                        |                |
|-------------------------------|------------------------------|------------------------|----------------|
|                               | As<br>Previously<br>Reported | Adoption of<br>FRS 117 | As<br>Restated |
|                               | RM'000                       | RM'000                 | RM'000         |
| Property, plant and equipment | 1,390,809                    | (37,593)               | 1,353,216      |
| Prepaid lease payments        | -                            | 37,593                 | 37,593         |

**2. Qualification of audit report of the preceding annual financial statements**

The audit report for the preceding annual financial statements was not qualified.

**3. Seasonality or cyclicity of interim operations**

The Group's operation is not affected materially by any seasonal / cyclical factors.

**4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence**

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the financial year-to-date.

**5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years**

There were no changes in estimates of amounts reported in the prior financial years.

**6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

(a) There were no share buy back during the quarter under review. During the financial year-to-date, the Company bought back 1,000 of its own shares from the open market for a total cash consideration of RM4,220. The total number of shares bought back as at 31 March 2008 was 8,427,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965.

(b) There were no share options granted during the quarter under review and financial year-to-date. As at 31 March 2008, the Group granted 2,000,000 conditional incentive share options ("Options") to eligible executives of the Group pursuant to the Executive Share Option Scheme ("ESOS") of the Company which was established on 23 January 2006, subject to the achievement of certain performance criteria over an option performance period.

(c) During the quarter under review and financial year-to-date, 108,200 shares were purchased by the trust set up for the ESOS ("ESOS Trust"). The total number of shares purchased by the ESOS Trust as at 31 March 2008 was 10,108,200 shares ("Trust Shares").

There were no issuance of shares, share cancellation, resale of treasury shares nor repayment of debt or equity securities during the quarter under review and financial year-to-date.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

**The figures have not been audited**

**7. Dividend paid**

During the financial year-to-date, the Company paid a first gross interim dividend of 5.0 sen per share less tax amounting to RM9.7 million on 28 December 2007.

**8. Segmental reporting**

The Group's segmental report for the financial year-to-date are as follows:-

|   | Semi-conductor   | Motorcycles    | Building materials | Others & Investment holdings | Total            |
|---|------------------|----------------|--------------------|------------------------------|------------------|
|   | RM'000           | RM'000         | RM'000             | RM'000                       | RM'000           |
| <b>Revenue</b>                          | <u>1,172,889</u> | <u>600,111</u> | <u>478,461</u>     | <u>29,119</u>                | <u>2,280,580</u> |
| <b>Results</b>                          |                  |                |                    |                              |                  |
| Segment results                         | <u>134,706</u>   | <u>95,624</u>  | <u>25,868</u>      | <u>(4,054)</u>               | <u>252,144</u>   |
| Interest income                         |                  |                |                    |                              | 4,865            |
| Finance costs                           |                  |                |                    |                              | (39,004)         |
| Share of profit of associated companies |                  |                |                    |                              | 33,831           |
| Profit before taxation                  |                  |                |                    |                              | <u>251,836</u>   |
| Taxation                                |                  |                |                    |                              | <u>(39,650)</u>  |
| Profit for the period                   |                  |                |                    |                              | <u>212,186</u>   |

**9. Valuations of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward without any amendments from the previous annual financial statements.

**10. Material events not reflected in the financial statements**

There are no material subsequent events to be disclosed as at the date of this report.

**11. Changes in the composition of the Group**

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations other than as mentioned below:-

- (i) The following Company's subsidiaries had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965:-
- (a) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
  - (b) Varinet Sdn Bhd, a 60% subsidiary;
  - (c) Allied Auto Parts Sdn Bhd, a 69.4% subsidiary;
  - (d) Guolene Paper Products Sdn Bhd, a wholly-owned subsidiary of the Company

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



**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

---

**The figures have not been audited**

**12. Contingent liabilities or contingent assets**

There are no contingent liabilities or contingent assets as at the date of this report.

