



Hong Leong Industries

A Member of the Hong Leong Group Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2008

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2008

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2008 RM'000	30/09/2007 RM'000	30/09/2008 RM'000	30/09/2007 RM'000
Revenue	825,776	739,195	825,776	739,195
Cost of sales	(683,842)	(616,177)	(683,842)	(616,177)
Gross profit	141,934	123,018	141,934	123,018
Operating expenses	(43,738)	(43,141)	(43,738)	(43,141)
Other operating expenses	(6,408)	(899)	(6,408)	(899)
Operating profit	91,788	78,978	91,788	78,978
Interest income	2,063	1,393	2,063	1,393
Finance costs	(10,673)	(12,599)	(10,673)	(12,599)
Share of profit of associated companies	4,878	10,985	4,878	10,985
Profit before taxation	88,056	78,757	88,056	78,757
Taxation	(14,283)	(13,257)	(14,283)	(13,257)
Profit for the period	73,773	65,500	73,773	65,500
Attributable to:				
Equity holders of the parent	47,267	37,654	47,267	37,654
Minority interests	26,506	27,846	26,506	27,846
Profit for the period	73,773	65,500	73,773	65,500
Earnings per ordinary share (sen) :-				
(a) Basic	18.06	14.33	18.06	14.33
(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 2008.

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2008

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2008 RM'000	30/06/2008 RM'000
Non-current assets		
Property, plant and equipment	1,388,250	1,389,205
Prepaid lease payments	37,316	37,294
Investments in associated companies	415,482	403,697
Other investments	1,351	1,351
Intangible assets	482,055	482,477
Deferred tax assets	1,127	1,127
	<u>2,325,581</u>	<u>2,315,151</u>
Current assets		
Inventories	241,005	213,039
Trade and other receivables	555,472	525,226
Tax recoverable	23,281	23,198
Short term investments	7	7
Deposits, cash and bank balances	234,200	268,023
	<u>1,053,965</u>	<u>1,029,493</u>
TOTAL ASSETS	<u>3,379,546</u>	<u>3,344,644</u>
Equity attributable to equity holders of the parent		
Share capital	140,573	140,573
Reserves	1,196,882	1,135,346
Treasury shares - at cost	(63,302)	(63,302)
	<u>1,274,153</u>	<u>1,212,617</u>
Minority interests	665,526	635,445
TOTAL EQUITY	<u>1,939,679</u>	<u>1,848,062</u>
Non-current liabilities		
Borrowings (unsecured)	259,875	330,166
Deferred tax liabilities	65,061	61,783
Retirement benefits	11,972	11,712
	<u>336,908</u>	<u>403,661</u>
Current liabilities		
Trade and other payables	476,215	431,524
Borrowings (unsecured)	606,307	394,400
Redeemable Bonds	-	250,000
Tax payable	20,437	16,997
	<u>1,102,959</u>	<u>1,092,921</u>
TOTAL LIABILITIES	<u>1,439,867</u>	<u>1,496,582</u>
TOTAL EQUITY AND LIABILITIES	<u>3,379,546</u>	<u>3,344,644</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	4.87	4.63

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2008.

**HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2008

	Attributable to equity holders of the parent										Total equity	
	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares	Total	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	RM'000
Current year-to date ended 30 September 2008												
At 1 July 2008	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062		
Net profit for the period	-	-	-	-	-	47,267	-	47,267	26,506	73,773		
Foreign currency translation differences	-	-	16,051	-	-	-	-	16,051	3,459	19,510		
Purchase of trust shares	-	-	-	(2,119)	-	-	-	(2,119)	-	(2,119)		
Share-based payment	-	-	185	-	152	-	-	337	116	453		
At 30 September 2008	140,573	586,926	(29,093)	(54,374)	1,940	691,483	(63,302)	1,274,153	665,526	1,939,679		

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2008 (Cont'd)

