

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2006

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	(Restated) Preceding Year Corresponding Quarter	Current Year-To-Date	(Restated) Preceding Year Corresponding Period
	30/09/2006 RM'000	30/09/2005 RM'000	30/09/2006 RM'000	30/09/2005 RM'000
Revenue	743,898	597,193	743,898	597,193
Cost of sales	(595,876)	(509,034)	(595,876)	(509,034)
Gross profit	148,022	88,159	148,022	88,159
Operating expenses	(43,865)	(45,456)	(43,865)	(45,456)
Other operating income/(expenses)	1,106	(70,859)	1,106	(70,859)
Interest income	1,632	1,594	1,632	1,594
Finance costs	(18,735)	(15,733)	(18,735)	(15,733)
Share of profit after tax of associated companies	9,907	7,439	9,907	7,439
Profit / (loss) before taxation	98,067	(34,856)	98,067	(34,856)
Taxation	(12,416)	(2,402)	(12,416)	(2,402)
Profit / (loss) for the period	85,651	(37,258)	85,651	(37,258)
Attributable to:				
Equity holders of the parent	45,606	(57,629)	45,606	(57,629)
Minority interests	40,045	20,371	40,045	20,371
Profit / (loss) for the period	85,651	(37,258)	85,651	(37,258)
Earnings / (loss) per ordinary share (sen) :-				
(a) Basic*	18.22	(22.95)	18.22	(22.95)
(b) Fully diluted	N/A	N/A	N/A	N/A

* In accordance with Financial Reporting Standards ("FRS") 133 "Earnings Per Share", the basic earnings per share is arrived at after taking into accounts 32,632,339 (30 September 2005: 32,899,113) ordinary shares of RM0.50 each that will be issued upon mandatory conversion of RM202,320,500 (30 September 2005 : RM203,974,500) nominal value of 4% five (5)-year irredeemable convertible unsecured loan stocks 2002/2007. The comparatives basic EPS have been restated to conform with the current period's computation. Please refer to note 1(e) for further details.

The basic EPS before the adoption of FRS 133 would be as follows:-

Basic earnings per ordinary share (sen)	20.02	(27.34)	20.02	(27.34)
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The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2006.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	As At End of Current Quarter	(Restated) As At Preceding Financial Year End
	30/09/2006 RM'000	30/06/2006 RM'000
Non-current assets		
Property, plant and equipment	1,456,521	1,458,448
Investments in associated companies	413,945	405,075
Other investments	1,351	1,351
Intangible assets	463,595	444,904
Deferred tax assets	5,886	5,886
	<u>2,341,298</u>	<u>2,315,664</u>
Current assets		
Property assets	-	9,147
Inventories	275,045	244,654
Trade and other receivables	520,083	497,286
Tax recoverable	35,937	35,771
Short term investments	1,236	1,236
Deposits, cash and bank balances	186,932	253,047
	<u>1,019,233</u>	<u>1,041,141</u>
TOTAL ASSETS	<u><u>3,360,531</u></u>	<u><u>3,356,805</u></u>
Equity attributable to equity holders of the parent		
Share capital	113,035	112,995
Reserves	671,918	631,180
Treasury shares - at cost	(63,283)	(63,283)
	<u>721,670</u>	<u>680,892</u>
Irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS")	202,321	202,817
Minority interests	617,056	583,310
TOTAL EQUITY	<u>1,541,047</u>	<u>1,467,019</u>
Non-current liabilities		
Borrowings	276,500	279,091
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	117,386	117,386
Deferred tax liabilities	36,467	33,848
Retirement benefits	12,648	12,435
	<u>693,001</u>	<u>692,760</u>
Current liabilities		
Trade and other payables	467,035	484,595
Short term borrowings and overdraft	644,550	700,977
Taxation	14,898	11,454
	<u>1,126,483</u>	<u>1,197,026</u>
TOTAL LIABILITIES	<u>1,819,484</u>	<u>1,889,786</u>
TOTAL EQUITY AND LIABILITIES	<u><u>3,360,531</u></u>	<u><u>3,356,805</u></u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	3.32	3.13

The Condensed Consolidated Balance Sheet should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2006.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30
SEPTEMBER 2006**

