



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

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

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

	Individual Period		Cumulative Period	
	30.09.08 RM'000	30.09.07 RM'000	30.09.08 RM'000	30.09.07 RM'000
Revenue	1,838,516	1,306,821	3,547,321	2,449,231
Operating expenses	(1,839,187)	(1,335,900)	(3,534,481)	(2,558,995)
Other operating income	53,362	34,355	97,443	70,110
Profit/(Loss) before finance cost	52,691	5,275	110,283	(39,654)
Finance cost	(4,111)	(4,529)	(7,822)	(8,292)
Share of results of associated and jointly controlled entities (net of tax)	8,028	4,204	12,847	6,050
Profit/(Loss) before taxation	56,608	4,951	115,308	(41,896)
Taxation	(12,797)	(1,445)	(19,471)	(1,352)
Profit/(Loss) for the period	43,811	3,506	95,837	(43,248)
Attributable to:				
Equity holders of the Company	43,811	3,506	95,837	(43,248)
Minority interest	-	-	-	-
	43,811	3,506	95,837	(43,248)
Earnings/(Loss) per share attributable to equity holders of the Company (sen):				
Basic (sen)	8.0	0.6	17.4	(7.9)
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 SEPTEMBER 2008

	Unaudited as at 30.09.08 RM'000	Audited as at 31.03.08 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	3,049,674	3,150,446
Prepaid land lease payments	-	24,031
Goodwill	29,008	29,008
Intangible assets	335,509	275,192
Associated companies and jointly controlled entities	354,779	358,190
Non-current investments	10,397	10,397
Total Non-Current Assets	<u>3,779,367</u>	<u>3,847,264</u>
Current Assets		
Inventories	1,215,488	1,100,286
Trade and other receivables	739,142	984,487
Tax recoverable	96,545	114,479
Investments	16,639	20,822
Cash, bank balances and deposits	1,434,598	1,226,010
Total Current Assets	<u>3,502,412</u>	<u>3,446,084</u>
Non-current assets held for disposal	45,179	-
TOTAL ASSETS	<u>7,326,958</u>	<u>7,293,348</u>
EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Company		
Share capital	549,213	549,213
Reserves	4,970,979	4,872,043
Total Equity	<u>5,520,192</u>	<u>5,421,256</u>
Non-current Liabilities		
Long term borrowings	74,802	130,884
Other non-current liabilities	92,089	99,589
Deferred tax liabilities	5,925	2,439
Total Non-Current Liabilities	<u>172,816</u>	<u>232,912</u>
Current Liabilities		
Trade and other payables	1,274,786	1,337,462
Provisions	172,348	186,556
Taxation	6,020	1,556
Short term borrowings	180,796	113,606
Total Current Liabilities	<u>1,633,950</u>	<u>1,639,180</u>
Total Liabilities	<u>1,806,766</u>	<u>1,872,092</u>
TOTAL EQUITY AND LIABILITIES	<u>7,326,958</u>	<u>7,293,348</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>10.05</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 SEPTEMBER 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	-	-	-	4,834	-	4,834
- foreign exchange difference in translating foreign operations	-	-	-	-	(43,248)	(43,248)
Loss for the period	-	-	-	4,834	(43,248)	(38,414)
Total recognised income and expense for the period	549,213	475,617	-	(81,118)	4,248,462	5,192,174
At 1 April 2008	549,213	475,617	2,362	(82,197)	4,476,261	5,421,256
Net income recognised directly into equity	-	-	-	3,099	-	3,099
- foreign exchange difference in translating foreign operations	-	-	-	-	95,837	95,837
Profit for the period	-	-	-	3,099	95,837	98,936
Total recognised income and expense for the period	549,213	475,617	2,362	(79,098)	4,572,098	5,520,192

