

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2009

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2009

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000
Revenue	671,957	825,776	671,957	825,776
Cost of sales	(568,683)	(683,842)	(568,683)	(683,842)
Gross profit	103,274	141,934	103,274	141,934
Operating expenses	(40,324)	(43,738)	(40,324)	(43,738)
Other operating income/(expenses)	644	(6,408)	644	(6,408)
Operating profit	63,594	91,788	63,594	91,788
Interest income	691	2,063	691	2,063
Finance costs	(6,071)	(10,673)	(6,071)	(10,673)
Share of profit of associated companies	9,397	4,878	9,397	4,878
Profit before taxation	67,611	88,056	67,611	88,056
Taxation	(10,949)	(14,283)	(10,949)	(14,283)
Profit for the period	56,662	73,773	56,662	73,773
Attributable to:				
Equity holders of the parent	40,522	47,267	40,522	47,267
Minority interests	16,140	26,506	16,140	26,506
Profit for the period	56,662	73,773	56,662	73,773
Earnings per ordinary share (sen) :-				
(a) Basic	15.49	18.06	15.49	18.06
(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 2009.

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2009

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/09/2009 RM'000	30/06/2009 RM'000
Non-current assets		
Property, plant and equipment	1,317,393	1,300,242
Prepaid lease payments	36,812	36,977
Investments in associated companies	389,478	387,084
Other investments	60	56
Intangible assets	482,320	482,732
Deferred tax assets	877	877
	<u>2,226,940</u>	<u>2,207,968</u>
Current assets		
Inventories	183,842	177,236
Trade and other receivables	456,148	425,983
Tax recoverable	16,343	17,148
Short term investments	-	4
Deposits, cash and bank balances	301,174	261,008
	<u>957,507</u>	<u>881,379</u>
TOTAL ASSETS	<u>3,184,447</u>	<u>3,089,347</u>
Equity attributable to equity holders of the parent		
Share capital	140,573	140,573
Reserves	1,227,686	1,191,539
Treasury shares - at cost	(63,309)	(63,309)
	<u>1,304,950</u>	<u>1,268,803</u>
Minority interests	605,306	590,410
TOTAL EQUITY	<u>1,910,256</u>	<u>1,859,213</u>
Non-current liabilities		
Borrowings (unsecured)	423,702	377,117
Deferred tax liabilities	66,513	65,198
Retirement benefits	12,667	12,369
	<u>502,882</u>	<u>454,684</u>
Current liabilities		
Trade and other payables	392,562	350,775
Borrowings (unsecured)	363,111	413,207
Taxation	15,636	11,468
	<u>771,309</u>	<u>775,450</u>
TOTAL LIABILITIES	<u>1,274,191</u>	<u>1,230,134</u>
TOTAL EQUITY AND LIABILITIES	<u>3,184,447</u>	<u>3,089,347</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	4.99	4.85

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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				
Current year-to date ended 30 September 2009											
At 1 July 2009	140,573	586,926	(28,479)	(54,374)	1,068	686,398	(63,309)	1,268,803	590,410	1,859,213	
Profit for the period	-	-	-	-	-	40,522	-	40,522	16,140	56,662	
Foreign currency translation differences	-	-	(3,991)	-	-	-	-	(3,991)	(1,048)	(5,039)	
Share-based payments	-	-	(415)	-	31	-	-	(384)	(196)	(580)	
At 30 September 2009	140,573	586,926	(32,885)	(54,374)	1,099	726,920	(63,309)	1,304,950	605,306	1,910,256	

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

	Share capital	Share premium	Other reserves	Reserve for own shares	Share option reserve	Retained profits	Treasury shares	Total	Minority interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 30 September 2008										
At 1 July 2008	140,573	586,926	(45,329)	(52,255)	1,788	644,216	(63,302)	1,212,617	635,445	1,848,062
Profit for the period	-	-	-	-	-	47,267	-	47,267	26,506	73,773
Foreign currency translation differences	-	-	16,051	-	-	-	-	16,051	3,459	19,510
Purchase of Trust Shares	-	-	-	(2,119)	-	-	-	(2,119)	-	(2,119)
Share-based payments	-	-	185	-	152	-	-	337	116	453
At 30 September	140,573	586,926	(29,093)	(54,374)	1,940	691,483	(63,302)	1,274,153	665,526	1,939,679

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 2009.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30
SEPTEMBER 2009

	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2009 RM'000	30/09/2008 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	67,611	88,056
Adjustments for:-		
Share of profit of associated companies	(9,397)	(4,878)
Depreciation and amortisation	60,831	69,753
Non cash items	6,519	(2,052)
Net financing costs	5,380	8,610
Operating profit before changes in working capital	130,944	159,489
Changes in working capital		
Net change in current assets	(49,452)	(57,474)
Net change in current liabilities	45,873	45,813
Net income taxes paid	(4,662)	(7,651)
Net financing costs paid	(5,380)	(8,610)
Other operating income received	5,150	265
Net cash generated from operating activities	122,473	131,832
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(79,953)	(53,593)
Net cash used in investing activities	(79,953)	(53,593)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of borrowings	(2,050)	(110,414)
Purchase of Trust Shares	-	(2,119)
Net cash used in financing activities	(2,050)	(112,533)
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,470	(34,294)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	261,008	267,975
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(318)	505
CASH & CASH EQUIVALENTS AT END OF PERIOD	301,160	234,186

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

	30/09/2009 RM'000	30/09/2008 RM'000
Deposits, cash and bank balances	301,174	234,200
Bank overdraft	(14)	(14)
	301,160	234,186

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2009.