	Share capital	Attributable to equity holders of the parent					Treasury shares	Total	ICULS	Minority interests	Total equity
		Share premium	Other reserves	Reserve for own shares	Retained profits						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Current year-to-date ended 30 September 2006											
At 1 July 2006											
As previously reported	112,995	294,301	(20,772)	-	392,907	(63,283)	716,148	202,817	600,671	1,519,636	
Prior year adjustments:											
Effects of the adoption of FRS 5	-	-	-	-	(325)	-	(325)	-	(225)	(550)	
Effects of consolidation of ESOS Trusts with the adoption of FRS 2	-	-	(23,512)	(17,212)	5,793	-	(34,931)	-	(17,136)	(52,067)	
As restated	112,995	294,301	(44,284)	(17,212)	398,375	(63,283)	680,892	202,817	583,310	1,467,019	
Net profit for the period					45,606		45,606		40,045	85,651	
Interest on ICULS	-	-	-	-	(2,028)	-	(2,028)	-	-	(2,028)	
Foreign currency translation differences	-	-	1,630	-	-	-	1,630	-	-	1,630	
Conversion of ICULS into ordinary shares	40	456	-	-	-	-	496	(496)	-	-	
Purchase of Company's shares by the ESOS Trust	-	-	-	(4,926)	-	-	(4,926)	-	-	(4,926)	
Purchase of additional shares in a subsidiary company	-	-	-	-	-	-	-	-	(6,299)	(6,299)	
At 30 September 2006	113,035	294,757	(42,654)	(22,138)	441,953	(63,283)	721,670	202,321	617,056	1,541,047	

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30 SEPTEMBER 2006**

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30
SEPTEMBER 2006**

	Attributable to equity holders of the parent						Total	ICULS	Minority interests	Total equity
	Share capital	Share premium	Other reserves	Reserve for own shares	Retained profits	Treasury shares				
	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 2005										
At 1 July 2005										
As previously reported	112,901	293,237	(17,545)	-	386,603	(59,835)	715,361	203,975	573,753	1,493,089
Prior year adjustments:										
Effects of the adoption of FRS 5	-	-	-	-	(276)	-	(276)	-	(191)	(467)
Effects of consolidation of ESOS Trusts with the adoption of FRS 2	-	-	(3,216)	(10,433)	4,869	-	(8,780)	-	(1,810)	(10,590)
As restated	112,901	293,237	(20,761)	(10,433)	391,196	(59,835)	706,305	203,975	571,752	1,482,032
Net profit for the period	-	-	-	-	(57,629)	-	(57,629)	-	20,371	(37,258)
Interest on ICULS	-	-	-	-	(2,040)	-	(2,040)	-	-	(2,040)
Foreign currency translation differences	-	-	(5)	-	-	-	(5)	-	-	(5)
Effects of consolidation of ESOS Trusts with the adoption of FRS 2	-	-	-	236	574	-	810	-	183	993
Purchase of treasury shares	-	-	-	-	-	(3,081)	(3,081)	-	-	(3,081)
At 30 September 2005	112,901	293,237	(20,766)	(10,197)	332,101	(62,916)	644,360	203,975	592,306	1,440,641

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2006.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2006**

The figures have not been audited

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 30
SEPTEMBER 2006**

	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
	30/09/2006 RM'000	30/09/2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	98,067	(34,856)
Adjustments for:-		
Share of profit after tax of associated companies	(9,907)	(7,439)
Depreciation and amortisation	66,510	66,611
Non cash items	(3,306)	65,868
Net financing costs	17,103	14,139
Operating profit before changes in working capital	168,467	104,323
Changes in working capital		
Net change in current assets	(37,731)	(37,365)
Net change in current liabilities	(19,588)	(21,505)
Net income taxes paid	(6,519)	(3,312)
Other operating income received	578	729
Net financing costs paid	(17,103)	(14,139)
Net cash generated from operating activities	88,104	28,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investments	(18,360)	-
Other investments	(71,541)	(41,548)
Net cash used in investing activities	(89,901)	(41,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments of borrowings	(61,661)	(109,894)
Purchase of treasury shares	-	(3,081)
Purchase of Company's shares by the ESOS Trust	(4,926)	-
Net cash used in financing activities	(66,587)	(112,975)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(68,384)	(125,792)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	252,245	399,659
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	43	658
CASH & CASH EQUIVALENTS AT END OF PERIOD	183,904	274,525
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	30/09/2006 RM'000	30/09/2005 RM'000
Deposits, cash and bank balances	186,932	277,880
Bank overdraft	(3,028)	(3,355)
	183,904	274,525

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2006.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

The figures have not been audited

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 2006.

