

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2006

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	(Restated) Preceding Year Corresponding Quarter	Current Year-To-Date	(Restated) Preceding Year Corresponding Period
	31/12/2006 RM'000	31/12/2005 RM'000	31/12/2006 RM'000	31/12/2005 RM'000
Revenue	687,327	593,993	1,431,225	1,191,186
Cost of sales	(570,699)	(490,669)	(1,166,575)	(999,703)
Gross profit	116,628	103,324	264,650	191,483
Operating expenses	(42,917)	(44,130)	(86,782)	(89,586)
Other operating income / (expenses)	1,928	(10,446)	3,034	(81,305)
Interest income	1,628	1,927	3,260	3,521
Finance costs	(18,266)	(16,579)	(37,001)	(32,312)
Share of profit after tax of associated companies	16,159	14,908	26,066	22,347
Profit before taxation	75,160	49,004	173,227	14,148
Taxation	(6,194)	(5,556)	(18,610)	(7,958)
Profit for the period	68,966	43,448	154,617	6,190
Attributable to:				
Equity holders of the parent	40,991	20,134	86,597	(37,495)
Minority interests	27,975	23,314	68,020	43,685
Profit for the period	68,966	43,448	154,617	6,190
Earnings / (loss) per ordinary share (sen) :-				
(a) Basic*	16.41	8.04	34.68	(14.95)
(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 32,042,048 (31 December 2005: 32,899,113) ordinary shares of RM0.50 each that will be issued upon mandatory conversion of RM198,660,700 (31 December 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)	17.91	8.32	37.93	(19.08)
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The Condensed Consolidated Income Statements 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 SECOND QUARTER ENDED 31 DECEMBER 2006

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CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

	As At End of Current Quarter	(Restated) As At Preceding Financial Year End
	31/12/2006 RM'000	30/06/2006 RM'000
Non-current assets		
Property, plant and equipment	1,442,160	1,458,448
Investments in associated companies	425,686	405,075
Other investments	1,351	1,351
Intangible assets	467,194	444,904
Deferred tax assets	5,886	5,886
	2,342,277	2,315,664
Current assets		
Property assets	-	9,147
Inventories	278,453	244,654
Trade and other receivables	498,077	497,286
Tax recoverable	41,551	35,771
Short term investments	-	1,236
Deposits, cash and bank balances	126,760	253,047
	944,841	1,041,141
TOTAL ASSETS	3,287,118	3,356,805
Equity attributable to equity holders of the parent		
Share capital	113,330	112,995
Reserves	675,899	631,180
Treasury shares - at cost	(63,289)	(63,283)
	725,940	680,892
Irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS")	198,661	202,817
Minority interests	608,174	583,310
TOTAL EQUITY	1,532,775	1,467,019
Non-current liabilities		
Borrowings	306,335	279,091
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	117,386	117,386
Deferred tax liabilities	42,956	33,848
Retirement benefits	12,791	12,435
	729,468	692,760
Current liabilities		
Trade and other payables	405,150	484,595
Short term borrowings and overdraft	602,925	700,977
Taxation	16,800	11,454
	1,024,875	1,197,026
TOTAL LIABILITIES	1,754,343	1,889,786
TOTAL EQUITY AND LIABILITIES	3,287,118	3,356,805
Net assets per share attributable to ordinary equity holders of the parent (RM)	3.33	3.13

The Condensed Consolidated Balance Sheets 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 SECOND QUARTER ENDED 31 DECEMBER 2006

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 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	-	-	-	-	86,597	-	86,597	-	68,020	154,617	
Dividends paid	-	-	-	-	(7,945)	-	(7,945)	-	(35,845)	(43,790)	
Interest on ICULS	-	-	-	-	(4,036)	-	(4,036)	-	-	(4,036)	
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	(209)	(209)	
Purchase of additional shares in a subsidiary company	-	-	-	-	-	-	-	-	(7,834)	(7,834)	
Foreign currency translation differences	-	-	(1,752)	-	-	-	(1,752)	-	-	(1,752)	
Purchase of treasury shares	-	-	-	-	-	(6)	(6)	-	-	(6)	
Transfer to capital reserve	-	-	100	-	(100)	-	-	-	-	-	
Conversion of ICULS into ordinary shares	335	3,821	-	-	-	-	4,156	(4,156)	-	-	
Changes in ESOS Trust	-	-	(75)	(31,913)	22	-	(31,966)	-	732	(31,234)	
At 31 December 2006	113,330	298,122	(46,011)	(49,125)	472,913	(63,289)	725,940	198,661	608,174	1,532,775	

