



# Hong Leong Industries

A Member of the Hong Leong Group Malaysia

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2009

The figures have not been audited

### CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2009

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/03/2009 RM'000	31/03/2008 RM'000	31/03/2009 RM'000	31/03/2008 RM'000
<b>Revenue</b>	549,126	759,499	2,058,157	2,280,580
Cost of sales	(516,048)	(641,569)	(1,799,536)	(1,876,202)
<b>Gross profit</b>	33,078	117,930	258,621	404,378
Operating expenses	(38,881)	(43,998)	(124,016)	(131,813)
Other operating expenses	(48,225)	(9,934)	(78,460)	(20,421)
<b>Operating (loss)/profit</b>	(54,028)	63,998	56,145	252,144
Interest income	1,492	1,798	5,711	4,865
Finance costs	(8,278)	(13,110)	(28,573)	(39,004)
Share of profit of associated companies	15,493	14,325	26,013	33,831
<b>(Loss)/profit before taxation</b>	(45,321)	67,011	59,296	251,836
Taxation	(6,762)	(15,799)	(27,591)	(39,650)
<b>(Loss)/profit for the period</b>	(52,083)	51,212	31,705	212,186
<b>Attributable to:</b>				
Equity holders of the parent	(16,279)	34,788	46,952	125,567
Minority interests	(35,804)	16,424	(15,247)	86,619
<b>(Loss)/profit for the period</b>	(52,083)	51,212	31,705	212,186
<b>(Loss)/Earnings per ordinary share (sen) :-</b>				
(a) Basic	(6.22)	13.24	17.95	47.80
(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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**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
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**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2009**

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/03/2009 RM'000	30/06/2008 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	1,344,040	1,389,205
Prepaid lease payments	37,202	37,294
Investments in associated companies	409,489	403,697
Other investments	410	1,351
Intangible assets	481,711	482,477
Deferred tax assets	1,127	1,127
	<u>2,273,979</u>	<u>2,315,151</u>
<b>Current assets</b>		
Inventories	210,822	213,039
Trade and other receivables	389,444	525,226
Tax recoverable	26,202	23,198
Short term investments	7	7
Deposits, cash and bank balances	214,427	268,023
	<u>840,902</u>	<u>1,029,493</u>
<b>TOTAL ASSETS</b>	<u>3,114,881</u>	<u>3,344,644</u>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	140,573	140,573
Reserves	1,185,208	1,135,346
Treasury shares - at cost	(63,306)	(63,302)
	<u>1,262,475</u>	<u>1,212,617</u>
<b>Minority interests</b>	608,540	635,445
<b>TOTAL EQUITY</b>	<u>1,871,015</u>	<u>1,848,062</u>
<b>Non-current liabilities</b>		
Borrowings (unsecured)	308,563	330,166
Deferred tax liabilities	67,847	61,783
Retirement benefits	12,465	11,712
	<u>388,875</u>	<u>403,661</u>
<b>Current liabilities</b>		
Trade and other payables	353,555	431,524
Borrowings (unsecured)	489,792	394,400
Redeemable Bonds	-	250,000
Taxation	11,644	16,997
	<u>854,991</u>	<u>1,092,921</u>
<b>TOTAL LIABILITIES</b>	<u>1,243,866</u>	<u>1,496,582</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>3,114,881</u>	<u>3,344,644</u>
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	4.83	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.

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2009**

	Share capital RM'000	Attributable to equity holders of the parent					Treasury shares RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
		Share premium RM'000	Other reserves RM'000	Reserve for own shares RM'000	Share option reserve RM'000	Retained profits RM'000				
<b>Current year-to date ended</b>										
<b>31 March 2009</b>	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062
At 1 July 2008	-	-	-	-	-	46,952	-	46,952	(15,247)	31,705
Net profit/(loss) for the period	-	-	-	-	-	(13,079)	-	(13,079)	(18,954)	(32,033)
Dividend paid	-	-	-	-	-	-	-	-	6,868	23,967
Foreign currency translation differences	-	-	17,099	-	-	-	-	17,099	-	(2,119)
Purchase of Trust Shares	-	-	-	(2,119)	-	-	-	(2,119)	-	(4)
Purchase of treasury shares	-	-	-	-	-	-	(4)	(4)	-	-
Transfer to capital redemption reserves	-	-	4	-	-	(4)	-	-	-	-
Transfer to capital reserves	-	-	312	-	-	(312)	-	-	-	-
Capital injection by minority shareholders in a subsidiary company	-	-	-	-	-	-	-	-	82	82
Share-based payments	-	-	554	-	(403)	858	-	1,009	346	1,355
<b>At 31 March 2009</b>	<b>140,573</b>	<b>586,926</b>	<b>(27,360)</b>	<b>(54,374)</b>	<b>1,385</b>	<b>678,631</b>	<b>(63,306)</b>	<b>1,262,475</b>	<b>608,540</b>	<b>1,871,015</b>

