

PROTON HOLDINGS BERHAD (623177-A)  
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 30 JUNE 2007

The Board of Directors are pleased to announce the financial results of the Group for the first quarter ended 30 June 2007.

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**PROTON HOLDINGS BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE QUARTER ENDED 30 JUNE 2007**

	<u>Individual Period</u>		<u>Cumulative Period</u>	
	<b>30.06.2007</b>	<b>30.06.2006</b>	<b>30.06.2007</b>	<b>30.06.2006</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	1,142,411	1,418,380	1,142,411	1,418,380
Operating expenses	(1,223,095)	(1,535,840)	(1,223,095)	(1,535,840)
Other operating income	35,755	27,465	35,755	27,465
<b>Loss before finance cost</b>	<b>(44,929)</b>	<b>(89,995)</b>	<b>(44,929)</b>	<b>(89,995)</b>
Finance cost	(3,763)	(8,621)	(3,763)	(8,621)
Share of results of associated and jointly controlled entities (net of tax)	1,847	3,080	1,847	3,080
<b>Loss before taxation</b>	<b>(46,845)</b>	<b>(95,536)</b>	<b>(46,845)</b>	<b>(95,536)</b>
Taxation	92	36,887	92	36,887
<b>Loss for the period</b>	<b>(46,753)</b>	<b>(58,649)</b>	<b>(46,753)</b>	<b>(58,649)</b>
Attributable to:				
Equity holders of the parent	(46,753)	(58,649)	(46,753)	(58,649)
Minority interest	-	-	-	-
	<b>(46,753)</b>	<b>(58,649)</b>	<b>(46,753)</b>	<b>(58,649)</b>
<b>(Loss)/Earnings per share attributable to equity holders of the Company (sen):</b>				
Basic (sen)	(8.5)	(10.7)	(8.5)	(10.7)
Diluted (sen)	N/A	N/A	N/A	N/A

The unaudited condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

**PROTON HOLDINGS BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 JUNE 2007**

	<b>Unaudited as at 30.06.2007  RM'000</b>	<b>Audited as at 31.03.2007 (restated) RM'000</b>
<b>ASSETS</b>		
<b>Non-current Assets</b>		
Property, plant and equipment	3,147,347	3,168,987
Prepaid lease payment	10,422	10,452
Goodwill	29,008	29,008
Intangible assets	196,715	169,075
Associated companies and jointly controlled entities	394,132	393,308
Non-current investments	10,397	10,397
<b>Total Non-Current Assets</b>	<u>3,788,021</u>	<u>3,781,227</u>
<b>Current Assets</b>		
Inventories	1,456,053	1,273,612
Trade and other receivables	1,053,568	1,015,957
Tax recoverable	98,855	176,048
Current investments	33,544	73,448
Cash, bank balances and deposits	505,803	626,475
Non-Current Assets Held for Disposal	13,445	-
<b>Total Current Assets</b>	<u>3,161,268</u>	<u>3,165,540</u>
<b>TOTAL ASSETS</b>	<u>6,949,289</u>	<u>6,946,767</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity Attributable to Equity Holders of the Company</b>		
Share capital	549,213	549,213
Reserves	4,638,447	4,681,375
<b>Total Equity</b>	<u>5,187,660</u>	<u>5,230,588</u>
<b>Non-current Liabilities</b>		
Long term borrowings	95,696	76,150
Other non-current liabilities	107,979	105,487
Deferred tax liabilities	754	754
<b>Total Non-Current Liabilities</b>	<u>204,429</u>	<u>182,391</u>
<b>Current Liabilities</b>		
Trade and other payables	1,183,931	1,171,073
Provisions	192,281	196,067
Taxation	2,236	2,222
Short term borrowings	178,752	164,426
<b>Total Current Liabilities</b>	<u>1,557,200</u>	<u>1,533,788</u>
<b>Total Liabilities</b>	<u>1,761,629</u>	<u>1,716,179</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>6,949,289</u>	<u>6,946,767</u>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>	9.45	9.52

The unaudited condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the financial year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

