

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

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 30 JUNE 2008

PROTON HOLDINGS BERHAD
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008

| | Individual Period | | Cumulative Period | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 30.06.08 RM'000 | 30.06.07 RM'000 | 30.06.08 RM'000 | 30.06.07 RM'000 |
| Revenue | 1,708,805 | 1,142,411 | 1,708,805 | 1,142,411 |
| Operating expenses | (1,695,294) | (1,223,095) | (1,695,294) | (1,223,095) |
| Other operating income | 44,081 | 35,755 | 44,081 | 35,755 |
| Profit/(Loss) before finance cost | 57,592 | (44,929) | 57,592 | (44,929) |
| Finance cost | (3,711) | (3,763) | (3,711) | (3,763) |
| Share of results of associated and jointly controlled entities | 4,819 | 1,847 | 4,819 | 1,847 |
| Profit/(Loss) before taxation | 58,700 | (46,845) | 58,700 | (46,845) |
| Taxation | (6,674) | 92 | (6,674) | 92 |
| Profit/(Loss) for the period | 52,026 | (46,753) | 52,026 | (46,753) |
| Attributable to: | | | | |
| Equity holders of the Company | 52,026 | (46,753) | 52,026 | (46,753) |
| Minority interest | - | - | - | - |
| | 52,026 | (46,753) | 52,026 | (46,753) |
| Earnings/(Loss) per share attributable to equity holders of the Company (sen): | | | | |
| Basic (sen) | 9.5 | (8.5) | 9.5 | (8.5) |
| 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 2008 and the accompanying explanatory notes attached to the interim financial statements.

PROTON HOLDINGS BERHAD
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008

| | Unaudited as at 30.06.08 RM'000 | Audited as at 31.03.08 RM'000 |
|--|--|--|
| ASSETS | | |
| Non-current Assets | | |
| Property, plant and equipment | 3,083,377 | 3,150,446 |
| Prepaid land lease payments | - | 24,031 |
| Goodwill | 29,008 | 29,008 |
| Intangible assets | 312,376 | 275,192 |
| Associated companies and jointly controlled entities | 355,956 | 358,190 |
| Non-current investments | 10,397 | 10,397 |
| Total Non-Current Assets | <u>3,791,114</u> | <u>3,847,264</u> |
| Current Assets | | |
| Inventories | 1,162,594 | 1,100,286 |
| Trade and other receivables | 835,444 | 984,487 |
| Tax recoverable | 112,268 | 114,479 |
| Current investments | 17,601 | 20,822 |
| Cash, bank balances and deposits | 1,386,429 | 1,226,010 |
| Total Current Assets | <u>3,514,336</u> | <u>3,446,084</u> |
| Non-current assets held for disposal | 45,179 | - |
| TOTAL ASSETS | <u>7,350,629</u> | <u>7,293,348</u> |
| EQUITY AND LIABILITIES | | |
| Equity Attributable to Equity Holders of the Company | | |
| Share capital | 549,213 | 549,213 |
| Reserves | 4,931,538 | 4,872,043 |
| Total Equity | <u>5,480,751</u> | <u>5,421,256</u> |
| Non-current Liabilities | | |
| Long term borrowings | 132,534 | 130,884 |
| Other non-current liabilities | 100,132 | 99,589 |
| Deferred tax liabilities | 5,310 | 2,439 |
| Total Non-Current Liabilities | <u>237,976</u> | <u>232,912</u> |
| Current Liabilities | | |
| Trade and other payables | 1,340,721 | 1,337,462 |
| Provisions | 177,844 | 186,556 |
| Taxation | 3,862 | 1,556 |
| Short term borrowings | 109,475 | 113,606 |
| Total Current Liabilities | <u>1,631,902</u> | <u>1,639,180</u> |
| Total Liabilities | <u>1,869,878</u> | <u>1,872,092</u> |
| TOTAL EQUITY AND LIABILITIES | <u>7,350,629</u> | <u>7,293,348</u> |
| Net assets per share attributable to equity holders of the Company (RM) | <u>9.98</u> | <u>9.87</u> |