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 2006 except for the changes in accounting policies and presentation which are expected to be reflected in the financial statements for the financial year ending 30 June 2007 resulting from the adoption of applicable FRSs adopted by the Malaysian Accounting Standards Board that are effective for the financial period beginning 1 January 2006 as follows:-

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effect of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRSs 102, 108, 110, 116, 121, 127, 128, 131, 132 and 140 do not have any significant financial impact on the Group. The principal effect of the changes in accounting policies resulting from the adoption of other new and revised FRSs are as follows:-

(a) FRS 2 : Share-based Payment

FRS 2 requires an entity to recognise share-based payments in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the income statements over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

The Group operates equity-settled, share based compensation plans for the employees of the Group under the Hong Leong Industries Berhad (“HLIB”)’s Executive Share Option Scheme (“HLIB ESOS”) and Malaysian Pacific Industries Berhad (“MPIB”)’s Executive Share Option Scheme (“MPIB ESOS”) (“collectively referred to as “ESOSs”) respectively. As at 30 June 2006, there were no share options outstanding pursuant to the ESOSs. For the current quarter under review, there were no share options granted under the ESOSs and accordingly, the adoption of FRS 2 has not resulted in any financial impact to the Group.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2006

The figures have not been audited

1. Basis of preparation (Cont'd)

(a) FRS 2 : Share-based Payment (Cont'd)

In connection with the ESOSs, trusts have been set up and are administered by appointed trustees. The trustees will be entitled from time to time to accept advances from the Group to purchase the ordinary shares of HLIB and MPIB from the open market for the purposes of the ESOSs ("ESOS Trusts").

With the adoption of FRS 2, the ESOS Trusts have been consolidated into the Group's consolidated financial statements where the costs of the ordinary shares purchased are classified as reserves.

(b) FRS 3 : Business Combination, FRS 136 : Impairment of Assets and FRS 138 : Intangible Assets

In accordance with FRS 3, FRS 136 and FRS 138, goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds the recoverable amount.

In prior periods, goodwill was carried at cost less impairment when there has been a permanent impairment in its value. This change in accounting policy has not resulted in any financial impact to the Group except that the goodwill is now tested for impairment annually.

(c) FRS 5 : Non-current Assets Held for Sale and Discontinued Operations

FRS 5 specifies the conditions for non-current assets that can be classified as "held for sale".

In accordance with FRS 5, a leasehold property with carrying value of RM10,672,000 (30.06.06: RM10,672,000) which does not fulfill the conditions for assets "held for sale" has been reclassified from property assets to property, plant and equipment and accordingly is depreciated over its estimated useful life. The effect of such reclassification has been applied retrospectively to the comparatives as at 30 June 2006.

(d) FRS 101 : Presentation of Financial Statements

The adoption of revised FRS 101 requires new presentation of the financial statements.

In the consolidated income statement, minority interests are presented as an allocation of the total profit for the financial period between the equity holders of the parent and minority interests. In the consolidated balance sheet and consolidated statement of changes in equity, minority interests are presented within total equity. FRS 101 also requires disclosure on the face of the consolidated statement of changes in equity, a total for recognised income and expenses for the financial period, showing separately the amount attributable to the equity holders of the parent and the minority interests.

Share of profit of associates is now presented net of taxation and minority interest (if any) in the consolidated income statement.

The presentation of this interim financial report is based on the revised requirements of FRS 101 in which certain comparative figures have been restated to conform with the current period's presentation.

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1. Basis of preparation (Cont'd)

(e) FRS 133 : Earnings Per Share

In accordance with FRS 133, ordinary shares that will be issued upon conversion of a mandatorily convertible instrument should be included in the computation of basic earnings per share ("EPS").

The Company has an outstanding RM202,320,500 (30 September 2005 : RM203,974,500) nominal value of 4% five (5)-year irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS"). The ICULS are convertible into new ordinary shares of RM0.50 each of the Company and will be mandatorily converted into ordinary shares of RM0.50 each of the Company after the maturity date on 28 June 2007. The conversion price of the ICULS has been fixed at RM6.20 per ordinary share to be satisfied by surrendering for cancellation the equivalent nominal value of ICULS without cash portion.

Accordingly, 32,632,339 (30 September 2005: 32,899,113) ordinary shares of RM0.50 each that will be issued upon mandatory conversion of the ICULS has been included in the computation of basic EPS. The comparatives basic EPS have been restated to conform with the current period's computation.