**PROTON HOLDINGS BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 30 JUNE 2007**

	Share capital RM'000	Capital reserve RM'000	Foreign exchange reserves RM'000	Retained profits RM'000	Total equity RM'000
<b>At 1 April 2006</b>	<b>549,213</b>	<b>475,617</b>	<b>(62,882)</b>	<b>4,908,704</b>	<b>5,870,652</b>
Net expense recognised directly into equity					
- foreign exchange difference in translating foreign operations			(16,330)		(16,330)
Loss for the period				(58,649)	(58,649)
Total recognised income and expense for the period	-	-	(16,330)	(58,649)	(74,979)
<b>At 30 June 2006</b>	<b>549,213</b>	<b>475,617</b>	<b>(79,212)</b>	<b>4,850,055</b>	<b>5,795,673</b>
<b>At 1 April 2007</b>	<b>549,213</b>	<b>475,617</b>	<b>(85,952)</b>	<b>4,291,710</b>	<b>5,230,588</b>
Net income recognised directly into equity					
- foreign exchange difference in translating foreign operations			3,825		3,825
Loss for the period				(46,753)	(46,753)
Total recognised income and expense for the period	-	-	3,825	(46,753)	(42,928)
<b>At 30 June 2007</b>	<b>549,213</b>	<b>475,617</b>	<b>(82,127)</b>	<b>4,244,957</b>	<b>5,187,660</b>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

**PROTON HOLDINGS BERHAD**  
**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE QUARTER ENDED 30 JUNE 2007**

	<b>3 months ended</b> <b>30.06.2007</b> <b>RM'000</b>	<b>3 months ended</b> <b>30.06.2006</b> <b>RM'000</b>
CASH FLOWS USED IN OPERATING ACTIVITIES	(37,823)	(187,837)
CASH FLOWS USED IN INVESTING ACTIVITIES	(113,642)	(186,219)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	9,001	62,352
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(142,464)</u>	<u>(311,704)</u>
EXCHANGE RATE EFFECTS	(426)	(7,990)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	471,464	693,192
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	<u><u>328,574</u></u>	<u><u>373,498</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash, bank balances and deposits	505,803	907,299
Bank overdrafts	(129,764)	(203,606)
Cash received from government under Auto Development Fund	(47,465)	-
Fixed deposits pledged as security	<u>-</u>	<u>(330,195)</u>
	<u><u>328,574</u></u>	<u><u>373,498</u></u>

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 March 2007 and the accompanying explanatory notes attached to the interim financial statements.

**PROTON HOLDINGS BERHAD**  
**NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2007**

**1. ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The Quarterly Consolidated Financial Statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Quarterly Consolidated Financial Statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 March 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2007.

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group in the interim financial statements are consistent with those used in the preparation of the audited financial statements for the financial year ended 31 March 2007, except for the change in accounting policy arising from the adoption of FRS 117: 'Leases' and FRS 124: 'Related Party Disclosure' which are revised FRSs issued by MASB that are effective for accounting period beginning on or after 1 October 2006.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. The impact of the revised FRSs on the financial statements of the Group is set out below:

	Previously stated RM'000	Reclassification under FRS 117 RM'000	Reclassified RM'000
At 31 March 2007			
Property, plant and equipment	3,179,439	(10,452)	3,168,987
Prepaid lease payments	-	10,452	10,452
	<u>-</u>	<u>10,452</u>	<u>10,452</u>

The adoption of FRS 124 does not have any significant financial impact on the quarterly results of the Group.

**2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The preceding audited annual financial statements were not subject to any qualification.

**3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS**

The businesses of the Group were not materially affected by any seasonal or cyclical factors during the financial quarter under review.

**4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial quarter under review.

**5. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. In order to enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

Other than those disclosed in note 6, there were no significant changes in estimates that have had a material effect in the financial quarter under review.

## 6. INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the financial quarter under review are as follows:

<u>Income Statement</u>	<u>Current quarter</u> RM'million
PPE written off	14.3
Insurance claim receivable	9.0
Duties claw back under Japan Malaysia Economic Partnership Agreement	15.5

## 7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities during the financial quarter under review other than disclosed below:

	<u>Current quarter</u> RM'000	<u>Current year to date</u> RM'000
Drawdown of unsecured long term loan	19,545	19,545
Repayment of unsecured long term loan	(10,999)	(10,999)

## 8. DIVIDENDS

No interim dividend is recommended for the financial quarter under review.

