

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2006

	Individual Quarter		Cumulative Quarter	
	(Restated)		(Restated)	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/06/2006 RM'000	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2005 RM'000
Revenue	721,789	604,453	2,574,243	2,397,802
Operating expenses	(629,331)	(588,081)	(2,299,991)	(2,299,459)
Other operating expenses	(12,177)	(16,632)	(96,444)	(26,999)
Operating profit / (loss)	80,281	(260)	177,808	71,344
Loss on disposal of associated companies	-	611	-	(25,483)
Gain on disposal of discontinued operations	-	23,761	-	79,795
Interest income	1,793	3,544	7,131	13,500
Finance costs	(17,964)	(18,128)	(67,614)	(85,212)
Share of profit of associated companies	23,171	17,475	58,890	51,470
Profit before taxation	87,281	27,003	176,215	105,414
Taxation	(2,054)	33,754	(23,525)	36,500
Profit after taxation	85,227	60,757	152,690	141,914
Minority interest	(37,394)	(26,615)	(109,164)	(69,531)
Net profit for the period	47,833	34,142	43,526	72,383
Earnings per ordinary share (sen) :-				
(a) Basic	21.06	14.70	16.26	29.41
(b) Fully diluted	18.88	13.36	N/A	27.88

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2006

	As At End of Current Quarter	(Restated) As At Preceding Financial Year End
	30/06/2006 RM'000	30/06/2005 RM'000
Property, plant and equipment	1,448,326	1,386,896
Investments in associated companies	405,075	365,695
Other investments	1,351	1,351
Intangible assets	444,904	437,365
Other assets	52,067	10,590
Deferred tax assets	5,886	3,306
Current assets		
Property assets	19,819	21,063
Inventories	244,654	241,172
Trade and other receivables	497,286	429,541
Tax recoverable	35,771	38,052
Short term investments	1,236	1,105
Deposits, cash and bank balances	253,047	400,487
	1,051,813	1,131,420
Current liabilities		
Trade and other payables	484,595	403,951
Short term borrowings and overdraft	700,977	504,010
Taxation	11,454	4,247
	1,197,026	912,208
Net current (liabilities) / assets	(145,213)	219,212
	2,212,396	2,424,415
Share capital	112,995	112,901
Reserves	666,436	655,402
Treasury shares – at cost	(63,283)	(59,835)
Irredeemable convertible unsecured loan stocks 2002/2007 (“ICULS”)	202,817	203,975
	918,965	912,443
Minority shareholders’ interests	600,671	573,753
Long term and deferred liabilities		
Borrowings	279,091	538,590
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	117,386	117,386
Deferred tax liabilities	33,848	20,670
Retirement benefits	12,435	11,573
	692,760	938,219
	2,212,396	2,424,415
Net assets per share attributable to ordinary equity holders of the parent (sen) **	329	324

** Net assets per share attributable to ordinary equity holders of the parent is computed as Total Shareholders’ Fund (excluding Minority Interest) divided by total number of ordinary shares in circulation.

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

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CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
	30/06/2006 RM'000	30/06/2005 RM'000
Profit before taxation	176,215	105,414
Adjustments for:-		
Depreciation and amortisation	265,228	272,426
Share of profit of associated companies	(58,890)	(51,470)
Non cash items	63,028	(50,773)
Net financing costs	60,483	71,712
Operating profit before changes in working capital	506,064	347,309
Changes in working capital		
Net change in long term / current assets	125,369	(91,962)
Net change in current liabilities	(166,741)	163,311
Taxation (paid) / refunded	(132)	51,993
Net financing costs paid	(60,483)	(71,712)
Other operating income received	12,780	14,511
Net cash generated from operating activities	416,857	413,450
Investing Activities		
Equity investments	(13,389)	334,773
Other investments	(387,961)	(274,186)
Net cash (used in) / generated from investing activities	(401,350)	60,587
Financing Activity		
Capital reduction in a subsidiary paid to minority shareholders	-	(953)
Dividend paid	(99,928)	(87,386)
ICULS interest paid	(8,135)	(8,214)
Net repayments of bank borrowings	(51,124)	(346,544)
Purchase of treasury shares	(3,549)	-
Net cash used in financing activities	(162,736)	(443,097)
Net change in cash and cash equivalents	(147,229)	30,940
Cash & cash equivalents at beginning of period	399,659	368,530
Effect of foreign exchange rate changes on cash and cash equivalents	(185)	189
Cash & cash equivalents at end of period	252,245	399,659
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	30/06/2006 RM'000	30/06/2005 RM'000
Deposits, cash and bank balances	253,047	400,487
Bank overdraft	(802)	(828)
	252,245	399,659

