PROTON HOLDINGS BERHAD

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 31 DECEMBER 2006

The Board of Directors are pleased to announce the financial results of the Group for the third quarter ended 31 December 2006.

PROTON HOLDINGS BERHAD
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

	Individual Period		Cumulative Period	
	Current quarter	Quarter ended	Period ended	Period ended
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Revenue	962,273	2,153,895	3,655,464	6,012,726
Operating expenses	(1,249,163)	(2,138,778)	(4,328,200)	(6,261,103)
Other operating income	26,255	78,502	92,632	181,139
(Loss)/Profit from operations	(260,635)	93,619	(580,104)	(67,238)
Finance costs	(9,208)	(11,533)	(29,190)	(32,370)
Share of results of associated and jointly controlled entities (net of tax)	(2,169)	14,172	1,266	26,720
(Loss)/Profit before taxation	(272,012)	96,258	(608,028)	(72,888)
Taxation	(9,443)	(9,728)	17,580	(7,582)
(Loss)/Profit for the period	(281,455)	86,530	(590,448)	(80,470)
Attributable to:				
Equity holders of the parent	(281,455)	86,512	(590,448)	(80,174)
Minority interest	-	(18)	-	296
(Loss)/Profit for the period	(281,455)	86,530	(590,448)	(80,470)
(Loss)/Earnings per share:				
- basic (sen)	(51.2)	15.8	(107.5)	(14.7)
- diluted (sen)	N/A	N/A	N/A	N/A

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006

PROTON HOLDINGS BERHAD
CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006

	Unaudited as at 31.12.2006 RM'000	Audited as at 31.03.2006 RM'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,171,998	3,312,951
Goodwill	29,008	29,008
Intangible assets	152,066	17,995
Associated and jointly controlled companies	404,549	405,665
Non-current investments	10,397	10,397
Deferred tax assets	128,771	105,786
Total Non-Current Assets	3,896,790	3,881,802
CURRENT ASSETS		
Inventories	1,334,566	1,389,005
Trade and other receivables	975,051	1,192,530
Tax recoverable	51,086	51,491
Current investments	216,155	211,965
Cash, bank balances and deposits	626,682	1,585,982
Total Current Assets	3,203,540	4,430,973
TOTAL ASSETS	7,100,330	8,312,775
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		
Share capital	549,213	549,213
Reserves	4,673,257	5,321,439
TOTAL EQUITY	5,222,470	5,870,652
NON-CURRENT LIABILITIES		
Long term borrowings	0	58,878
Provisions	51,877	41,377
Deferred tax liabilities	772	805
Total Non-Current Liabilities	52,649	101,060
CURRENT LIABILITIES		
Trade and other payables	1,180,228	1,302,370
Provisions	204,272	217,062
Taxation	16,964	16,865
Short term borrowings	423,747	804,766
Total Current Liabilities	1,825,211	2,341,063
TOTAL LIABILITIES	1,877,860	2,442,123
TOTAL EQUITY AND LIABILITIES	7,100,330	8,312,775
Net assets per share attributable to equity holders of the parent (RM)	**9.51**	10.69

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

PROTON HOLDINGS BERHAD

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital RM'000	Share Premium RM'000	Foreign Translation Reserves RM'000	Retained Earnings RM '000	Total RM '000	Minority Interest RM '000	Total RM'000
			Non-distributable		Distributable			
(Unaudited)								
At 1 April 2005		**549,213**	**475,617**	**(81,816)**	**4,916,935**	**5,859,949**	**333**	**5,860,282**
Net income recognised directly in equity								
Foreign exchange differences in translating foreign operations				19,177		19,177	(37)	19,140
Loss for the period					(80,174)	(80,174)	(296)	(80,470)
Final dividend for the financial year 31 March 2005					(54,921)	(54,921)		(54,921)
Total recognised income and expense for the period		-	-	19,177	(135,095)	(115,918)	(333)	(116,251)
At 31 December 2005		**549,213**	**475,617**	**(62,639)**	**4,781,840**	**5,744,031**	**(0)**	**5,744,031**
(Unaudited)								
At 1 April 2006		**549,213**	**475,617**	**(62,882)**	**4,908,704**	**5,870,652**	**-**	**5,870,652**
Net income recognised directly in equity								
Foreign exchange differences in translating foreign operations				(30,273)		(30,273)	-	(30,273)
Loss for the period					(590,448)	(590,448)	-	(590,448)
Final dividend for the financial year 31 March 2006					(27,461)	(27,461)	-	(27,461)
Total recognised income and expense for the period		-	-	(30,273)	(617,909)	(648,182)	-	(648,182)
At 31 December 2006		**549,213**	**475,617**	**(93,155)**	**4,290,795**	**5,222,470**	**-**	**5,222,470**