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2009 (Cont'd)**

	Share capital RM'000	Share premium RM'000	Attributable to equity holders of the parent					Total RM'000	Minority interests RM'000	Total equity RM'000
			Other reserves RM'000	Reserve for own shares RM'000	Share option reserve RM'000	Retained profits RM'000	Treasury shares RM'000			
Preceding year corresponding period ended 31 March 2008										
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)
Foreign currency translation differences	-	-	(8,000)	-	-	-	-	(8,000)	2,326	(5,674)
Purchase of Trust Shares	-	-	-	(436)	-	-	-	(436)	-	(436)
Purchase of treasury shares	-	-	-	-	-	-	(4)	(4)	-	(4)
Purchase of additional shares in a subsidiary company	-	-	-	-	-	-	-	-	(5,998)	(5,998)
Share-based payments	-	-	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>

Dividends received by the Executive Share Options Scheme ("ESOS") Trust amounted to RM557,000 (2008: RM370,000) 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 2008.**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2009**

	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2009 RM'000	31/03/2008 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	59,296	251,836
Adjustments for:-		
Share of profit of associated companies	(26,013)	(33,831)
Depreciation and amortisation	202,664	191,714
Non cash items	(4,562)	9,408
Net financing costs	22,862	34,139
Operating profit before changes in working capital	<u>254,247</u>	<u>453,266</u>
Changes in working capital		
Net change in current assets	138,834	(56,217)
Net change in current liabilities	(77,969)	(20,551)
Net income taxes paid	(29,886)	(8,869)
Other operating income received	82	12,701
Net financing costs paid	(22,862)	(34,139)
<b>Net cash generated from operating activities</b>	<u>262,446</u>	<u>346,191</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equity investments	24,441	(14,940)
Purchase of property, plant & equipment	(127,381)	(261,283)
<b>Net cash used in investing activities</b>	<u>(102,940)</u>	<u>(276,223)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to equity holders of the Company	(13,079)	(9,720)
Dividend paid to minority shareholders of subsidiaries	(18,954)	(30,892)
Net repayments of borrowings	(181,099)	(139,605)
Purchase of treasury shares	(10)	(14)
Purchase of Trust Shares	(2,119)	(436)
<b>Net cash used in financing activities</b>	<u>(215,261)</u>	<u>(180,667)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(55,755)	(110,699)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	267,975	295,767
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	2,178	(960)
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<u>214,398</u>	<u>184,108</u>

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

	31/03/2009 RM'000	31/03/2008 RM'000
Deposits, cash and bank balances	214,427	186,179
Bank overdraft	(29)	(2,071)
	<u>214,398</u>	<u>184,108</u>

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 has issued the following FRSs and IC Interpretations which have not been applied in preparing this interim financial report.

<b>FRS / Interpretation</b>		<b>Effective date</b>
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosure	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The Group plans to first adopt FRS 8 for the financial year ending 30 June 2010, and to adopt FRS 7, FRS 139, IC interpretation 9 and IC Interpretation 10 for the financial year ending 30 June 2011.

The first adoption of the FRS 7, FRS 8, IC Interpretation 9 and IC Interpretation 10 are not expected to have any material financial impact to the Group.

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.

FRS 4 is not applicable to the Group and hence, no further disclosure is required.

**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.

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**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. During the financial year-to-date, the Company bought back 1,000 of its own shares from the open market for a total consideration of RM3,380. The total number of shares bought back as at 31 March 2009 was 8,429,500 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.

During the quarter under review, 40% of the vested conditional incentive Share Options ("Options") over 2,000,000 ordinary shares of RM0.50 each in HLI, i.e. 800,000 Options had lapsed on 14 February 2009.

(c) There were no additional shares purchased by the ESOS Trust during the quarter under review. During the financial year-to-date, 528,900 shares were purchased by the ESOS Trust ("Trust Shares"). The total number of shares purchased by the ESOS Trust as at 31 March 2009 was 11,139,800 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**

During the financial year-to-date, the Company paid a first interim dividend of 5.0 sen per share tax exempt amounting to RM13.6 million on 18 December 2008.