The unaudited condensed consolidated balance sheets should be read in conjunction with the audited financial statements for the financial year ended 31 March 2008 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 2008

| | Share capital RM'000 | Capital reserve RM'000 | Fair value of previously held interest in a piecemeal acquisition RM'000 | Foreign exchange reserves RM'000 | Retained profits RM '000 | Total equity RM'000 |
|---|-------------------------|---------------------------|---|---|--------------------------------|---------------------------|
| At 1 April 2007 | 549,213 | 475,617 | - | (85,952) | 4,291,710 | 5,230,588 |
| Net expense 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) |
| At 30 June 2007 | 549,213 | 475,617 | - | (82,127) | 4,244,957 | 5,187,660 |
| At 1 April 2008 | 549,213 | 475,617 | 2,362 | (82,197) | 4,476,261 | 5,421,256 |
| Net income recognised directly into equity | | | | | | |
| - foreign exchange difference in translating foreign operations | - | - | - | 7,469 | - | 7,469 |
| Profit for the period | - | - | - | - | 52,026 | 52,026 |
| Total recognised income and expense for the period | - | - | - | 7,469 | 52,026 | 59,495 |
| At 30 June 2008 | 549,213 | 475,617 | 2,362 | (74,728) | 4,528,287 | 5,480,751 |

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 2008 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 2008

| | Period ended 30.06.08 RM'000 | Period ended 30.06.07 RM'000 |
|--|------------------------------------|------------------------------------|
| CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES | 259,104 | (37,823) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | (101,444) | (113,642) |
| CASH FLOWS GENERATED FROM FINANCING ACTIVITIES | 3,878 | 9,001 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | <u>161,538</u> | <u>(142,464)</u> |
| EXCHANGE RATE EFFECTS | 3,820 | (426) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR | 1,173,939 | 471,464 |
| CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD | <u><u>1,339,297</u></u> | <u><u>328,574</u></u> |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Cash, bank balances and deposits | 1,386,429 | 505,803 |
| Bank overdrafts | (2,108) | (129,764) |
| Restricted cash received under Auto Development Fund | <u>(45,024)</u> | <u>(47,465)</u> |
| | <u><u>1,339,297</u></u> | <u><u>328,574</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 2008 and the accompanying explanatory notes attached to the interim financial statements.

PROTON HOLDINGS BERHAD
NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2008

1. BASIS OF PREPARATION

The Quarterly Consolidated Financial Statements are unaudited and have been prepared in accordance with Financial Reporting Standard ("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 annual financial statements for the financial year ended 31 March 2008. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to the changes in the financial position and performance of the Group since the financial year ended 31 March 2008.

2. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2008 except for the adoption of the following revised Financial Reporting Standards ("FRS") and Issues Committee Interpretations ("IC Interpretation") that are effective for the Group's financial statement commencing 1 April 2008:

| | |
|---------------------|---|
| FRS 107 | Cash Flow Statements |
| FRS 111 | Construction Contracts |
| FRS 112 | Income Taxes |
| FRS 118 | Revenue |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 121 | The Effects of Changes in Foreign Exchange Rates - Net Investment in Foreign Operation |
| FRS 134 | Interim Financial Reporting |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Assets |
| IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |

The adoption of the above FRSs and IC Interpretation does not have any significant financial impact to the Group.

3. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

4. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

5. 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 current financial quarter under review.

6. 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.

There were no significant changes in estimates that have had a material effect in the current financial quarter under review.

7. SIGNIFICANT ITEM

A provision for impairment of property, plant and equipment ('PPE') amounting to RM17 million was included in the Income Statement for the current financial quarter under review.

The PPE has been reclassified as Non-current assets held for disposal in the balance sheet and is stated at net realisable value.

8. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities during the current financial quarter.

9. DIVIDENDS

No dividend is recommended for the current financial quarter.