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

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

	Unaudited 9 months ended 31.12.2006 RM'000	Unaudited 9 months ended 31.12.2005 RM'000
CASH FLOWS USED IN OPERATING ACTIVITIES	3,800	(176,495)
CASH FLOWS USED IN INVESTING ACTIVITIES	(523,991)	(271,136)
CASH FLOWS GENERATED FROM FINANCING ACTIVITIES	243,692	62,855
NET DECREASE IN CASH AND CASH EQUIVALENTS	(276,499)	(384,776)
EXCHANGE RATE EFFECTS	(4,708)	4,616
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF FINANCIAL YEAR	693,192	1,576,925
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	411,985	1,196,765

CASH AND CASH EQUIVALENTS COMPRISE:

CASH, BANK BALANCES AND DEPOSITS	626,682	2,109,081
BANK OVERDRAFTS	(164,697)	(206,598)
CASH RECEIVED FROM GOVERNMENT UNDER AUTO DEVELOPMENT FUND	(50,000)	-
FIXED DEPOSITS PLEDGED AS SECURITY	-	(705,718)
	411,985	1,196,765

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Quarterly Consolidated Financial Statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Quarterly Consolidated Financial Statements should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2006. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2006.

The significant accounting policies, methods of computation and basis of consolidation adopted by the Group in the interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 March 2006, except for the changes arising from the adoption of the following new/revised Financial Reporting Standards ("FRS") that are effective for financial period beginning 1 April 2006:

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 Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects 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 the above FRSs does not have any significant financial impact to the Group

The Group has not adopted FRS 117- Leases, FRS 124- Related Party Disclosures and FRS 139- Financial Instruments: Recognition and Measurement as these standards are not yet effective for the current quarter financial statements.

All changes in the accounting policies have been made in accordance with transitional provisions in the respective standards. All new and revised FRSs adopted by the Group require retrospective application other than those stated otherwise.

Emunerated below are the changes in policies, presentation and disclosures in the financial statements of the Group resulting from the adoption of the new and revised-:

(a) FRS 3 : Business Combination

The adoption of FRS 3 has resulted in changes in accounting policy for goodwill. The accounting policy for goodwill is now extended to cover the following:

(i) Recognition of contingent liabilities and intangible assets as part of allocation of the cost of acquisition;

(ii) Recognition of the excess in fair value of the net identifiable assets acquired over the cost of acquisition immediately to the income statement;

(iii) Allocation of goodwill to cash generating units for the purpose of impairment testing. Each cash-generating unit represents the lowest level within the Group at which goodwill is monitored for internal management purposes and which are expected to benefit from the synergies of the combination; and

(iv) Impairment of goodwill is charged to Consolidated Income Statement as and when it arises and reversal is not allowed.

The above changes in accounting policy have been applied prospectively.

(b) FRS 101: Presentation of Financial Statements

The adoption of FRS 101 has no financial impact on the Group but has affected the presentation of minority interest, share of results in associates and jointly controlled entities and certain disclosures. In the Consolidated Balance Sheets, minority interests are now presented within total equity. In the Consolidated Income Statement, minority interest are presented as an allocation of the net profit or loss for the period. The movement in minority interest is now presented in the Statement of Changes in Equity. Consequently, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest are shown in the Statement of Changes in Equity. Share of results in associates and jointly controlled entities is now disclosed net of taxation in the consolidated income statement.