## 9. SEGMENTAL REPORTING

Analysis of the Group's revenue and results by geographical locations are as follows:

	<u>Financial period ended</u>			<u>Consolidated</u> RM'million
	<u>Malaysia</u> RM'million	<u>Other countries</u> RM'million	<u>Eliminations</u> RM'million	
<u>Revenue</u>				
Third Party sales	866.9	275.5	-	1,142.4
Inter-segment sales	60.4	1.9	(62.3)	0
Total revenue	<u>927.3</u>	<u>277.4</u>	<u>(62.3)</u>	<u>1,142.4</u>
<u>Result</u>				
Segment operating loss	(59.9)	(0.2)	7.9	(52.2)
Interest expense				(3.8)
Interest income				7.3
Share of results net of tax of associated associated companies and jointly controlled entities	1.7	1.4	(1.3)	1.8
Income taxes of Company and subsidiary companies				0.1
Net loss after tax				<u>(46.8)</u>

Included in third party sales from Malaysia are export sales of RM72.4 million during the financial quarter under review.

## 10. PROPERTY, PLANT & EQUIPMENT

There are no changes to the valuation of property, plant and equipment since the previous annual financial statements.

## 11. CHANGES IN THE COMPOSITION OF THE GROUP

There are no changes to the composition of the Group in the financial quarter under review except as disclosed in Note 12.



## **12. SUBSEQUENT EVENTS**

- 1- Perusahaan Otomobil Nasional Sdn Bhd ('PONSB'), a wholly-owned subsidiary company of PROTON had completed a conditional sale and purchase agreement with Tracoma Holdings Berhad ('Tracoma') to acquire from Tracoma the remaining 49% equity interest in PT Proton Tracoma Motors with all the conditions precedent being fully discharged. PT Proton Tracoma has now become wholly-owned subsidiary of PONS B with effective from 10 August 2007.
- 2- On 13 July 2007, PONS B had entered into an agreement with Jinhua Youngman Automobile Manufacturing Co Ltd ('Youngman'), a company incorporated in the People's Republic of China to supply a minimum of 30,000 completely built up (CBU) cars to Youngman to be re-badged under Youngman's own brand for a period of twenty (20) months from the date of the first delivery of vehicles.

Other than the above, there are no subsequent events between the end of the current financial quarter and the date of this announcement except as disclosed in Note 21.

## **13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

Aside from as disclosed in Note 23, there are no changes in the contingent liabilities of the Group since the last annual balance sheet date to the date of this announcement.

## **14. PERFORMANCE REVIEW**

The Group's revenue has decreased by 20% from RM1.4 billion in the corresponding quarter of preceding year to RM1.1 billion for the current quarter due to the overall competitiveness of automotive industry in Malaysia.

In addition, intense competition from other marques and introduction of new models by competitors had affected PROTON sales and car registration. In spite of the decline in revenue, the Group registered a lower loss before tax of RM46.8 million for the current quarter compared to a loss before tax of RM95.5 million recorded in the corresponding quarter of preceding year as result of the operational cost savings, duties claw back and insurance claim receivables in the current quarter.

## **15. MATERIAL CHANGE IN LOSS BEFORE TAXATION OF CURRENT QUARTER COMPARED TO PRECEDING QUARTER**

The Group recorded higher loss before tax of RM46.8 million compared to a loss before tax of RM10.1 million recorded in the preceding quarter. This was mainly due to higher R&D expenses, lower other income and higher depreciation charge recorded in the current quarter as compared to the preceding quarter.

## **16. COMMENTARY ON PROSPECTS**

Malaysia's 2nd Quarter 2007 automotive sales showed the continued slide in the local market as represented by registered passenger cars declining by 8% compared to the corresponding period last year.

The macro economics and industry related factors such as lower trade-in values for used cars and stricter financing terms are expected to continue to dampen vehicle sales. Consumers have more choices with competitors introducing new models into the marketplace with competitive prices.

On 15 August 2007, the Group launched a new model called Proton Persona which is expected to boost sales for financial year 2007. On the export front, the Group had in July 2007 introduced Waja and Satria Neo into the Indonesia market and has plan to introduce Proton cars into the Thailand market by end of 2007. Furthermore, the Board is confident that the agreement with Jinhua Youngman Automobile Manufacturing Co. Ltd will further expand the Group's export market.

The Group's efforts to rationalise operations, streamline resources and network and implement other measures for greater efficiency as well as introduction of new models will hold the Group in good stead for the rest of the financial year.

## 17. PROFIT FORECAST

The Group did not issue any profit forecast or profit guarantee in respect of the current financial quarter under review.