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2005

	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 31 December 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	-	-	-	-	(37,495)	-	(37,495)	-	43,685	6,190
Dividend paid	-	-	-	-	(6,630)	-	(6,630)	-	(32,939)	(39,569)
Interest on ICULS	-	-	-	-	(4,079)	-	(4,079)	-	-	(4,079)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,051	2,051
Foreign currency translation differences	-	-	1,110	-	-	-	1,110	-	-	1,110
Purchase of treasury shares	-	-	-	-	-	(3,457)	(3,457)	-	-	(3,457)
Effects of consolidation of ESOS Trusts with the adoption of FRS 2	-	-	(3,407)	167	746	-	(2,494)	-	(2,535)	(5,029)
At 31 December 2005	112,901	293,237	(23,058)	(10,266)	343,738	(63,292)	653,260	203,975	582,014	1,439,249

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 2006.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006

The figures have not been audited

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2006

	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
	31/12/2006 RM'000	31/12/2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	173,227	14,148
Adjustments for:-		
Share of profit after tax of associated companies	(26,066)	(22,347)
Depreciation and amortisation	133,077	131,294
Non cash items	7,014	67,737
Net financing costs	33,741	28,791
Operating profit before changes in working capital	320,993	219,623
Changes in working capital		
Net change in current assets	(24,473)	(43,587)
Net change in current liabilities	(78,910)	11,343
Net income taxes paid	(9,924)	(4,519)
Other operating income received	424	715
Net financing costs paid	(33,741)	(28,791)
Net cash generated from operating activities	174,369	154,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Equity investments	(21,298)	31
Other investments	(137,830)	(133,298)
Net cash used in investing activities	(159,128)	(133,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(43,790)	(39,569)
ICULS interest paid	(4,036)	(4,079)
Net repayments of borrowings	(62,503)	(106,272)
Purchase of treasury shares	(36)	(3,457)
Purchase of Company's shares by the ESOS Trust	(31,913)	-
Net cash used in financing activities	(142,278)	(153,377)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(127,037)	(131,860)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	252,245	399,659
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	157	(13)
CASH & CASH EQUIVALENTS AT END OF PERIOD	125,365	267,786
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	31/12/2006 RM'000	31/12/2005 RM'000
Deposits, cash and bank balances	126,760	272,456
Bank overdraft	(1,395)	(4,670)
	125,365	267,786

The Condensed Consolidated Cash Flow Statements 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 SECOND QUARTER ENDED 31 DECEMBER 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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.

The Company has, on 15 December 2006, granted 2,000,000 conditional incentive share options ("Options") to eligible executives of a subsidiary company subject to the achievement of certain performance criteria over an option performance period. The Options granted have not resulted in any material financial impact to the Group.

(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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006

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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 RM198,660,700 (31 December 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, 32,042,048 (31 December 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 Quarter Ended 31 December 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	15,056	(148)	-	14,908
Loss before taxation	49,152	(148)	-	49,004
Taxation	(5,704)	148	-	(5,556)
Earnings per ordinary share (sen) - Basic	8.32	-	(0.28)	8.04

	Cumulative Quarter Ended 31 December 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	22,621	(274)	-	22,347
Loss before taxation	14,422	(274)	-	14,148
Taxation	(8,232)	274	-	(7,958)
Loss per ordinary share (sen) - Basic	(19.08)	-	4.13	(14.95)

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1. **Basis of preparation (Cont'd)**

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

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)
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 31 December 2005		
	As Previously Reported	Adoption of FRS 101	As Restated
	RM'000	RM'000	RM'000
Loss before taxation	14,422	(274)	14,148
Share of profit after tax of associated companies	22,621	(274)	22,347

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2006

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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.

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

There were no issuance of shares, share buy-back, shares cancellation, resale of treasury shares nor repayment of debt or equity shares during the current financial year-to-date other than as mentioned below:

- a. The Company bought back 1,000 of its own shares from the open market for a total consideration of RM5,700. The total number of shares bought back as at 31 December 2006 was 8,425,500 shares and the shares are being held as treasury shares in accordance with the requirement of Section 67A of the Companies Act, 1965;
- b. RM4,155,730 nominal value of ICULS were converted into 670,279 new ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 31 December 2006 was RM198,660,700; and
- c. The Executive Share Option Scheme of the Company was established on 23 January 2006. During the current financial year-to-date, the Company has granted 2,000,000 conditional incentive share options ("Options") to eligible executives of a subsidiary company subject to the achievement of certain performance criteria over an option performance period.