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2006

	Share capital	Share premium	Other reserves	Retained profits	Treasury shares	Irredeemable convertible unsecured loan stocks	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 June 2006							
At 1 July 2005							
As previously reported	112,901	293,237	(17,545)	386,603	(59,835)	203,975	919,336
Prior year adjustments	-	-	8	(6,901)	-	-	(6,893)
As restated	112,901	293,237	(17,537)	379,702	(59,835)	203,975	912,443
Net profit for the period	-	-	-	43,526	-	-	43,526
Dividends	-	-	-	(22,186)	-	-	(22,186)
Interest on ICULS	-	-	-	(8,135)	-	-	(8,135)
Foreign currency translation differences	-	-	(3,235)	-	-	-	(3,235)
Conversion of ICULS into ordinary shares	94	1,064	-	-	-	(1,158)	-
Purchase of treasury shares	-	-	-	-	(3,448)	-	(3,448)
At 30 June 2006	112,995	294,301	(20,772)	392,907	(63,283)	202,817	918,965
(Restated)							
Preceding year ended 30 June 2005							
At 1 July 2004							
As previously reported	112,661	290,495	70,367	317,469	(59,835)	206,957	938,114
Prior year adjustments	-	-	8	(15,195)	-	-	(15,187)
As restated	112,661	290,495	70,375	302,274	(59,835)	206,957	922,927
Net profit for the period	-	-	-	72,383	-	-	72,383
Dividends	-	-	-	(16,044)	-	-	(16,044)
Interest on ICULS	-	-	-	(8,214)	-	-	(8,214)
Realisation of foreign currency reserve	-	-	(58,342)	-	-	-	(58,342)
Foreign currency translation differences	-	-	(267)	-	-	-	(267)
Conversion of ICULS into ordinary shares	240	2,742	-	-	-	(2,982)	-
Transfer to capital redemption reserves	-	-	(29,303)	29,303	-	-	-
At 30 June 2005	112,901	293,237	(17,537)	379,702	(59,835)	203,975	912,443

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the Year Ended 30 June 2005.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

The figures have not been audited

1. Accounting policies and methods of computation

The interim financial report has been prepared in accordance with MASB 26 “Interim Financial Reporting” and should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2005 except for the following:-

During the current quarter under review, the Group reclassified two of its unquoted investments from other investments to investment in associated companies. Accordingly, equity accounting was adopted for these investments in accordance with MASB 12 “Investments in Associates”. Following the adoption of MASB12, certain comparative figures have been restated as follows:-

Condensed Consolidated Income Statements

	Preceding Year Corresponding Quarter Ended 30/06/2005		Preceding Year Ended 30/06/2005	
	As Previously Reported	As Restated	As Previously Reported	As Restated
	RM'000	RM'000	RM'000	RM'000
Share of profit of associated companies	9,178	17,475	43,173	51,470
Profit before taxation	18,706	27,003	97,117	105,414
Taxation	33,757	33,754	36,503	36,500
Profit after taxation	52,463	60,757	133,620	141,914
Net profit for the period	25,848	34,142	64,089	72,383

Condensed Consolidated Balance Sheet

	As At the End of Preceding Financial Year Ended 30/06/2005	
	As Previously Reported	As Restated
	RM'000	RM'000
Investment in associated companies	79,705	365,695
Other investments	294,234	1,351
Reserves	662,295	655,402

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

The figures have not been audited

1. Accounting policies and methods of computation (Cont'd)

Condensed Consolidated Cash Flow Statement

	Preceding Year Ended 30/06/2005	
	As Previously Reported	As Restated
	RM'000	RM'000
Profit before taxation	97,117	105,414
Share of profit of associated companies	43,173	51,470

Condensed Consolidated Statement of Changes in Equity

	Preceding Year Ended 30/06/2005	
	As Previously Reported	As Restated
	RM'000	RM'000
Other reserves	(17,545)	(17,537)
Retained profits	386,603	379,702

Earnings per ordinary share ("EPS")