	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares	Total	Minority interests	Total equity
	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 30 September 2007	140,573	586,926	(43,885)	(49,763)	626	496,745	(63,294)	1,067,928	618,135	1,686,063
At 1 July 2007	-	-	-	-	-	37,654	-	37,654	27,846	65,500
Net profit for the period	-	-	(852)	-	-	-	-	(852)	444	(408)
Foreign currency translation differences	-	-	177	-	291	-	-	468	129	597
Share-based payment	-	-	-	-	-	-	-	-	-	-
At 30 September 2007	140,573	586,926	(44,560)	(49,763)	917	534,399	(63,294)	1,105,198	646,554	1,751,752

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 2008.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30
SEPTEMBER 2008

	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2008 RM'000	30/09/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	88,056	78,757
Adjustments for:-		
Share of profit associated companies	(4,878)	(10,985)
Depreciation and amortisation	69,753	63,521
Non cash items	(2,052)	6,116
Net financing costs	8,610	11,206
Operating profit before changes in working capital	159,489	148,615
Changes in working capital		
Net change in current assets	(57,474)	(64,262)
Net change in current liabilities	45,813	42,656
Net income taxes paid	(7,651)	(7,371)
Other operating income received	265	690
Net financing costs paid	(8,610)	(11,206)
Net cash generated from operating activities	131,832	109,122
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investments	(53,593)	(124,022)
Net cash used in investing activities	(53,593)	(124,022)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of borrowings	(110,414)	(127,082)
Purchase of Trust Shares	(2,119)	-
Net cash used in financing activities	(112,533)	(127,082)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(34,294)	(141,982)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	267,975	295,767
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	505	(85)
CASH & CASH EQUIVALENTS AT END OF PERIOD	234,186	153,700
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	30/09/2008 RM'000	30/09/2007 RM'000
Deposits, cash and bank balances	234,200	154,864
Bank overdraft	(14)	(1,164)
	234,186	153,700

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2008.

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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 2008.

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 2008.

The Malaysian Accounting Standard Board announced that FRS 139, Financial Instruments: Recognition and Measurement will be effective for annual periods beginning on or after 1 January 2010. Hence, the Group plans to adopt FRS 139 for the financial year ending 30 June 2011.

The effects resulting from the adoption of FRS 139 upon first adoption of this standard as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemption given in the standard.

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

There have been no material seasonal or cyclical factors affecting the results of the quarter under review.

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 shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 30 September 2008 was 8,428,500 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.

In the financial year 2007, the Group has granted conditional incentive share options ("Options") over 2,000,000 ordinary shares of RM0.50 each in the Company, at an exercise price of RM5.51 per share to eligible executives of the Group ("Option Holders") pursuant to the Executive Share Options Scheme ("ESOS") of the Company which was established on 23 January 2006, subject to the achievement of certain performance criteria by the Option Holders over the option performance period.

At the end of the option performance period, the Option Holders fulfilled the performance criteria and accordingly, on 15 August 2008, the Group vested the Options over 2,000,000 ordinary shares in the Company to the Option Holders. The vested Options will be satisfied by existing HLI shares held by the ESOS Trust set up for the Options.

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6. **Issuances, cancellations, repurchases, resale and repayments of debt and equity securities (cont'd)**

(c) During the quarter under review and financial year-to-date, 528,900 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 30 September 2008 was 11,139,800 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.

7. **Dividend paid**

There were no dividend paid during the financial year-to-date.

8. **Segmental reporting**

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

	Semi-conductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Total RM'000
Revenue					
External sales	394,106	248,442	182,750	478	825,776
Results					
Segment results	39,676	36,766	16,321	(907)	91,856
Unallocated corporate expense					(68)
Operating profit					91,788
Interest income					2,063
Finance costs					(10,673)
Share of profit of associated companies					4,878
Profit before taxation					88,056
Taxation					(14,283)
Profit for the period					73,773

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.

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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:-

The following Company's subsidiaries have been placed under member's voluntary liquidation:-

- (a) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
- (b) Varinet Sdn Bhd, a 60% subsidiary;
- (c) Guolene Paper Products Sdn Bhd, a wholly-owned subsidiary of the Company;
- (d) Guotrade (Malaysia) Sdn Bhd, a wholly-owned subsidiary of the Company;
- (e) MZ Engineering GmbH, an indirect wholly-owned subsidiary of the Company

The liquidations are currently pending completion of legal execution proceedings against debtors and tax clearance from the Inland Revenue Board.