**13. Review of Performance**

For the quarter under review, the Group recorded a revenue and profit before taxation ("PBT") of RM759.5 million and RM67.0 million respectively as compared with a revenue and PBT of RM672.9 million and RM73.0 million respectively recorded in the preceding year's corresponding quarter.

The higher revenue as compared with the preceding year's corresponding quarter was mainly attributable to the higher sales recorded by the motorcycles and semiconductor businesses. The motorcycles business recorded a higher PBT in line with its higher revenue. However, the Group's PBT was lower due to the lower profits of the semiconductor business resulted from the strengthening of the Ringgit Malaysia against the US Dollar; and the lower profit contribution from the associated companies.

For the financial year-to-date, the Group recorded a PBT of RM251.8 million as compared with a PBT of RM246.2 million recorded in the preceding year's corresponding period.

The marginal increase in PBT as compared with the preceding year's corresponding period was mainly attributable to the improvement in profits of the motorcycles business which was partly offset by the lower profits of the semiconductor business and the lower profit contribution from the associated companies.

**14. Material changes in profit before taxation against the immediate preceding quarter**

The Group recorded a PBT of RM67.0 million as compared with a PBT of RM106.1 million recorded in the preceding quarter. The lower PBT was mainly due to the lower profits of the semiconductor business resulted from the seasonal slowdown, tightening of inventory control by the customers and the strengthening of the Ringgit Malaysia against the US Dollar.

**15. Prospects**

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the current financial year ending 30 June 2008.

**16. Profit forecast / profit guaranteed**

This note is not applicable.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

The figures have not been audited

17. Taxation

|                    | Individual Quarter      |  | Cumulative Quarter       |   |
|--------------------|-------------------------|--|--------------------------|---|
|                    | Current Year<br>Quarter | Preceding Year<br>Corresponding<br>Quarter | Current Year-<br>To-Date | Preceding Year<br>Corresponding<br>Period |
|                    | 31/03/2008<br>RM'000    | 31/03/2007<br>RM'000                       | 31/03/2008<br>RM'000     | 31/03/2007<br>RM'000                      |
| Current tax        |                         |  |                          |   |
| Malaysian          |                         |  |                          |   |
| - current          | 12,047                  | 8,845                                      | 27,610                   | 17,617                                    |
| - prior years      | 85                      | (14)                                       | (111)                    | 7   |
| Overseas - current | -                       | 189  | -                        | 898                                       |
|                    | <u>12,132</u>           | <u>9,020</u>                               | <u>27,499</u>            | <u>18,522</u>                             |
| Deferred tax       |                         |  |                          |   |
| Malaysian          |                         |  |                          |   |
| - current          | 3,667                   | 7,262                                      | 13,451                   | 16,370                                    |
| - prior years      | -                       | -  | (1,300)                  | -   |
|                    | <u>3,667</u>            | <u>7,262</u>                               | <u>12,151</u>            | <u>16,370</u>                             |
|                    | <u>15,799</u>           | <u>16,282</u>                              | <u>39,650</u>            | <u>34,892</u>                             |

The Group's effective tax rate is lower than the statutory tax rate due mainly to tax incentives / allowances granted to certain subsidiaries.

18. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the quarter under review and financial year-to-date.

19. Quoted securities

(a) There were no purchases or disposals of quoted securities (other than securities in existing subsidiaries and associated companies) for the quarter under review and financial year-to-date.

(b) Particulars of investments in quoted securities as at 31 March 2008:-

|                       | RM'000 |
|-----------------------|--------|
| Short term investment |        |
| At cost               | 27     |
| At book value         | 27     |
| At market value       | 6      |

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

**The figures have not been audited**

**20. Corporate Proposals**

There were no corporate proposals announced but not completed as at the date of this report.

