

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER**  
**ENDED 31 MARCH 2007**

The figures have not been audited

**CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2007**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	(Restated) Preceding Year Corresponding Quarter	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
		31/03/2007 RM'000		31/03/2006 RM'000
<b>Revenue</b>	672,912	661,268	2,104,137	1,852,454
Cost of sales	(568,489)	(540,305)	(1,735,064)	(1,540,008)
<b>Gross profit</b>	104,423	120,963	369,073	312,446
Operating expenses	(42,059)	(41,066)	(128,841)	(130,651)
Other operating income / (expenses)	2,438	(2,962)	5,472	(84,267)
Interest income	1,327	1,817	4,587	5,338
Finance costs	(16,590)	(17,338)	(53,591)	(49,650)
Share of profit after tax of associated companies	23,434	13,059	49,500	35,406
<b>Profit before taxation</b>	72,973	74,473	246,200	88,622
Taxation	(16,282)	(13,200)	(34,892)	(21,158)
<b>Profit for the period</b>	56,691	61,273	211,308	67,464
<b>Attributable to:</b>				
Equity holders of the parent	37,562	33,188	124,159	(4,306)
Minority interests	19,129	28,085	87,149	71,770
<b>Profit for the period</b>	56,691	61,273	211,308	67,464
<b>Earnings / (loss) per ordinary share (sen) :-</b>				
(a) Basic*	15.08	13.27	50.38	(1.72)
(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 27,484,516 (31 March 2006: 32,769,113) ordinary shares of RM0.50 each that will be issued upon mandatory conversion of RM170,404,000 (31 March 2006 : RM203,168,500) 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)	16.20	14.33	54.10	(4.79)
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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.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

**The figures have not been audited**

**CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 MARCH 2007**

	As At End of Current Quarter	(Restated) As At Preceding Financial Year End
	31/03/2007 RM'000	30/06/2006 RM'000
<b>Non-current assets</b>		
Property, plant and equipment	1,404,374	1,458,448
Investments in associated companies	445,087	405,075
Other investments	1,351	1,351
Intangible assets	467,382	444,904
Deferred tax assets	5,886	5,886
	2,324,080	2,315,664
<b>Current assets</b>		
Property assets	-	9,147
Inventories	259,609	244,654
Trade and other receivables	461,415	497,286
Tax recoverable	41,681	35,771
Short term investments	-	1,236
Deposits, cash and bank balances	191,988	253,047
	954,693	1,041,141
<b>TOTAL ASSETS</b>	3,278,773	3,356,805
<b>Equity attributable to equity holders of the parent</b>		
Share capital	115,609	112,995
Reserves	734,216	631,180
Treasury shares - at cost	(63,289)	(63,283)
	786,536	680,892
<b>Irredeemable convertible unsecured loan stocks 2002/2007 ("ICULS")</b>	170,404	202,817
<b>Minority interests</b>	627,303	583,310
<b>TOTAL EQUITY</b>	1,584,243	1,467,019
<b>Non-current liabilities</b>		
Borrowings	346,390	279,091
Redeemable Bonds	250,000	250,000
EuroConvertible Bonds	117,386	117,386
Deferred tax liabilities	50,218	33,848
Retirement benefits	11,111	12,435
	775,105	692,760
<b>Current liabilities</b>		
Trade and other payables	345,872	484,595
Short term borrowings and overdraft	558,805	700,977
Taxation	14,748	11,454
	919,425	1,197,026
<b>TOTAL LIABILITIES</b>	1,694,530	1,889,786
<b>TOTAL EQUITY AND LIABILITIES</b>	3,278,773	3,356,805
<b>Net assets per share attributable to ordinary equity holders of the parent (RM)</b>	3.53	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.**