7. Dividend

During the current financial year-to-date, the Company paid a first interim dividend of 5.0 sen per share less tax amounting to RM7.9 million on 12 December 2006.

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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	775,208	347,190	307,816	1,011	1,431,225
Results					
Segment results	125,507	34,275	9,791	11,329	180,902
Share of profit after tax of associated companies	-	18,450	-	7,616	26,066
	125,507	52,725	9,791	18,945	206,968
Interest income					3,260
Finance costs					(37,001)
Profit before taxation					173,227
Taxation					(18,610)
Profit for the period					154,617

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.

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) 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 his nominee for a total cash consideration of RM210,000.00 ("Disposal"). The Disposal was completed on even date.

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The figures have not been audited

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 RM687.3 million and RM75.2 million respectively for the current quarter under review as compared with a revenue and PBT of RM594.0 million and RM49.0 million respectively in the preceding year's corresponding quarter.

For the financial year-to-date, the Group recorded a PBT of RM173.2 million as compared with a PBT of RM14.1 million in the preceding year's corresponding period. The PBT of the preceding year's corresponding period was inclusive of a one-off restructuring cost of RM64.2 million incurred by the Group's MZ operation in Germany.

The increases in PBT were mainly attributable to the improvement in profits of the semiconductor and motorcycles businesses.

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

The Group recorded a PBT of RM75.2 million for the current quarter under review as compared with a PBT of RM98.1 million in the preceding quarter.

The decrease in PBT as compared with the preceding quarter was mainly due to the lower profits of the semiconductor business which was partly offset by the higher profit contribution from the associated companies.

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.

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The figures have not been audited

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/12/2006 RM'000	31/12/2005 RM'000	31/12/2006 RM'000	31/12/2005 RM'000
Current tax				
Malaysian				
- current	(718)	1,483	8,772	8,564
- prior years	21	152	21	(2,411)
Overseas				
- current	403	25	709	59
	(294)	1,660	9,502	6,212
Deferred tax				
Malaysian				
- current	6,488	6,397	9,108	4,499
- prior years	-	(2,501)	-	(2,753)
	6,488	3,896	9,108	1,746
	6,194	5,556	18,610	7,958

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, other than as mentioned below:-

	Current Year Quarter	Current Year-To-Date
	31/12/2006 RM'000	31/12/2006 RM'000
Disposal		
Sale proceeds	1,792	1,792
Cost of investment	1,237	1,237
Gain on disposal	555	555

- (b) There were no investments in quoted securities as at 31 December 2006.

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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 31 December 2006 are as follows:-

	RM'000
(i) Unsecured short term borrowings and overdraft	602,925
(ii) Unsecured long term borrowings	673,721
	<u>1,276,646</u>

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

	RM'000
USD borrowings	439,301
Euro borrowings	8,814
RMB borrowings	25,810

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 22 February 2007 are as follows:-

	Contract amount
	RM'000
Foreign exchange forward contracts	<u>109,069</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 SECOND QUARTER ENDED 31 DECEMBER 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 does not recommend any interim dividend for the quarter ended 31 December 2006 of the financial year ending 30 June 2007 (2005/2006: nil).

(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 is based on the profit attributable to equity holders of the parent of RM40,991,000 (2005/2006: net profit of RM20,134,000) and the weighted average number of ordinary shares during the quarter of 249,759,000 (2005/2006: 250,312,000 (restated)).

The calculation of basic earnings per ordinary share for the current year-to-date is based on the profit attributable to equity holders of the parent of RM86,597,000 (2005/2006: net loss of RM37,495,000) and the weighted average number of ordinary shares during the period of 249,709,000 (2005/2006: 250,736,000 (restated)).

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	(Restated) Preceding Year Corresponding Quarter	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
	31/12/2006 '000	31/12/2005 '000	31/12/2006 '000	31/12/2005 '000
Issued ordinary shares at beginning of period	217,646	217,494	217,566	218,458
Effect of conversion of ICULS	72	-	102	-
Effect of purchase of treasury shares	(1)	(81)	(1)	(621)
Effect of assumed mandatory conversion of ICULS	32,042	32,899	32,042	32,899
Weighted average number of ordinary shares	249,759	250,312	249,709	250,736

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2006**

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
28 February 2007