The following comparatives have been restated due to the adoption of new and revised FRSs which have retrospective impact on the preceding period's financial statements:-

Condensed Consolidated Income Statement

	Individual /Cumulative Quarter Ended 30 September 2005			
	As Previously Reported	Adoption of		As Restated
	RM'000	FRS 101 RM'000	FRS 133 RM'000	RM'000
Share of profit of associated companies	7,565	(126)	-	7,439
Loss before taxation	(34,730)	(126)	-	(34,856)
Taxation	(2,528)	126	-	(2,402)
Loss per ordinary share (sen) - Basic	(27.34)	-	4.39	(22.95)

Condensed Consolidated Balance Sheet

	At 30 June 2006			
	As Previously Reported	Adoption of FRS 5	Consolidation of ESOS Trusts with the adoption of FRS 2	As Restated
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment	1,448,326	10,122	-	1,458,448
Other assets	52,067	-	(52,067)	-
Property asset	19,819	(10,672)	-	9,147
Reserves	666,436	(325)	(34,931)	631,180
Minority interest	600,671	(225)	(17,136)	583,310

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1. Basis of preparation (Cont'd)

Condensed Consolidated Statement of Changes in Equity

	As Previously Reported	Adoption of FRS 5	Consolidation of ESOS Trusts with the adoption of FRS 2	As Restated
	RM'000	RM'000	RM'000	RM'000
Other reserves at 1 July 2006	(20,772)	-	(23,512)	(44,284)
Reserve for own shares at 1 July 2006	-	-	(17,212)	(17,212)
Retained profits at 1 July 2006	392,907	(325)	5,793	398,375
Minority interest at 1 July 2006	600,671	(225)	(17,136)	583,310
Other reserves at 1 July 2005	(17,545)	-	(3,216)	(20,761)
Reserve for own shares at 1 July 2005	-	-	(10,433)	(10,433)
Retained profits at 1 July 2005	386,603	(276)	4,869	391,196
Minority interest at 1 July 2005	573,753	(191)	(1,810)	571,752

Condensed Consolidated Cash Flows Statement

	Period Ended 30 September 2005		
	As Previously Reported	Adoption of FRS 101	As Restated
	RM'000	RM'000	RM'000
Loss before taxation	(34,730)	(126)	(34,856)
Share of profit after tax of associated companies	(7,565)	126	(7,439)

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.

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.

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

During the current financial year-to-date, RM496,000 nominal value of ICULS were converted into 80,000 new ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 30 September 2006 was RM202,320,500.

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

7. Dividend

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

8. Segmental reporting

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

	Semi-conductor	Motorcycles	Building materials	Others & Investment holdings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	399,098	187,518	156,764	518	743,898
Results					
Segment results	69,224	20,759	9,916	5,364	105,263
Share of profit after tax of associated companies	-	7,114	-	2,793	9,907
	69,224	27,873	9,916	8,157	115,170
Interest income					1,632
Finance costs					(18,735)
Profit before taxation					98,067
Taxation					(12,416)
Profit for the period					85,651

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.

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.

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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:-

- (i) 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) Varinet Sdn Bhd, a 60% subsidiary;
 - (c) Allied Auto Parts Sdn Bhd, a 69.4% subsidiary; and
 - (d) Guolene Packaging Industries Berhad, a 96.4% subsidiary

The liquidations are currently pending tax clearance from the Inland Revenue Board.

- (ii) Kasih Sayang Realty Sdn Bhd ("KSR"), a wholly-owned subsidiary of the Company, had been placed under member's voluntarily liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965. The liquidator of KSR had, on 18 October 2006, convened a final meeting to conclude the member's voluntary liquidation of KSR. KSR will be dissolved on 20 January 2007.

Subsequent to the current quarter under review, the Company and its wholly-owned subsidiary, Guolene Plastic Products Sdn Bhd ("GPLP"), had, on 3 November 2006, entered into a Sale and Purchase Agreement with Mr Ooi Kean Lim @ Wei Khian Lim ("Mr Ooi"), for the disposal by the Company and GPLP of their entire interests in Global Roaming Communications Sdn Bhd ("GRC") comprising 2,610,000 ordinary shares of RM1.00 each, representing 50.1% equity interest in GRC, to Mr Ooi and/or his nominees(s) for a total cash consideration of RM210,000.00 ("Disposal"). The Disposal was completed on even date.