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 RM825.8 million and RM88.1 million respectively as compared with a revenue and PBT of RM739.2 million and RM78.8 million respectively recorded in the preceding year's corresponding quarter.

The higher PBT as compared with the preceding year's corresponding quarter was mainly attributable to the improvement in profits of the motorcycles and building materials businesses. The improvements were however partly offset by the lower profit of semiconductor business due to the appreciation of the Ringgit Malaysia against the US Dollars during the quarter under review compared with the preceding year's corresponding quarter; 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 RM88.1 for the quarter under review as compared with a PBT of RM80.9 million for the preceding quarter.

The higher profit as compared with the preceding quarter was mainly attributable to the improvement in profits of the semiconductor business in line with the higher sales achieved during the quarter under review. The improvement was however partly offset by the lower profit contribution from the associated companies.

15. Prospects

In view of the current global economic crisis which has reduced consumer and business spending, the Group's performance for the financial year ending 30 June 2009 is likely to be affected. However, barring any unforeseen circumstances, the Board believes that the performance of the Group will be satisfactory.

16. Profit forecast / profit guaranteed

This note is not applicable.

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17. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2008 RM'000	30/09/2007 RM'000	30/09/2008 RM'000	30/09/2007 RM'000
Current tax				
Malaysian				
- current	10,738	9,263	10,738	9,263
- prior years	269	(232)	269	(232)
	<u>11,007</u>	<u>9,031</u>	<u>11,007</u>	<u>9,031</u>
Deferred tax				
Malaysian				
- current	3,276	5,526	3,276	5,526
- prior years	-	(1,300)	-	(1,300)
	<u>3,276</u>	<u>4,226</u>	<u>3,276</u>	<u>4,226</u>
	<u>14,283</u>	<u>13,257</u>	<u>14,283</u>	<u>13,257</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 30 September 2008:-

	RM'000
Short term investment	
At cost	<u>27</u>
At book value	<u>7</u>
At market value	<u>12</u>

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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 30 September 2008 are as follows:-

	RM'000
(i) Unsecured short term borrowings and overdraft	606,307
(ii) Unsecured long term borrowings	259,875
	<u>866,182</u>

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

USD borrowings	<u>81,388</u>
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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 12 November 2008 are as follows:-

	Contract amount RM'000
Foreign exchange forward contracts	<u>640,025</u>

The above contracts are maturing within a period of 12 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.

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23. Changes in Material Litigation

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

24. Dividend

- (a) The Board has declared an interim dividend of 5.0 sen per share tax exempt for the quarter ended 30 September 2008 of the financial year ending 30 June 2009 (2007/2008 : 5.0 sen per share less tax) to be paid on 18 December 2008 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 4 December 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 4 December 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 dividend of 5.0 sen per share tax exempt has been declared (2007/2008: 5.0 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 / financial year-to-date are based on the profit attributable to equity holders of the parent of RM47,267,000 (2007/2008: RM37,654,000) and the weighted average number of ordinary shares outstanding during the quarter / period of 261,677,000 (2007/2008: 262,719,000).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2008 '000	30/09/2007 '000	30/09/2008 '000	30/09/2007 '000
Issued ordinary shares at beginning of period	281,145	281,145	281,145	281,145
Treasury shares held at beginning of period	(8,428)	(8,426)	(8,428)	(8,426)
Trust Shares held at beginning of period	(10,611)	(10,000)	(10,611)	(10,000)
	262,106	262,719	262,106	262,719
Effect of purchase of Trust Shares	(429)	-	(429)	-
Weighted average number of ordinary shares (basic)	261,677	262,719	261,677	262,719

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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 / financial year-to-date and preceding year's corresponding quarter / period as the potential ordinary shares from the exercise of Options would increase the basic earnings per ordinary share.

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
18 November 2008