10. SEGMENTAL REPORTING

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

| | Financial period ended 30.6.2008 | | | Consolidated RM'million |
|--|----------------------------------|-------------------------------|----------------------------|----------------------------|
| | Malaysia RM'million | Other countries RM'million | Eliminations RM'million | |
| Revenue | | | | |
| Third Party sales | 1,466.4 | 242.4 | - | 1,708.8 |
| Inter-segment sales | 30.7 | 7.5 | (38.2) | - |
| Total revenue | <u>1,497.1</u> | <u>249.9</u> | <u>(38.2)</u> | <u>1,708.8</u> |
| Results | | | | |
| Segment operating profit | 45.9 | 4.5 | - | 50.4 |
| Interest expense | | | | (3.7) |
| Interest income | | | | 7.2 |
| Share of results of associated companies and jointly controlled entities | 3.7 | 1.9 | (0.8) | 4.8 |
| Income taxes of Company and subsidiary companies | | | | (6.7) |
| Net profit after tax | | | | <u>52.0</u> |

Included in third party sales from Malaysia are export sales of RM54.2 million during the current financial quarter under review.

11. PROPERTY, PLANT & EQUIPMENT

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

12. CHANGES IN THE COMPOSITION OF THE GROUP

- a) Further to the announcement made on 31 March 2008 on the proposal to strike-off and liquidate through members' voluntary liquidation certain subsidiary companies of PROTON both locally and overseas, the liquidation process of the said companies is currently on going.
- b) On 15 May 2008, Lotus Body Engineering Limited, a wholly-owned subsidiary of Lotus Group International Limited ('LGIL') which in turn is effectively a wholly-owned subsidiary of PROTON acquired the entire issued and paid-up share capital of Lotus Lightweight Structures Holdings Limited ('LLSHL') (formerly known as Holden Lightweight Structures Limited).

The acquisition of LLSHL is to enable LGIL to integrate a key supplier to secure its future line-up and control key high technology know-how used in its lightweight bonded aluminium structures.

Other than the above, there were no other changes in the composition of the Group in the quarter under review.

13. SUBSEQUENT EVENTS

There were no significant subsequent events between the end of the current financial quarter and the date of this announcement that have not been reflected in the interim report.

14. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

As at the date of issue of this quarterly report, there were no material changes in contingent liabilities as disclosed in the Audited Financial Statement for the year ended 31 March 2008.

15. PERFORMANCE REVIEW

For the current quarter, the Group registered a profit before taxation (PBT) of RM59 million which is an improvement of RM106 million compared to the loss of RM47 million incurred in the corresponding period of the previous financial year.

This improvement in profitability is substantially attributable to PROTON's domestic sales volume growth of 55% over the corresponding period of the previous financial year arising from the introduction of new models, the Persona and Saga.

16. MATERIAL CHANGE IN THE PROFIT BEFORE TAXATION OF CURRENT QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

The Group recorded a PBT of RM59 million for the current quarter which is lower than the PBT of RM175 million recorded in the immediate preceding quarter which included income from recognition of Research & Development (R&D) grant.

The PBT of RM59 million for the current quarter however, compares favourably to the deficit of RM19 million recorded in the immediate preceding quarter, after exclusion of the income from R&D grant. The improvement in profit is substantially due to the increase in domestic sales volume of 10%.

17. COMMENTARY ON PROSPECTS

Prospects for the year is expected to remain challenging, as the automotive industry in general is facing slowing demand and rising production costs.

On the domestic front, the passenger car sales for January to June 2008 grew by 12% compared to the corresponding period last year. The Malaysian Automotive Association's forecasts indicate that demand in the second half of 2008 would soften as a result of the effects of fuel price increase in June 2008 and the general slowdown in economic growth and consumer purchasing behaviour.

To mitigate these challenges, the Group would continue its marketing initiatives including introducing product refreshers as well as intensifying efforts to increase export sales. In addition, the Group will improve production quality and efficiency and reduce cost to minimise the impact of increased prices.