## 18. INCOME TAX EXPENSE

	Current quarter	Current year to date
	RM'000	RM'000
<u>Current</u>		
Malaysia	(1,274)	(1,274)
Outside Malaysia	1,408	1,408
	134	134
Deferred tax written off	(42)	(42)
	<u>92</u>	<u>92</u>
Effective tax rate	0.2%	0.2%

The lower effective tax rate as compared to Malaysian tax rate of 26% was mainly due to the tax of separately assessed income of Perusahaan Otomobil Nasional Sdn. Bhd. while the current taxation arising outside Malaysia is attributable to Proton Cars (UK) Ltd due to tax refund previously paid.

## 19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposal of unquoted investments and properties for the financial quarter under review.

## 20. QUOTED SECURITIES

(a) Total purchases and disposals of quoted securities for the financial quarter under review and year to date are as follows:

	Current quarter	Current year to date
	RM'000	RM'000
Total purchases	-	-
Total disposal	39,904	39,904
Gain on disposals	1,021	1,021

(b) As at 30 June 2007, details of the Group's quoted securities are as follows:

	RM'000
At cost	33,544
At carrying value / book value	33,544
At market value	34,457

## 21 GROUP BORROWINGS AND DEBT SECURITIES

	Total RM'000
<u>Long Term Borrowings:</u>	
Unsecured:	
Long term loans	143,575
Portion repayable within 12 months *	(47,879)
Total Long Term Borrowings	<u>95,696</u>
<u>Short Term Borrowings:</u>	
Unsecured:	
Current portion of long term loans	47,879
Banker acceptances	1,109
Bank overdrafts	129,764
	<u>178,752</u>
<b>Total Borrowings</b>	<b><u>274,448</u></b>

The details of the borrowings denominated in respective currencies are as follows:

<u>Functional Currency</u>	Ringgit Malaysia RM'000	Pounds Sterling RM'000	Total RM'000
Ringgit Malaysia	144,684	-	144,684
Pounds Sterling	-	129,764	129,764
Total	<u>144,684</u>	<u>129,764</u>	<u>274,448</u>

\* On 11 July 2007, the Group obtained a deferment for the repayment of the loan due to 30 September 2007 to 30 September 2009.

## 22 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 21 August 2007, being the latest practicable date prior to this announcement, the outstanding notional principal amount of the Group off balance sheet financial instruments is as follows:

	<u>Total</u> RM'000	<u>Maturity</u>		
		<u>Less than 6</u> <u>months</u> RM'000	<u>6 months</u> <u>to 1 year</u> RM'000	<u>More than</u> <u>1 year</u> RM'000
Foreign exchange contracts	94,437.0	56,002.1	38,434.9	-

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payable and receivable. The contract exchange rates were used on the settlement of the payables and receivables. The net position to the Group as at 21 August 2007 is favourable by approximately RM1.7 million.

The contracts are executed with creditworthy financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their respective financial strength.

## 23. CHANGES IN MATERIAL LITIGATION

- (a) A supplier (Plaintiff) had obtained a judgement in default against a subsidiary company (Defendant) for RM12.2 million after failing to reach a formal agreement. The subsidiary had obtained legal opinion that the claims are without basis and an action to strike out a portion of the claim (i.e. RM7.2million) would be successful.
- (b) A Distributor instituted arbitration proceedings against a subsidiary company as a result of the termination of its distributorship. Claimant claimed USD9,941,973 (RM37,779,497) plus general damages and interest. The Final Award was released on 30 October 2006 wherein the Claimant's claim against the Respondent has been dismissed. The Claimant has filed an action in court to set aside the arbitration award. The subsidiary had obtained legal advice that the claim is highly unlikely to be successful. The directors are of the opinion that the outcome would not be material.

## 24. LOSS PER SHARE

### Loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the parent by the weighted average number of ordinary shares in issue as at 30 June 2007.

	Current quarter	Current year to date
	RM'000	RM'000
<u>Loss per share</u>		
Net loss attributable to equity holders (RM'000)	(46,753)	(46,753)
Weighted average number of shares ('000)	549,213	549,213
Loss per share (sen)	(8.5)	(8.5)

### Diluted EPS

Diluted EPS is not applicable as at 30 June 2007 as there are no dilutive potential ordinary shares.

## 25. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2007 are as follows:

	RM Million
Authorised by Directors and contracted	367.0
Authorised by Directors and not contracted	2,126.7
	<u>2,493.7</u>

## 26. STATUS OF CORPORATE PROPOSALS

The Group does not have any corporate proposals announced but not completed at the date of this report.

## 27. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2007.

BY ORDER OF THE BOARD  
MOHD NIZAMUDDIN MOKHTAR  
COMPANY SECRETARY

Shah Alam, 27 August 2007