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8. **Segmental reporting**

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

	Semi- conductor RM'000	Motorcycles RM'000	Building materials RM'000	Others RM'000	Total RM'000
<b>Revenue</b>					
External sales	888,945	671,809	496,067	1,336	2,058,157
<b>Results</b>					
Segment results	(48,520)	81,613	33,621	(10,307)	56,407
Unallocated corporate income					(262)
<b>Operating profit</b>					56,145
Interest income					5,711
Finance costs					(28,573)
Share of profit of associated companies					26,013
<b>Profit before taxation</b>					59,296
Taxation					(27,591)
<b>Profit for the period</b>					31,705

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) Skylight Services Limited (formerly known as Guocera International Ltd) ("Skylight"), a wholly-owned subsidiary of Guocera Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 131(1) of the Offshore Companies Act, 1990 applying Section 254(1)(b) of the Companies Act, 1965. Mr Tan Chin Fah of Moore Stephens HT had been appointed as liquidator of Skylight.
- (ii) Guolene Paper Products Sdn Bhd ("GPP"), a wholly-owned subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The liquidator of GPP had, on 19 February 2009, convened a Final Meeting to conclude the liquidation of GPP. Accordingly, GPP would be dissolved on 19 May 2009.



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**11. Changes in the composition of the Group (Cont'd)**

(iii) The following Company's subsidiaries had been placed under members' voluntary liquidation:-

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

The liquidations are currently pending completion of legal execution proceedings against debtors and/or 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 loss before taxation ("LBT") of RM549.1 million and RM45.3 million respectively as compared with a revenue and profit before taxation ("PBT") of RM759.5 million and RM67.0 million respectively recorded in the preceding year's corresponding quarter.

For the financial year-to-date, the Group recorded a PBT of RM59.3 million as compared with a PBT of RM251.8 million recorded in the preceding year's corresponding period.

The lower PBT as compared with the preceding year's corresponding quarter/period was mainly attributable to the losses in the semiconductor business due to the worsening of the global economy and the continuing weakness in consumer spending.

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

The Group recorded a LBT of RM45.3 million for the quarter under review as compared with a PBT of RM16.6 million for the preceding quarter.

The lower PBT as compared with the preceding quarter was mainly attributable to the losses in the semiconductor business and a general decline in the other businesses.

**15. Prospects**

If the global economy does not worsen and barring any unforeseen circumstances, the Board expects the results for the fourth quarter ending 30 June 2009 to be profitable.

**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
	31/03/2009 RM'000	31/03/2008 RM'000	31/03/2009 RM'000	31/03/2008 RM'000
Current tax				
Malaysian				
- current	6,127	12,047	21,394	27,610
- prior years	-	85	28	(111)
Overseas				
- current	(5)	-	517	-
- prior years	-	-	(412)	-
	<u>6,122</u>	<u>12,132</u>	<u>21,527</u>	<u>27,499</u>
Deferred tax				
Malaysian				
- current	640	3,667	6,064	13,451
- prior years	-	-	-	(1,300)
	<u>640</u>	<u>3,667</u>	<u>6,064</u>	<u>12,151</u>
	<u>6,762</u>	<u>15,799</u>	<u>27,591</u>	<u>39,650</u>

The Group's effective tax rate for the quarter under review and financial year-to-date are higher than the statutory tax rate due mainly to non-availability of group tax relief for losses incurred by 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 2009:-

	RM'000
Short term investment	
At cost	27
At book value	<u>7</u>
At market value	<u>4</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 31 March 2009 are as follows:-

	RM'000
(i) Unsecured short term borrowings	489,792
(ii) Unsecured long term borrowings	308,563
	<u>798,355</u>

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

USD borrowings	<u>88,752</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 May 2009 are as follows:-

	Contract amount RM'000
Foreign exchange forward contracts	<u>140,989</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.

**23. Changes in Material Litigation**

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

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**24. Dividend**

- (a) The Board has declared a second interim dividend of 5.0 sen per share tax exempt for the quarter ended 31 March 2009 of the financial year ending 30 June 2009 (2007/2008 : 10.0 sen per share less tax ) to be paid on 18 June 2009 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 3 June 2009.

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 3 June 2009 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 10.0 sen per share tax exempt has been declared (2007/2008: 15.0 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 loss attributable to equity holders of the parent of RM16,279,000 (2007/2008: profit attributable to equity holders of the parent of RM34,788,000) and the weighted average number of ordinary shares during the quarter of 261,576,000 (2007/2008: 262,710,000).

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 RM46,952,000 (2007/2008: RM125,567,000) and the weighted average number of ordinary shares during the period of 261,610,000 (2007/2008: 262,716,000).

*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
	31/03/2009 '000	31/03/2008 '000	31/03/2009 '000	31/03/2008 '000
Issued ordinary shares at beginning of period	281,145	281,145	281,145	281,145
Treasury shares held at beginning of period	(8,429)	(8,426)	(8,428)	(8,426)
Trust Shares held at beginning of period	(11,140)	(10,000)	(10,611)	(10,000)
	261,576	262,719	262,106	262,719
Effect of purchase of treasury shares	-	-	-	-
Effect of purchase of Trust Shares	-	(9)	(496)	(3)
Weighted average number of ordinary shares (basic)	261,576	262,710	261,610	262,716

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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 May 2009