



Hong Leong Industries

A Member of the Hong Leong Group Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2009

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2009

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/06/2009 RM'000	30/06/2008 RM'000	30/06/2009 RM'000	30/06/2008 RM'000
Revenue	620,953	814,033	2,679,110	3,094,613
Cost of sales	(538,208)	(682,732)	(2,337,744)	(2,561,142)
Gross profit	82,745	131,301	341,366	533,471
Operating expenses	(51,645)	(50,701)	(175,661)	(182,514)
Other operating expenses	(4,652)	(1,910)	(83,112)	(20,123)
Operating profit	26,448	78,690	82,593	330,834
Interest income	(1,262)	1,276	4,449	6,141
Finance costs	(5,625)	(12,623)	(34,198)	(51,627)
Share of profit of associated companies	9,853	13,516	35,866	47,347
Profit before taxation	29,414	80,859	88,710	332,695
Taxation	389	1,897	(27,202)	(37,753)
Profit for the period	29,803	82,756	61,508	294,942
Attributable to:				
Equity holders of the parent	28,110	52,135	75,062	177,702
Minority interests	1,693	30,621	(13,554)	117,240
Profit for the period	29,803	82,756	61,508	294,942
Earnings per ordinary share (sen) :-				
(a) Basic	10.75	19.87	28.69	67.66
(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.

HONG LEONG INDUSTRIES BERHAD (5486-P)
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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2009

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/06/2009 RM'000	30/06/2008 RM'000
Non-current assets		
Property, plant and equipment	1,300,242	1,389,205
Prepaid lease payments	36,977	37,294
Investments in associated companies	387,084	403,697
Other investments	56	1,351
Intangible assets	482,732	482,477
Deferred tax assets	877	1,127
	<u>2,207,968</u>	<u>2,315,151</u>
Current assets		
Inventories	177,236	213,039
Trade and other receivables	425,983	525,226
Tax recoverable	17,148	23,198
Short term investments	4	7
Deposits, cash and bank balances	261,008	268,023
	<u>881,379</u>	<u>1,029,493</u>
TOTAL ASSETS	<u>3,089,347</u>	<u>3,344,644</u>
Equity attributable to equity holders of the parent		
Share capital	140,573	140,573
Reserves	1,191,539	1,135,346
Treasury shares - at cost	(63,309)	(63,302)
	<u>1,268,803</u>	<u>1,212,617</u>
Minority interests	590,410	635,445
TOTAL EQUITY	<u>1,859,213</u>	<u>1,848,062</u>
Non-current liabilities		
Borrowings (unsecured)	377,117	330,166
Deferred tax liabilities	65,198	61,783
Retirement benefits	12,369	11,712
	<u>454,684</u>	<u>403,661</u>
Current liabilities		
Trade and other payables	350,775	431,524
Borrowings (unsecured)	413,207	394,400
Redeemable Bonds	-	250,000
Taxation	11,468	16,997
	<u>775,450</u>	<u>1,092,921</u>
TOTAL LIABILITIES	<u>1,230,134</u>	<u>1,496,582</u>
TOTAL EQUITY AND LIABILITIES	<u>3,089,347</u>	<u>3,344,644</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	4.85	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 30 JUNE 2009

	Share capital RM'000	Share premium RM'000	Attributable to equity holders of the parent					Treasury shares RM'000	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	Total RM'000				
Current year-to date ended											
30 June 2009	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062	
Net profit/(loss) for the period	-	-	-	-	-	75,062	-	75,062	(13,554)	61,508	
Foreign currency translation differences	-	-	8,975	-	-	-	-	8,975	4,548	13,523	
Dividend paid	-	-	-	-	-	(26,157)	-	(26,157)	(37,945)	(64,102)	
Purchase of treasury shares	-	-	-	-	-	-	(7)	(7)	-	(7)	
Purchase of Trust Shares	-	-	-	(2,119)	-	-	-	(2,119)	-	(2,119)	
Transfer to capital redemption reserves	-	-	7,974	-	-	(7,974)	-	-	-	-	
Transfer to capital reserves	-	-	293	-	-	(293)	-	-	-	-	
Transfer of revaluation reserve on disposal of a property	-	-	(948)	-	-	948	-	-	-	-	
Issue of shares to minority shareholder by a subsidiary company	-	-	-	-	-	-	-	-	82	82	
Change in equity in a subsidiary company	-	-	-	-	-	-	-	-	(5)	(5)	
Share-based payments	-	-	556	-	(720)	596	-	432	1,839	2,271	
At 30 June 2009	140,573	586,926	(28,479)	(54,374)	1,068	686,398	(63,309)	1,268,803	590,410	1,859,213	