The effects of the change in presentation on the Group's prior period's Income Statements are as follows :

	As previously reported	Reclassification	As restated
	RM '000	RM '000	RM '000
Income Statement for the 3 months ended 31 Decmber 2005			
Share of results of associated and jointly controlled entities	13,963	209	14,172
Profit before taxation	96,049	209	96,258
Taxation	(9,519)	(209)	(9,728)
Profit before taxation	86,530	-	86,530
Income Statement for the 9 months ended 31 Decmber 2005			
Share of results of associated and jointly controlled entities	32,529	(5,809)	26,720
Profit before taxation	(67,079)	(5,809)	(72,888)
Taxation	(13,391)	5,809	(7,582)
Profit before taxation	(80,470)	-	(80,470)

(c) FRS 116 : Property, Plant and Equipment

The adoption of FRS 116 has resulted in extension of the accounting policy on property, plant and equipment as follows:

(i) The cost of property, plant and equipment includes costs of dismantling, removal and restoration, the obligation incurred as a consequence of installing the assets;

(ii) The assets' residual values and useful life are reviewed and adjusted as appropriate at least at each financial year-end; and

(iii) Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

(d) FRS 121 : The Effects of Changes in Foreign Exchange Rates

The adoption of FRS 121 has no material effect on the Group's policies. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance of the revised standard. All of the Group's entities have the same functional currency as their measurement currency.

(e) FRS 127 : Consolidated and Separate Financial Statements

The adoption of FRS 127 has resulted in a change in accounting policy on recognition of subsidiaries by the inclusion of existence and effect of potential voting rights that are currently exercisable in assessing control.

(f) FRS 138 : Intangible Assets

The adoption of FRS 138 had resulted in extension of the accounting policy on Intangible Assets and the impact is as follows:

(i) Computer software was previously capitalised as an integral component of property, plant and equipment. Under FRS 138 which is applied prospectively, such computer software is now recognised separately as an intangible asset and amortised over the useful lives. This policy revision has no significant effect to the income statement.

(ii) Intangible Assets also now includes development cost of products where such costs meet the asset recognition criteria in FRS 138 and the cost is amortised over the expected useful life upon commercial launch of the products.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The preceding audited annual financial statements were not subject to any qualification.

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The businesses of the Group were not materially affected by any seasonal or cyclical factors during the quarter ended 31 December 2006.

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial period ended 31 December 2006.

5. CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter.

6. INDIVIDUALLY SIGNIFICANT ITEMS

The individually significant items for the quarter ended 31 December 2006 are as follows:

	Current quarter
Income Statement	RM Million
Right sizing exercise cost of a foreign subsidiary	27.1
Depreciation	111.7

7. DEBT AND EQUITY SECURITIES

	Current quarter RM'000	Current year to date RM'000
Repayment of secured long term loan	276,640	601,608
Repayment of unsecured long term loan	-	56,613

8. DIVIDENDS

No interim dividend is recommended for the current interim financial period.

The shareholders approved a final tax exempt dividend of 5 sen (2005: 10 sen) per ordinary share in respect of the financial year ended 31 March 2006 at the last Annual General Meeting held on 8 September 2006. The dividend was paid on 13 October 2006 to shareholders on the Register of Members and Record of Depositors at the close of business on 14 September 2006.

9. Segment reporting

Analysis of the Group's revenue and results by geographical locations are as follows:

	Current year to date			
	Malaysia	Other countries	Eliminations	Consolidated
	RM Million	RM Million	RM Million	RM Million
Revenue				
Third Party sales	2,808.1	847.4	-	3,655.5
Inter-segment sales	159.5	129.3	(288.8)	-
Total revenue	2,967.6	976.7	(288.8)	3,655.5
Result				
Segment operating profit	(465.3)	(112.3)	(47.4)	(625.0)
Unallocated income				19.2
Interest expense				(29.2)
Interest income				25.7
Share of results net of tax of associated companies & jointly controlled entities	1.9	(0.6)		1.3
Income taxes of Company and subsidiary companies				17.6
Net loss after tax				(590.3)

The segment operating loss for other countries is stated after eliminating an intra-group gain of RM305.4 million which arose as a result of an internal share capital and debt restructuring in respect of two overseas subsidiaries. There is no impact on the consolidated results and financial position.

Included in third party sales from Malaysia are export sales of RM240.0 million during the period.

10. PROPERTY, PLANT & EQUIPMENT

There are no changes to the valuation of property, plant and equipment since the previous annual financial statements.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There are no changes to the composition of the Group in the current quarter.