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED**  
**31 MARCH 2007**

	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
<b>Current year-to-date ended 31 March 2006</b>										
<b>At 1 July 2006</b>										
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)
<b>As restated</b>	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	-	-	-	-	124,159	-	124,159	-	87,149	211,308
Dividends paid	-	-	-	-	(7,945)	-	(7,945)	-	(35,845)	(43,790)
Interest on ICULS	-	-	-	-	(5,704)	-	(5,704)	-	-	(5,704)
Disposal of a subsidiary company	-	-	-	-	-	-	-	-	(209)	(209)
Purchase of additional shares in a subsidiary company	-	-	-	-	-	-	-	-	(7,834)	(7,834)
Foreign currency translation differences	-	-	(5,307)	-	-	-	(5,307)	-	-	(5,307)
Purchase of treasury shares	-	-	-	-	-	(6)	(6)	-	-	(6)
Transfer to capital reserve	-	-	100	-	(100)	-	-	-	-	-
Conversion of ICULS into ordinary shares	2,614	29,799	-	-	-	-	32,413	(32,413)	-	-
Changes in ESOS Trust	-	-	(75)	(31,913)	22	-	(31,966)	-	732	(31,234)
<b>At 31 March 2007</b>	115,609	324,100	(49,566)	(49,125)	508,807	(63,289)	786,536	170,404	627,303	1,584,243

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED**  
**31 MARCH 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
<b>Preceding year corresponding period ended 31 March 2006</b>										
<b>At 1 July 2005</b>										
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)
<b>As restated</b>	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	-	-	-	-	(4,306)	-	(4,306)	-	71,770	67,464
Dividend paid	-	-	-	-	(6,630)	-	(6,630)	-	(32,939)	(39,569)
Interest on ICULS	-	-	-	-	(6,111)	-	(6,111)	-	-	(6,111)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,051	2,051
Foreign currency translation differences	-	-	(1,237)	-	-	-	(1,237)	-	-	(1,237)
Purchase of treasury shares	-	-	-	-	-	(3,457)	(3,457)	-	-	(3,457)
Conversion of ICULS into ordinary shares	65	741	-	-	-	-	806	(806)	-	-
Changes in ESOS Trust	-	-	(20,560)	(1,465)	913	-	(21,112)	-	(15,952)	(37,064)
<b>At 31 March 2006</b>	112,966	293,978	(42,558)	(11,898)	375,062	(63,292)	664,258	203,169	596,682	1,464,109

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.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS FOR THE PERIOD ENDED 31**  
**MARCH 2006**

	Current Year- To-Date	(Restated) Preceding Year Corresponding Period
	31/03/2007 RM'000	31/03/2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	246,200	88,622
Adjustments for:-		
Share of profit after tax of associated companies	(49,500)	(35,406)
Depreciation and amortisation	200,486	197,544
Non cash items	10,214	65,777
Net financing costs	49,004	44,312
Operating profit before changes in working capital	456,404	360,849
Changes in working capital		
Net change in current assets	28,853	(144,325)
Net change in current liabilities	(139,853)	83,295
Net income taxes paid	(21,126)	(7,664)
Other operating income received	919	1,183
Net financing costs paid	(49,004)	(44,312)
<b>Net cash generated from operating activities</b>	276,193	249,026
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equity investments	(21,298)	31
Other investments	(167,369)	(263,675)
<b>Net cash used in investing activities</b>	(188,667)	(263,644)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(43,790)	(39,569)
ICULS interest paid	(4,036)	(6,111)
Net repayments of borrowings	(69,390)	(114,421)
Purchase of treasury shares	(36)	(3,457)
Purchase of Company's shares by the ESOS Trust	(31,913)	(1,465)
<b>Net cash used in financing activities</b>	(149,165)	(165,023)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(61,639)	(179,641)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	252,245	399,659
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(846)	(376)
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	189,760	219,642
Cash and cash equivalents included in the consolidated cash flow statements comprise the following balance sheet amounts:		
	31/03/2007 RM'000	31/03/2006 RM'000
Deposits, cash and bank balances	191,988	221,695
Bank overdraft	(2,228)	(2,053)
	189,760	219,642

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

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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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 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.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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**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.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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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 RM170,404,000 (31 March 2006 : RM203,168,500) 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, 27,484,516 (31 March 2006: 32,769,113) ordinary shares of RM0.50 each that will be issued upon the mandatory conversion of the ICULS have 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**