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 taxation ("PBT") of RM743.9 million and RM98.1 million respectively for the current quarter under review as compared with a revenue and loss before taxation ("LBT") of RM597.2 million and RM34.9 million respectively in the preceding year's corresponding quarter. The increase in PBT was mainly attributable to the improvement in profits of the semiconductor and motorcycles businesses. The preceding year's corresponding quarter's LBT was inclusive of a one-off restructuring cost of RM64.2 million incurred by the Group's MZ operation in Germany.

14. Material changes in profit before taxation

The Group recorded a PBT of RM98.1 million for the current quarter under review as compared with a PBT of RM87.3 million in the preceding quarter.

The increase in PBT as compared with the preceding quarter was mainly attributable to the higher profits of the semiconductor and motorcycles sectors.

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15. Prospects

Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the current financial year ending 30 June 2007.

16. Profit forecast / profit guaranteed

This note is not applicable.

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2006 RM'000	30/09/2005 RM'000	30/09/2006 RM'000	30/09/2005 RM'000
Current tax				
Malaysian				
- current	9,490	7,081	9,490	7,081
- prior years	-	(2,563)	-	(2,563)
Overseas				
- current	306	34	306	34
	<u>9,796</u>	<u>4,552</u>	<u>9,796</u>	<u>4,552</u>
Deferred tax				
Malaysian				
- current	2,620	(1,898)	2,620	(1,898)
- prior years	-	(252)	-	(252)
	<u>2,620</u>	<u>(2,150)</u>	<u>2,620</u>	<u>(2,150)</u>
	<u>12,416</u>	<u>2,402</u>	<u>12,416</u>	<u>2,402</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 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 September 2006:-

	RM'000
Short term investments:	
At cost	1,237
At book value	<u>1,237</u>
At market value	<u>1,707</u>

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The figures have not been audited

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 2006 are as follows:-

	RM'000
(i) Unsecured short term borrowings and overdraft	644,550
(ii) Unsecured long term borrowings	643,886
	<u>1,288,436</u>

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

	RM'000
USD borrowings	464,130
Euro borrowings	7,960
RMB borrowings	35,967

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 31 October 2006 are as follows:-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>155,991</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.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
30 SEPTEMBER 2006**

The figures have not been audited

23. Changes in Material Litigation

There is no material litigation as at the date of this report.

24. Dividend

- (a) The Board has declared a gross interim dividend of 5.0 sen per share less tax for the quarter ended 30 September 2006 of the financial year ending 30 June 2007 (2005/2006 : 1.25 sen per share tax exempt and 2.50 sen per share less tax) to be paid on 12 December 2006 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 28 November 2006.

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 28 November 2006 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad Listing Requirement.
- (b) For the financial year-to-date, a total gross dividend of 5.0 sen per share less tax has been declared (2005/2006: 1.25 sen per share tax exempt and 2.50 sen per share less tax).

25. Earnings / (Loss) Per Ordinary Share

Basic earnings / loss per ordinary share

The calculation of basic earnings per ordinary share for the current quarter / year-to-date are based on the profit attributable to equity holders of the parent of RM45,606,000 (2005/2006: net loss of RM57,629,000) and the weighted average number of ordinary shares during the quarter / year-to-date of 250,247,000 (2005/2006: 251,159,000 (restated)).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2006 '000	Preceding Year Corresponding Quarter (Restated) 30/09/2005 '000	Current Year- To-Date 30/09/2006 '000	Preceding Year Corresponding Period (Restated) 30/09/2005 '000
Issued ordinary shares at beginning of period	217,565	218,458	217,565	218,458
Effect of conversion of ICULS	50	-	50	-
Effect of mandatory conversion of ICULS	32,632	32,899	32,632	32,899
Effect of purchase of treasury shares	-	(198)	-	(198)
Weighted average number of ordinary shares	250,247	251,159	250,247	251,159

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED
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The figures have not been audited

25. Earnings / (Loss) Per Ordinary Share (Cont'd)

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the current quarter / year-to-date and preceding year corresponding quarter / period as there were no dilutive potential ordinary shares. Therefore, no consideration for adjustment in the form of increase in the number of shares was used in calculating the potential dilution of its earnings per share.

By Order of the Board
Hong Leong Industries Berhad

Joanne Leong Wei Yin
Company Secretary

Kuala Lumpur
7 November 2006