	Preceding Year Corresponding Quarter Ended 30/06/2005		Preceding Year Ended 30/06/2005	
	As Previously Reported	As Restated	As Previously Reported	As Restated
	RM'000	RM'000	RM'000	RM'000
Basic EPS (sen)	10.90	14.70	25.61	29.41
Net profit attributable to ordinary shareholders	23,810	32,104	55,875	64,169
Diluted EPS (sen)	10.06	13.36	24.58	27.88
Net profit attributable to ordinary shareholders (diluted)	25,278	33,571	61,789	70,083

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

The Group's operation is not affected materially by any seasonal / cyclical factors.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

The figures have not been audited

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 current 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**

During the current financial year-to-date:

- (i) the Company bought back 1,080,500 of its own shares from the open market for a total consideration of RM3,448,000. The total number of shares bought back as at 30 June 2006 was 8,424,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965; and
- (ii) RM1,158,000 nominal value of ICULS were converted into 186,774 new ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 30 June 2006 was RM202,816,500.

There were no shares cancellation, resale of treasury shares nor repayment of debt or equity shares during the current financial year-to-date.

7. **Dividend paid**

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

	Current Year- To-Date
	RM'000
Interim dividend of 1.25 sen per share tax exempt and 2.50 sen per share less tax paid on 27 December 2005	6,630
Interim dividend of 6.25 sen per share tax exempt and 1.25 sen per share less tax paid on 23 June 2006	15,556
	<hr/> <hr/> 22,186

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

The figures have not been audited

8. Segmental reporting

The Group's segmental report for the current financial year-to-date are as follows:-

	Motorcycles	Building materials	Semi-conductor	Other	Investment holding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	624,758	587,737	1,357,765	228	1,755	2,574,243
Results						
Segment results	10,876	46,958	180,680	(1,388)	4,906	242,032
Share of profit of associated companies	43,325	-	-	15,565	-	58,890
	54,201	46,958	180,680	14,177	4,906	300,922
One-off write-down	(64,224)	-	-	-	-	(64,224)
	(10,023)	46,958	180,680	14,177	4,906	236,698
Interest income						7,131
Finance costs						(67,614)
Profit before taxation						176,215
Taxation						(23,525)
Profit after taxation						152,690
Minority interest						(109,164)
Net profit for the period						43,526

9. Valuations of property, plant and equipment

The valuation of property, plant and equipment have 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

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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 had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965:-

- (a) Hong Leong Maruken Sdn Bhd, a 70% subsidiary;
- (b) Kasih Sayang Realty Sdn Bhd, a wholly-owned subsidiary;
- (c) Varinet Sdn Bhd, a 60% subsidiary;
- (d) Allied Auto Parts Sdn Bhd, a 69.4% subsidiary; and
- (e) Guolene Packaging Industries Berhad, a 96.4% subsidiary

The liquidations are currently pending 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

The Group recorded a revenue and profit before tax ("PBT") of RM721.8 million and RM87.3 million respectively for the current quarter under review as compared with RM604.5 million and RM27.0 million (restated) respectively in the preceding year's corresponding quarter.

For the financial year-to-date, the Group recorded a PBT of RM176.2 million as compared with RM105.4 million (restated) in the preceding year. Included in this financial year's results, there is a one-off restructuring cost of RM64.2 million incurred by the Group's MZ operation in Germany.

The increases in PBT for the current quarter and current year-to-date are mainly attributable to the increase in profit of the core businesses of the Group namely semiconductor, building materials and motorcycles sectors.

14. Material changes in profit before taxation

The Group recorded a PBT of RM87.3 million as compared with a PBT of RM74.5 million in the preceding quarter.

The increase in PBT as compared with the preceding quarter is mainly attributable to the improvement in profits of the core businesses of the Group. The effect of adoption of MASB12 as explained in note 1 above has also attributed to the higher PBT in the current quarter.

15. Prospects

Barring any unforeseen circumstances, the Group expects its performance to be better for the financial year ending 30 June 2007.

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16. Profit forecast / profit guaranteed

This note is not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	(Restated) Preceding Year Corresponding Quarter	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
	30/06/2006 RM'000	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2005 RM'000
Current taxation				
Malaysian				
- current	(2,465)	3,133	13,358	(1,200)
- prior years	(1,860)	(3,359)	(4,246)	(10,889)
Overseas- current	105	41	515	111
	(4,220)	(185)	9,627	(11,978)
Deferred taxation				
Malaysian				
- current	2,100	(35,148)	11,186	(26,032)
- prior years	1,169	1,690	(606)	1,787
	3,269	(33,458)	10,580	(24,245)
Share of taxation of associated companies	3,005	(111)	3,318	(277)
	2,054	(33,754)	23,525	(36,500)

The Group's effective tax rates of the current quarter and current year-to-date are lower than the statutory tax rate due mainly to tax incentives / allowances granted to certain subsidiary and associated companies.