	<b>Individual Quarter Ended 31 March 2006</b>			
	<b>As</b>	<b>Adoption of</b>		<b>As</b>
	<b>Previously Reported</b>	<b>FRS 101</b>	<b>FRS 133</b>	<b>Restated</b>
	RM'000	RM'000	RM'000	RM'000
Share of profit of associated companies	13,098	(39)	-	13,059
Profit before taxation	74,512	(39)	-	74,473
Taxation	(13,239)	39	-	(13,200)
Earnings per ordinary share (sen) – Basic	14.33	-	(1.06)	13.27

	<b>Cumulative Quarter Ended 31 March 2006</b>			
	<b>As</b>	<b>Adoption of</b>		<b>As</b>
	<b>Previously Reported</b>	<b>FRS 101</b>	<b>FRS 133</b>	<b>Restated</b>
	RM'000	RM'000	RM'000	RM'000
Share of profit of associated companies	35,719	(313)	-	35,406
Profit before taxation	88,935	(313)	-	88,622
Taxation	(21,471)	313	-	(21,158)
Loss per ordinary share (sen) – Basic	(4.79)	-	3.07	(1.72)

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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

**Condensed Consolidated Balance Sheet**

	<b>At 30 June 2006</b>			
	<b>As Previously Reported</b>	<b>Adoption of FRS 5</b>	<b>Consolidation of ESOS Trusts with the adoption of FRS 2</b>	<b>As Restated</b>
	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**

	<b>As Previously Reported</b>	<b>Adoption of FRS 5</b>	<b>Consolidation of ESOS Trusts with the adoption of FRS 2</b>	<b>As Restated</b>
	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**

	<b>Period Ended 31 March 2006</b>		
	<b>As Previously Reported</b>	<b>Adoption of FRS 101</b>	<b>As Restated</b>
	RM'000	RM'000	RM'000
Loss before taxation	88,935	(313)	88,622
Share of profit after tax of associated companies	35,719	(313)	35,406

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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**The figures have not been audited**

**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**

- a. There were no share buy back during the current quarter under review. During the current financial year-to-date, 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 March 2007 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. During the current quarter under review, RM28,256,700 nominal value of ICULS were converted into 4,557,528 new ordinary shares of RM0.50 each. During the current financial year-to-date, a total of RM32,412,500 nominal value of ICULS were converted into 5,227,818 new ordinary shares of RM0.50 each. The outstanding nominal value of ICULS as at 31 March 2007 was RM170,404,000; and
- c. There were no share option granted during the current quarter under review. During the current financial year-to-date, the Company granted 2,000,000 conditional incentive share options ("Options") to eligible executives of a subsidiary company pursuant to the ESOS of the Company which was established on 23 January 2006, 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.

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

**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.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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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
<b>Revenue</b>	1,118,964	538,469	445,268	1,436	2,104,137
<b>Results</b>					
Segment results	162,160	56,449	15,370	11,725	245,704
Share of profit after tax of associated companies	-	35,855	-	13,645	49,500
	162,160	92,304	15,370	25,370	295,204
Interest income					4,587
Finance costs					(53,591)
Profit before taxation					246,200
Taxation					(34,892)
Profit for the period					211,308

**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) Guolene Paper Products Sdn Bhd ("GPP"), a wholly-owned subsidiary of the Company, had been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of Companies Act, 1965. Mr Ling Kam Hoong had been appointed as liquidator of GPP.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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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 RM672.9 million and RM73.0 million respectively for the current quarter under review as compared with a revenue and PBT of RM661.3 million and RM74.5 million respectively in the preceding year’s corresponding quarter.

The decrease in PBT as compared with the preceding year’s corresponding quarter was mainly attributable to the lower profits of the semiconductor and building materials businesses which was offset by the improvement in profits of the motorcycles business and higher profit contribution from the associated companies.

For the financial year-to-date, the Group recorded a PBT of RM246.2 million as compared with a PBT of RM88.6 million in the preceding year’s corresponding period. The PBT of the preceding year’s corresponding period was inclusive of a restructuring cost of RM64.2 million incurred by the Group’s MZ operation in Germany.