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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 2009.

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 2009.

On 1 July 2009, the Group has adopted FRS 8 Operating Segments. The adoption of FRS 8 does not have any financial impact on the financial statements of the Group.

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

FRS 4, FRS120, FRS129, FRS131, FRS140, IC Interpretation 13 and IC Interpretation 14 are not applicable to the Group and hence, no further disclosure is required.

The Group plans 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.

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.

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6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

- (a) There were no shares bought back during the quarter under review and financial year-to-date. The total number of shares bought back as at 30 September 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) During the previous financial year, 40% of the vested conditional incentive share options (“Options”) over 2,000,000 ordinary shares of RM0.50 each in HLI have lapsed. As at 30 September 2009, the balance of the Options vested to the eligible executives of the Group was 1,200,000.

There were no share options granted during the quarter under review and financial year-to-date.

- (c) There were no additional shares purchased by the trust set up for the ESOS (“ESOS Trust”) during the quarter under review. The total number of shares purchased by the ESOS Trust (“Trust Shares”) as at 30 September 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

There were no dividend paid during the financial year-to-date.

8. Operating Segments

The Group’s segmental report for the financial year-to-date is as follows:-

	Semi- conductor RM’000	Motorcycles RM’000	Building materials RM’000	Others RM’000	Total RM’000
Revenue					
External sales	312,319	196,246	162,792	600	671,957
Results					
Segment results	22,891	29,502	11,448	(187)	63,654
Unallocated corporate income					(60)
Operating profit					63,594
Interest income					691
Finance costs					(6,071)
Share of profit of associated companies					9,397
Profit before taxation					67,611
Taxation					(10,949)
Profit for the period					56,662

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.

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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:-

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 RM672.0 million and RM67.6 million respectively as compared with a revenue and PBT of RM825.8 million and RM88.1 million respectively recorded in the corresponding quarter of the preceding year ("FY2009").

The lower PBT as compared with the corresponding quarter of FY2009 was mainly due to the lower profit of the semiconductor business as the revenue for the quarter under review has not recovered to the pre-crisis level.

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

The Group recorded a PBT of RM67.6 million for the quarter under review as compared with a PBT of RM29.4 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 attributable to higher sales, benefits from the earlier cost reduction effort and higher level of capacity utilisation.

15. Prospects

Barring any unforeseen circumstances and if the global economy continues to improve, 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
	30/09/2009 RM'000	30/09/2008 RM'000	30/09/2009 RM'000	30/09/2008 RM'000
Current tax				
Malaysian				
- current	9,578	10,738	9,578	10,738
- prior years	-	269	-	269
Overseas - current	57	-	57	-
	<u>9,635</u>	<u>11,007</u>	<u>9,635</u>	<u>11,007</u>
Deferred tax				
Malaysian - current	1,314	3,276	1,314	3,276
	<u>1,314</u>	<u>3,276</u>	<u>1,314</u>	<u>3,276</u>
	<u>10,949</u>	<u>14,283</u>	<u>10,949</u>	<u>14,283</u>

The Group's effective tax rate is lower than the statutory tax rate due mainly to tax incentives / allowances granted to 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 September 2009:-

	RM'000
Other investment	
At cost	<u>27</u>
At book value	<u>4</u>
At market value	<u>5</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 30 September 2009 are as follows:-

	RM'000
(i) Unsecured short term borrowings	363,111
(ii) Unsecured long term borrowings	423,702
	<u>786,813</u>

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

USD borrowings	<u>104,125</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 11 November 2009 are as follows:-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>47,555</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 has declared a first interim dividend of 7.0 sen per share tax exempt for the quarter ended 30 September 2009 of the financial year ending 30 June 2010 (1st quarter 2008/2009 : 5.0 sen per share tax exempt) to be paid on 21 December 2009 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 4 December 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 4 December 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 5.0 sen per share tax exempt (2008/2009: 5.0 sen per share tax exempt) has been declared.

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 RM40,522,000 (2008/2009: RM47,267,000) and the weighted average number of ordinary shares during the quarter of 261,576,000 (2008/2009: 261,677,000).

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
	30/09/2009 '000	30/09/2008 '000	30/09/2009 '000	30/09/2008 '000
Issued ordinary shares at beginning of period	281,145	281,145	281,145	281,145
Treasury shares held at beginning of period	(8,430)	(8,428)	(8,430)	(8,428)
Trust Shares held at beginning of period	(11,139)	(10,611)	(11,139)	(10,611)
	261,576	262,106	261,576	262,106
Effect of purchase of Trust Shares	-	(429)	-	(429)
Weighted average number of ordinary shares (basic)	261,576	261,677	261,576	261,677

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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
17 November 2009