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 SEPTEMBER 2008

	6 months ended	6 months ended
	30.09.08	30.09.07
	RM'000	RM'000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	423,665	166,173
CASH FLOWS USED IN INVESTING ACTIVITIES	(225,482)	(214,275)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	52,452	250,012
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>250,635</u>	<u>201,910</u>
EXCHANGE RATE EFFECTS	(3,398)	1,174
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>1,421,176</u></u>	<u><u>674,548</u></u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash, bank balances and deposits	1,434,598	769,740
Bank overdrafts	-	(48,858)
Restricted cash received under Automotive Development Fund	<u>(13,422)</u>	<u>(46,334)</u>
	<u><u>1,421,176</u></u>	<u><u>674,548</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 SEPTEMBER 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
IC Interpretation 2	Members' s Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	Liabilities Arising from Participating in Specific Market - Waste Electrical and Electronic Equipment
IC Interpretation 7	Applying the Restatement Approach under FRS 129 " Financial Reporting in Hyperinflationary Economies"
IC Interpretation 8	Scope of FRS 2 - "Share-based Payment"

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

Included in the income statement for the current quarter is a reversal of allowance for doubtful debt amounting to RM18 million.

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

(a) Dividend paid

No dividend is paid for the current financial quarter.

(b) Dividend proposed and declared

The Directors have declared an interim dividend of 5 sen (2007 : Nil) per share less tax at 25% in respect of the year ending 31 March 2009. The dividend is payable on 14 January 2009 to shareholders in the Register of Members and Record of Depositors at the close of business on 15 December 2008.

10. SEGMENTAL REPORTING

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

	<u>Financial period ended 30.9.2008</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	3,068.8	478.5	-	3,547.3
Inter-segment sales	62.2	16.1	(78.3)	-
Total revenue	<u>3,131.0</u>	<u>494.6</u>	<u>(78.3)</u>	<u>3,547.3</u>
<u>Results</u>				
Segment operating profit/(loss)	98.2	(2.9)	-	95.3
Interest expense				(7.8)
Interest income				15.0
Share of results of associated companies and jointly controlled entities (net of tax)	11.3	1.3	0.2	12.8
Income taxes of Company and its subsidiary companies				(19.5)
Net profit after tax				<u>95.8</u>

Included in third party sales from Malaysia are export sales of RM105.0 million during the current financial period under review.

11. PROPERTY, PLANT & EQUIPMENT

There are 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 status of liquidation process of the said companies is as follows:
- (i) Proton Cars Direct Limited and Proton Cars (Imports) Limited, wholly-owned subsidiaries of Proton Cars (UK) Limited had been struck off from the Register of Companies House in United Kingdom and were dissolved on 26 August 2008.
 - (ii) the liquidators of Proton Corporation Sdn Bhd (PCSB) had convened a Final Meeting to conclude the Member's Voluntary Liquidation and on 2 and 3 September 2008, lodged a Return Relating To Final Meeting. On expiration of three (3) months after the latter of said lodgement dates, that is, 2 December 2008, PCSB will be dissolved.
 - (iii) Auto Compound and Distribution Centre Sdn Bhd and Lotus Cars Asia Pacific Sdn Bhd, wholly-owned subsidiaries of Proton Marketing Sdn Bhd have been struck off and were dissolved on 22 October 2008.

The liquidation process of the other subsidiary companies is still on-going.

The strike-off and voluntary liquidation have no material impact on the results, balance sheet and cash flow of the Group.

- b) On 12 September 2008, PROTON Holdings Berhad announced the Merger and Dissolution of MARCO Acquisition Corporation (MARCO) USA, a wholly-owned subsidiary of the PROTON group, into Lotus Holdings Inc. pursuant to an internal reorganisation exercise. The internal reorganisation exercise was undertaken to streamline the operations of MARCO, which was previously held by a wholly-owned subsidiary in Malaysia, Proton Engineering Research Technology Sdn Bhd.

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

13. SUBSEQUENT EVENTS

There are 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 Statements for the financial year ended 31 March 2008.

15. PERFORMANCE REVIEW

The Group's profit before tax (PBT) of RM115 million for the 6 months ended 30 September 2008 compares favourably to the deficit of RM42 million recorded in the corresponding period last year.

This improvement in performance is substantially due to PROTON's increased domestic sales volume and improved margins, arising from better product mix and lower discounts.