The increase in PBT for the financial year-to-date as compared with the preceding year’s corresponding period was mainly attributable to the improvement in profits of the semiconductor and motorcycles businesses as well as higher profit contribution from the associated companies which was partly offset by the lower profits of the building materials business.

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

The Group recorded a PBT of RM73.0 million for the current quarter under review as compared with a PBT of RM75.2 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 improvement in profits of the motorcycles business and higher profit contribution from the associated companies.

**15. Prospects**

The Board expects the profits of the semiconductor and Yamaha motorcycles businesses as well as profit contribution from the associated companies to continue to improve in the remaining period of the current financial year ending 30 June 2007 (“FY 2007”). However, the losses of the Group’s MZ operation will result in an impairment of the carrying value of the investment in MZ.

Barring any unforeseen circumstances, the Board expects the Group’s performance for FY 2007 to be better than the preceding financial year.

**16. Profit forecast / profit guaranteed**

This note is not applicable.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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
	31/03/2007 RM'000	31/03/2006 RM'000	31/03/2007 RM'000	31/03/2006 RM'000
Current tax				
Malaysian				
- current	8,845	7,259	17,617	15,823
- prior years	(14)	25	7	(2,386)
Overseas				
- current	189	351	898	410
	<u>9,020</u>	<u>7,635</u>	<u>18,522</u>	<u>13,847</u>
Deferred tax				
Malaysian				
- current	7,262	4,587	16,370	9,086
- prior years	-	978	-	(1,775)
	<u>7,262</u>	<u>5,565</u>	<u>16,370</u>	<u>7,311</u>
	<u>16,282</u>	<u>13,200</u>	<u>34,892</u>	<u>21,158</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, other than as mentioned below:-

	Current Year Quarter	Current Year-To-Date
	31/03/2007 RM'000	31/03/2007 RM'000
	Disposal	
Sale proceeds	1,792	1,792
Cost of investment	1,237	1,237
Gain on disposal	<u>555</u>	<u>555</u>

- (b) There were no investments in quoted securities as at 31 March 2007.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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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 March 2007 are as follows:-

	<b>RM'000</b>
(i) Unsecured short term borrowings and overdraft	558,805
(ii) Unsecured long term borrowings	713,776
	<u>1,272,581</u>

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

	<b>RM'000</b>
USD borrowings	231,635
Euro borrowings	8,760
RMB borrowings	25,861

**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 17 May 2007 are as follows:-

	<b>Contract amount</b>
	<b>RM'000</b>
Foreign exchange forward contracts	<u>21,878</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.

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

**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 second interim dividend of 5.0 sen per share less tax for the quarter ended 31 March 2007 of the financial year ending 30 June 2007 (2005/2006: 6.25 sen per share tax exempt and 1.25 sen per share less tax) to be paid on 25 June 2007 to shareholders of ordinary shares whose names appear in the Record of Depositors at the close of business on 11 June 2007.

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 11 June 2007 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 10.0 sen per share less tax has been declared (2005/2006: 7.50 sen per share tax exempt and 3.75 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 RM37,562,000 (2005/2006: net profit of RM33,188,000) and the weighted average number of ordinary shares during the quarter of 249,062,000 (2005/2006: 250,189,000 (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 RM124,159,000 (2005/2006: net loss of RM4,306,000) and the weighted average number of ordinary shares during the period of 246,439,000 (2005/2006: 250,469,000 (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
	31/03/2007 '000	31/03/2006 '000	31/03/2007 '000	31/03/2006 '000
Issued ordinary shares at beginning of period	218,234	217,388	217,566	218,458
Effect of conversion of ICULS	3,343	32	1,389	10
Effect of purchase of treasury shares	-	-	(1)	(768)
Effect of assumed mandatory conversion of ICULS	27,485	32,769	27,485	32,769
Weighted average number of ordinary shares	249,062	250,189	246,439	250,469

**HONG LEONG INDUSTRIES BERHAD (5486-P)**  
**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED**  
**31 MARCH 2007**

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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  
23 May 2007