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2009 (Cont'd)

	Share capital RM'000	Share premium RM'000	Attributable to equity holders of the parent					Treasury shares RM'000	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	Total RM'000				
Preceding year corresponding period ended 30 June 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	-	-	-	-	-	177,702	-	177,702	117,240	294,942	
Foreign currency translation differences	-	-	(3,239)	-	-	-	-	(3,239)	4,476	1,237	
Dividend paid	-	-	-	-	-	(29,129)	-	(29,129)	(76,068)	(105,197)	
Purchase of treasury shares	-	-	-	-	-	-	(8)	(8)	-	(8)	
Purchase of Trust Shares	-	-	-	(2,492)	-	-	-	(2,492)	-	(2,492)	
Transfer to capital redemption reserve	-	-	58	-	-	(58)	-	-	-	-	
Transfer to capital reserves	-	-	1,044	-	-	(1,044)	-	-	-	-	
Change in equity in a subsidiary company	-	-	-	-	-	-	-	-	(28,843)	(28,843)	
Share-based payments	-	-	693	-	1,162	-	-	1,855	505	2,360	
At 30 June 2008	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062	

Dividends received by the Executive Share Options Scheme ("ESOS") Trust amounted to RM1,115,000 (2008: RM1,143,000) 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 30 JUNE 2009

	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2009 RM'000	30/06/2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	88,710	332,695
Adjustments for:-		
Share of profit of associated companies	(35,866)	(47,347)
Depreciation and amortisation	263,474	258,233
Non cash items	5,973	11,878
Net financing costs	29,749	45,486
Operating profit before changes in working capital	352,040	600,945
Changes in working capital		
Net change in current assets	120,735	(52,712)
Net change in current liabilities	(64,911)	9,470
Net income taxes paid	(22,939)	(18,290)
Net financing costs paid	(29,749)	(45,486)
Other operating income received	3,309	30,607
Net cash generated from operating activities	358,485	524,534
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investments	49,915	(52,767)
Purchase of property, plant & equipment	(160,637)	(296,326)
Net cash used in investing activities	(110,722)	(349,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to equity holders of the Company	(26,157)	(29,129)
Dividend paid to minority shareholders of subsidiaries	(37,945)	(76,068)
Net repayments of borrowings	(190,011)	(94,882)
Purchase of treasury shares	(19)	(26)
Purchase of Trust Shares	(2,119)	(2,492)
Net cash used in financing activities	(256,251)	(202,597)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,488)	(27,156)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	267,975	295,767
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,521	(636)
CASH & CASH EQUIVALENTS AT END OF PERIOD	261,008	267,975
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	30/06/2009 RM'000	30/06/2008 RM'000
Deposits, cash and bank balances	261,008	268,023
Bank overdraft	-	(48)
	261,008	267,975

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 Group has not applied the following Amendments to FRSs, FRSs and IC Interpretations that have been issued by the Malaysian Accounting Standard Board (“MASB”) but are not yet effective:

FRS / Interpretation		Effective date
Amendments to FRS 1 and Amendments to FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010 1 January 2010
Amendments to FRS 2	Share-based Payment : Vesting Conditions and Cancellations	1 January 2010
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosure	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 123	Borrowing Costs	1 January 2010
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
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	1 January 2010

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

The Group plans to adopt FRS 8 for the financial year ending 30 June 2010 and to adopt the other Amendments to FRSs, FRSs and IC Interpretations for the financial year ending 30 June 2011.

The financial impact on the financial statements of the Group resulting from the adoption of FRS 7 and FRS 139 upon first adoption of these FRSs as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors are not disclosed by virtue of the exemptions given in the respective FRSs.

The first adoption of the other Amendments to FRSs, FRSs and IC Interpretations are not expected to have any material financial impact on the financial statements of the Group.

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) During the quarter under review, the Company bought back 1,000 of its own shares from the open market for a total cash consideration of RM3,500. During the financial year-to-date, the Company bought back 2,000 of its own shares from the open market for a total consideration of RM6,900. The total number of shares bought back as at 30 June 2009 was 8,430,500 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 financial year-to-date, 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 trust set up for the ESOS ("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 30 June 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

The Company has paid the following dividend during the current financial year-to-date:-

	Current year-to-date RM'000
First interim dividend of 5.0 sen per share tax exempt, paid on 18 December 2008	13,636
Second interim dividend of 5.0 sen per share tax exempt, paid on 18 June 2009	13,636
	<u>27,272</u>