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

For the current quarter, the Group registered a PBT of RM57 million compared to the PBT of RM59 million recorded in the immediate preceding quarter. While the increase in domestic sales volume and reversal of allowance for doubtful debt contributed positively, these were offset by provision for anticipated raw materials and components price increase and higher overheads.

17. COMMENTARY ON PROSPECTS

The Malaysian automotive industry environment is expected to be increasingly challenging, driven by the global financial and economic crisis.

Although the domestic passenger car sales for January to September 2008 grew by 20% compared to the corresponding period last year, the Malaysian Automotive Association forecasts that for the final quarter of the calendar year 2008, demand is anticipated to decline mainly due to seasonal slowdown towards year end, stricter financing terms and a general decline in consumer spending resulting from the slowdown in economic growth.

On the international front, the impact of the global financial and economic crisis and the volatility of the foreign currency markets is expected to further deteriorate the business environment.

Recognising the challenges ahead, the Group will intensify its efforts to improve domestic sales and increase its presence in growing export markets. The Group will also further improve quality and manage cost while investing to strengthen its product line-up.

18. PROFIT FORECAST

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

19. INCOME TAX EXPENSE

	Current quarter RM'000	Current period to date RM'000
<u>Taxation</u>		
Malaysia	11,822	15,272
Outside Malaysia	113	390
	<u>11,935</u>	<u>15,662</u>
<u>Deferred Tax</u>		
Malaysia	97	173
Outside Malaysia	765	3,636
	<u>12,797</u>	<u>19,471</u>
Effective tax rate	22.6%	16.9%

The effective tax rate for the current financial quarter and current financial period to-date 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:

	Current quarter	Current period to date
	RM'000	RM'000
Total sales proceeds	-	3,217
Total loss on disposal	-	(63)

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

	RM'000
At cost	17,601
At carrying value / book value	<u>16,639</u>

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

21. SALE OF QUOTED SECURITIES

There was no disposal of quoted securities for the current financial quarter and financial period to date.

22. GROUP BORROWINGS AND DEBT SECURITIES

	As at 30.09.08 RM'000
<u>Long Term Borrowings:</u>	
Secured:	
Long term loans	<u>74,802</u>
Total Long Term Borrowings	<u>74,802</u>
<u>Short Term Borrowings:</u>	
Secured:	
Current portion of long term loans	6,234
Revolving credit	<u>59,212</u>
	65,446
Unsecured:	
Current portion of long term loans	47,879
Bridging loan	34,565
Bankers' acceptances and revolving credit	<u>32,906</u>
	115,350
	<u>180,796</u>
Total Borrowings	<u>255,598</u>

The currency profile of borrowings is as follows:

	As at 30.09.08 RM'000
<u>Functional Currency</u>	
Ringgit Malaysia	49,617
Pounds Sterling	<u>205,981</u>
Total	<u>255,598</u>

23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 21 November 2008, being the latest practicable date prior to this announcement, the outstanding notional principal amount of the Group off-balance sheet financial instruments, representing foreign exchange contracts is as follows:

	<u>Less than 6</u> <u>months</u> RM'000	<u>Maturity</u> <u>6 months</u> <u>to 1 year</u> RM'000	<u>Total</u> RM'000
Foreign exchange contracts	<u>47,154</u>	<u>31,484</u>	<u>78,638</u>

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payables and receivables. Contracted exchange rates are used for the settlement of the related payables and receivables. The net position to the Group as at 21 November 2008 is favourable by approximately RM1.3 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 are 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 September 2008.

	<u>Current</u> <u>quarter</u> RM'000	<u>Current period</u> <u>to date</u> RM'000
<u>Earnings per share</u>		
Net profit attributable to equity holders (RM'000)	43,811	95,837
Weighted average number of shares ('000)	549,213	549,213
Earnings per share (sen)	<u>8.0</u>	<u>17.4</u>

Diluted EPS

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

26. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment approved by the Board but not provided for in the financial statements as at 30 September 2008 are as follows:

	RM'million
Contracted for	328.4
Not contracted for	<u>2,350.1</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 November 2008.

BY ORDER OF THE BOARD
MOHD NIZAMUDDIN MOKHTAR
COMPANY SECRETARY

Shah Alam, 27 November 2008