18. PROFIT FORECAST

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

19. INCOME TAX EXPENSE

| | <u>Current quarter</u> | <u>Current period to date</u> |
|------------------------|----------------------------|-----------------------------------|
| | RM'000 | RM'000 |
| <u>Taxation</u> | | |
| Malaysia | 3,452 | 3,452 |
| Outside Malaysia | <u>277</u> | <u>277</u> |
| | 3,729 | 3,729 |
| <u>Deferred Tax</u> | | |
| Malaysia | 74 | 74 |
| Outside Malaysia | <u>2,871</u> | <u>2,871</u> |
| | <u>6,674</u> | <u>6,674</u> |
| Effective tax rate | 11.4% | 11.4% |

The effective tax rate for the current financial quarter and financial period to date at 11.4% is lower than the statutory tax rate mainly due to the utilisation of brought forward capital allowances and unabsorbed business tax losses.

20. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

- (a) Total disposals of unquoted securities for the current financial quarter and financial period to date are as follows:

| | <u>Current quarter</u> | <u>#REF! to date</u> |
|------------------------|----------------------------|--------------------------|
| | RM'000 | RM'000 |
| Total sales proceeds | 3,217 | 3,217 |
| Total loss on disposal | <u>(63)</u> | <u>(63)</u> |

- (b) As at 30 June 2008, details of the Group's unquoted securities are as follows:

| | |
|--------------------------------|---------------|
| | RM'000 |
| At cost | 17,017 |
| At carrying value / book value | <u>15,442</u> |

- (c) There were no disposals of properties and non-current investments outside the ordinary course of business for the current financial quarter and financial period to date.

21. QUOTED SECURITIES

There were no disposals of quoted securities for the current financial quarter and financial period to date.

22. GROUP BORROWINGS AND DEBT SECURITIES

| | Total RM'000 |
|---|-----------------------|
| <u>Long Term Borrowings:</u> | |
| Secured: | |
| Long term loans | 84,656 |
| Unsecured: | |
| Long term loans | <u>47,878</u> |
| Total Long Term Borrowings | <u>132,534</u> |
| <u>Short Term Borrowings:</u> | |
| Secured: | |
| Revolving credit | <u>44,458</u> |
| | 44,458 |
| Unsecured: | |
| Bridging loan | 32,645 |
| Bankers' acceptances and revolving credit | 30,264 |
| Bank overdrafts | <u>2,108</u> |
| | <u>65,017</u> |
| | <u>109,475</u> |
| Total Borrowings | <u>242,009</u> |

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

| | Total RM'000 |
|----------------------------|-----------------------|
| <u>Functional Currency</u> | |
| Ringgit Malaysia | 48,840 |
| Pounds Sterling | <u>193,169</u> |
| Total | <u>242,009</u> |

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 20 August 2008, being the latest practicable date prior to this announcement, the outstanding notional principal amount of the Group off-balance sheet financial instruments is RM110.8 million, all maturing within the next 6 months.

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payables and receivables. Contract exchange rates are used on the settlement of the payables and receivables. The net position to the Group as at 20 August 2008 is favourable by approximately RM0.4 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.

24. CHANGES IN MATERIAL LITIGATION

There were no changes in material litigation since the last announcement made.

25. EARNINGS PER SHARE ("EPS")

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue as at 30 June 2008.

| | <u>Current quarter</u> | <u>Current period to date</u> |
|--|----------------------------|-----------------------------------|
| | RM'000 | RM'000 |
| <u>Earnings per share</u> | | |
| Net profit attributable to equity holders (RM'000) | 52,026 | 52,026 |
| Weighted average number of shares ('000) | 549,213 | 549,213 |
| Earnings per share (sen) | <u>9.5</u> | <u>9.5</u> |

Diluted EPS

Diluted EPS is not applicable as at 30 June 2008 as there are no dilutive potential ordinary shares.

26. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 30 June 2008 are as follows:

| | RM'million |
|--|----------------|
| Authorised by Directors and contracted | 359.4 |
| Authorised by Directors and not contracted | <u>2,130.8</u> |

27. STATUS OF CORPORATE PROPOSALS

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

28. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 August 2008.

BY ORDER OF THE BOARD
MOHD NIZAMUDDIN MOKHTAR
COMPANY SECRETARY

Shah Alam, 27 August 2008