18. Sale of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current quarter and 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 current quarter and year-to-date.

(b) Particulars of investments in quoted securities as at 30 June 2006:-

	RM'000
Short term investments:	
At cost	1,236
At book value	1,236
At market value	1,685

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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 2006 are as follows:-

	RM'000
(i) Unsecured short term borrowings and overdraft	700,977
(ii) Unsecured long term borrowings	646,477
	<u>1,347,454</u>

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

	RM'000
USD borrowings	381,920
Euro borrowings	7,785
RMB borrowings	27,588

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 15 August 2006 are as follow :-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>411,931</u>

The above contacts are maturing within a period of 6 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 year ended 30 June 2006 (2004/2005: nil)
- (b) For the financial year, a total gross dividend of 7.50 sen per share tax exempt and 3.75 sen per share less tax had been declared (2004/2005: 3.75 sen per share tax exempt and 5.00 sen per share less tax).

25. Earnings per ordinary share

Basic earnings per share

The calculation of basic earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders of RM45,809,000 (2004/2005: RM32,104,000 (restated)), being the net profit of RM47,833,000 (2004/2005 : RM34,142,000 (restated)) less interest on the ICULS of RM2,024,000 (2004/2005 : RM2,038,000) and the weighted average number of ordinary shares outstanding during the quarter of 217,562,000 (2004/2005: 218,458,000).

The calculation of basic earning per share for the current year-to-date is based on the net profit attributable to ordinary shareholders of RM35,391,000 (2004/2005: RM64,169,000 (restated)), being the net profit of RM43,526,000 (2004/2005: RM72,383,000 (restated)) less the interest on the ICULS of RM8,135,000 (2004/2005: RM8,214,000) and the weighted average number of ordinary shares outstanding during the year of 217,666,000 (2004/2005: 218,164,000).

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
	30/06/2006 '000	30/06/2005 '000	30/06/2006 '000	30/06/2005 '000
Issued ordinary shares at beginning of period	217,518	218,458	218,459	217,977
Effect of conversion of ICULS	48	-	52	187
Effect of purchase of treasury shares	(4)	-	(845)	-
Weighted average number of ordinary shares	217,562	218,458	217,666	218,164

Diluted earnings per share

The calculation of diluted earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders (diluted) of RM47,266,000 (2004/2005: RM33,571,000 (restated)) and the weighted average number of ordinary shares (diluted) outstanding during the quarter of 250,413,000 (2004/2005: 251,358,000).

The Group has no dilution in its earnings per ordinary share for the current year-to-date as the assumed issue of ordinary shares arising from conversion of ICULS are anti-dilutive.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2006

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25. **Earnings per ordinary share (cont'd)**

Diluted earnings per share

The calculation of diluted earnings per ordinary share for the preceding year was based on the net profit attributable to ordinary shareholders (diluted of RM70,083,000)(restated) and the weighted average number of ordinary shares (diluted) outstanding during the preceding year of 251,358,000.

Net profit attributable to ordinary shareholders (diluted)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	(Restated) Preceding Year Corresponding Quarter	Current Year- To- Date	(Restated) Preceding Year Corresponding Period
	30/06/2006 RM'000	30/06/2005 RM'000	30/06/2006 RM'000	30/06/2005 RM'000
Net profit attributable to ordinary shareholders	45,809	32,104	N/A	64,169
After tax effect of interest savings on ICULS	1,457	1,467	N/A	5,914
Net profit attributable to ordinary shareholders (diluted)	47,266	33,571	N/A	70,083

Weighted average number of ordinary shares (diluted)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To- Date	Preceding Year Corresponding Period
	30/06/2006 '000	30/00/2005 '000	30/06/2006 '000	30/06/2005 '000
Weighted average number of ordinary shares (basic)	217,562	218,458	N/A	218,164
Effect of shares to be issued on conversion of ICULS	32,851	32,900	N/A	33,194
Weighted average number of ordinary shares (diluted)	250,413	251,358	N/A	251,358

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
21 August 2006