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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
Revenue					
External sales	1,150,630	867,826	658,830	1,824	2,679,110
Results					
Segment results					80,545
Unallocated corporate income					2,048
Operating profit					<u>82,593</u>
Interest income					4,449
Finance costs					(34,198)
Share of profit of associated companies					35,866
Profit before taxation					<u>88,710</u>
Taxation					(27,202)
Profit for the period					<u><u>61,508</u></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) 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, has 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. The liquidator of Skylight has, on 11 May 2009, convened a Final Meeting to conclude the liquidation of Skylight. Accordingly, Skylight will be dissolved on 12 August 2009.
- (ii) MZ Motorrad Group Limited, a wholly-owned subsidiary of the Company, has placed its wholly-owned subsidiary in the United States of America, MuZ of North America, Inc. ("MZNA"), under member's voluntary liquidation. During the quarter under review, the Florida Department of State has issued a certificate of dissolution confirming that MZNA has been voluntarily dissolved.

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

- (iii) The Company has placed its indirect subsidiary in Thailand, Rotom Company Limited (formerly known as MZ Motorrad (Thailand) Company Limited) ("Rotom"), under members' voluntary liquidation. Mr Quah Thain Khan has been appointed as liquidator of Rotom. Subsequent to the quarter under review, the Office of Partnerships and Companies Registration for Samutprakarn Province, Department of Business Development, Ministry of Commerce, Thailand has issued a certificate confirming that Rotom has registered the completion of the liquidation.
- (iv) The following Company's subsidiaries have 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 profit before taxation ("PBT") of RM621.0 million and RM29.4 million respectively as compared with a revenue and PBT of RM814.0 million and RM80.9 million respectively recorded in the preceding year's corresponding quarter.

For the financial year-to-date, the Group recorded a PBT of RM88.7 million as compared with a PBT of RM332.7 million recorded in the preceding year's corresponding period.

The lower PBT as compared with the preceding year's corresponding quarter/period were mainly attributable to the losses recorded by the semiconductor business due to the adverse effects of the global economic crisis.

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

The Group recorded a PBT of RM29.4 million for the quarter under review as compared with a loss before taxation of RM45.3 million for the preceding quarter.

The higher PBT as compared with the preceding quarter was mainly due to the improvement in results of the semiconductor business attributed to its higher sales coupled with reduction in operating cost.

15. Prospects

Barring any unforeseen circumstances and if the global economy recovers, the Board expects the Group's performance to be satisfactory for the financial year ending 30 June 2010.

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
	30/06/2009 RM'000	30/06/2008 RM'000	30/06/2009 RM'000	30/06/2008 RM'000
Current tax				
Malaysian				
- current	3,068	6,442	24,462	34,052
- prior years	(1,355)	(3,077)	(1,327)	(3,188)
Overseas				
- current	(115)	823	402	823
- prior years	412	-	-	-
	2,010	4,188	23,537	31,687
Deferred tax				
Malaysian				
- current	(1,092)	(4,940)	4,972	8,511
- prior years	(1,307)	(1,145)	(1,307)	(2,445)
	(2,399)	(6,085)	3,665	6,066
	(389)	(1,897)	27,202	37,753

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 30 June 2009:-

	RM'000
Short term investment	
At cost	27
At book value	4
At market value	4

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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 June 2009 are as follows:-

	RM'000
(i) Unsecured short term borrowings	413,207
(ii) Unsecured long term borrowings	377,117
	<u>790,324</u>

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

USD borrowings	<u>95,619</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 18 August 2009 are as follows:-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>18,904</u>

The above contracts are maturing within a period of 3 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 does not recommend any final dividend for the financial year ended 30 June 2009 (2007/2008: nil).
- (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 profit attributable to equity holders of the parent of RM28,110,000 (2007/2008: profit attributable to equity holders of the parent of RM52,135,000) and the weighted average number of ordinary shares during the quarter of 261,576,000 (2007/2008: 262,443,000).

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 RM75,062,000 (2007/2008: RM177,702,000) and the weighted average number of ordinary shares during the period of 261,600,000 (2007/2008: 262,635,000).

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
	30/06/2009 '000	30/06/2008 '000	30/06/2009 '000	30/06/2008 '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)	(8,427)	(8,428)	(8,426)
Trust Shares held at beginning of period	(11,140)	(10,057)	(10,611)	(10,000)
	261,576	262,661	262,106	262,719
Effect of purchase of treasury shares	-	-	(1)	(1)
Effect of purchase of Trust Shares	-	(218)	(505)	(83)
Weighted average number of ordinary shares (basic)	261,576	262,443	261,600	262,635

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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
24 August 2009