**21. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 31 March 2008 are as follows:-

|                                     | <b>RM'000</b>  |
|-------------------------------------|----------------|
| (i) Unsecured short term borrowings | 711,471        |
| (ii) Unsecured long term borrowings | 217,395        |
|                                     | <u>928,866</u> |

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

|                 |         |
|-----------------|---------|
| USD borrowings  | 100,084 |
| Euro borrowings | 7,178   |

**22. Financial Instruments with Off Balance Sheet Risk**

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

Financial instruments are viewed as risk management tools by the Group and are not used for trading or speculative purposes.

The financial instruments with off balance sheet risk as at 15 May 2008 are as follows:-

|                                    | <b>Contract amount</b> |
|------------------------------------|------------------------|
|                                    | <b>RM'000</b>          |
| Foreign exchange forward contracts | <u>424,830</u>         |

The above contracts are maturing within a period of 6 months.

There is minimal credit and market risk because the contracts were executed with established financial institutions.

Gains and losses on foreign exchange forward contracts are recognised in the income statements upon realisation.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

**The figures have not been audited**

**23. Changes in Material Litigation**

There is no material litigation as at the date of this report.

**24. Dividend**

(a) The Board has declared a gross second interim dividend of 10.0 sen per share less tax for the quarter ended 31 March 2008 of the financial year ending 30 June 2008 (Quarter ended 31 March 2007: 5.0 sen per share less tax ) to be payable on 20 June 2008 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 6 June 2008.

This is to inform that a Depositor shall qualify for the entitlement only in respect of: -

- (i) shares transferred into the Depositor's securities account before 4.00 p.m. on 6 June 2008 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.

(b) For the financial year-to-date, a total gross dividend of 15.0 sen per share less tax has been declared (2006/2007: 10.0 sen per share less tax).

**25. Earnings Per Ordinary Share**

**Basic earnings per ordinary share**

The calculation of basic earnings per ordinary share for the quarter under review is based on the profit attributable to equity holders of the parent of RM34,788,000 (2006/2007: net profit of RM37,562,000) and the weighted average number of ordinary shares during the quarter of 262,710,000 (2006/2007: 244,834,000 (restated)).

The calculation of basic earnings per ordinary share for the financial year-to-date is based on the profit attributable to equity holders of the parent of RM125,567,000 (2006/2007: of RM124,159,000) and the weighted average number of ordinary shares during the period of 262,716,000 (2006/2007: 243,523,000 (restated)).

Weighted average number of ordinary shares

|  | Individual Quarter      |  | Cumulative Quarter       |   |
|--|-------------------------|--|--------------------------|---|
|  | Current Year<br>Quarter | Preceding Year<br>Corresponding<br>Quarter | Current Year-<br>To-Date | Preceding Year<br>Corresponding<br>Period |
|  | 31/03/2008<br>'000      | 31/03/2007<br>'000                         | 31/03/2008<br>'000       | 31/03/2007<br>'000                        |
| Issued ordinary shares at beginning of period                        | 262,719                 | 212,792                                    | 262,719                  | 213,735                                   |
| Effect of assumed mandatory conversion of ICULS into ordinary shares | -                       | 32,042                                     | -                        | 32,712                                    |
| Effect of purchase of treasury shares                                | -                       | -  | -                        | (1)                                       |
| Effect of purchase of Trust Shares                                   | (9)                     | -  | (3)                      | (2,923)                                   |
| Weighted average number of ordinary shares (basic)                   | 262,710                 | 244,834                                    | 262,716                  | 243,523                                   |

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2008**

---

**The figures have not been audited**

**25. Earnings Per Ordinary Share (Cont'd)**

**Diluted earnings per ordinary share**

The Group has no dilution in its earnings per ordinary share in the quarter under review and financial year-to-date as the potential ordinary shares from the exercise of Options would increase the basic earnings per ordinary share.

The Group had no dilution in its earnings per ordinary share in the preceding year's corresponding quarter/period as there were no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

By Order of the Board  
Hong Leong Industries Berhad

Joanne Leong Wei Yin  
Company Secretary

Kuala Lumpur  
22 May 2008