12. SUBSEQUENT EVENTS

On 30 January 2007, Perusahaan Otomobil Nasional Sdn Bhd ("PONSB"), a wholly-owned subsidiary company of PROTON had entered into a conditional sale and purchase agreement ("SPA") with Tracoma Holdings Berhad ("Tracoma") for PONSB and/or its nominee(s) to acquire from Tracoma the remaining 49% equity interest in PT Proton Tracoma Motors ("Proposed Acquisition").The Proposed Acquisition is expected to be completed in the second quarter of calender year 2007.

13. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no contingent assets of the Group.

Aside from as disclosed in Note 23, there are no changes in the contingent liabilities of the Group since the last annual balance sheet date to the date of this announcement.

14. PERFORMANCE REVIEW

Total industry volume (TIV) for 2006 was 11% lower compared to 2005 mainly due to the sluggish secondary market condition, strict loan approval as well as higher fuel prices and interest rates.

In addition, intense competition and heavy promotion and discounting by other marques as well as the slow down towards year end have further dampened the domestic sales volume. As a result, the Group registered a loss before tax of RM608.2 million for the current financial period compared to a loss before tax of RM72.9 million in the corresponding period last year. Further, provision for claims in respect of prior years project development costs, additional expenditure required for promotions and higher cost of raw materials have further impacted the profitability of the Group.

15. MATERIAL CHANGE IN LOSS BEFORE TAXATION OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

The Group recorded a higher loss before tax of RM272.0M compared to RM240.5 million recorded in previous quarter mainly due to lower volume as well as the one-off right sizing exercise cost of a principal subsidiary of the Group which was completed in December 2006.

The above were partly mitigated by reduced provision for claims in respect of prior years project development costs.

16. COMMENTARY ON PROSPECTS

The Malaysian Automotive Association (MAA) in its recent forecast revised the TIV for 2007 to 500,000 units, only 1.9% up compared 2006 due to the tightening in credit screening and loan approval and the extremely weak trade-in value of used cars. MAA only expects the new car sales to improve into the second half of the year, with the new model launches but at competitive pricing.

The Group's operating conditions will remain difficult due to the higher components costs as experienced by the industry and margins will come under pressure from competition.

The Group will continue to focus on export growth, quality improvement, improvement of dealer management, implementation of measures to mitigate the impact of a more liberalised automotive industry, higher costs of raw materials as well as currency fluctuation. The Group also expects to introduce new models during the course of 2007 which will result in improved sales.

17. PROFIT FORECAST

The Group did not issue any profit forecast or profit guarantee in respect of the current period.

18. INCOME TAX EXPENSE

	Current quarter	Current year to date
	RM'000	RM'000
Current		
Malaysia	(1,534)	(4,131)
Outside M'sia	(107)	(1,272)
	(1,641)	(5,403)
Deferred tax	(7,802)	22,983
	(9,443)	17,580
Effective tax rate	-3.4%	3.0%

The principal impact on group current taxation in Malaysia is mainly attributable to Perusahaan Otomobil Nasional Sdn. Bhd. (PONSB) while that arising outside Malaysia is attributable to Lotus Group International Ltd.

Similarly, the impact on group deferred taxation is mainly attributable to PONSB. The net deferred tax charge arose mainly due to the reversal of temporary differences pertaining to unrealised gains on intercompany sales stated in the previous financial periods.

The effective tax rate for the current quarter is at -3.4% given the loss suffered. This reflects the tax authority's treatment of interest income coupled with non-recognition of deferred tax asset for current quarter.

For the current period to date, the low effective tax rate of 3.0% is the resultant effect of the deferred tax asset recognised in the first quarter compared by the quarterly provisions created for current taxation.

19. SALE OF UNQUOTED INVESTMENTS AND PROPERTIES

There were no disposal of unquoted investments and properties for the current quarter.

20 QUOTED SECURITIES

(a) Total purchases and disposals of quoted securities for the current quarter and year to date are as follows:

	Current quarter	Current year to date
	RM'000	RM'000
Total purchases	85,799	229,363
Total disposal	61,702	216,691
Gain on disposals	9,041	18,339

(b) As at 31 December 2006, details of the Group's quoted securities are as follows:

	RM'000
At cost	132,408
At carrying value / book value	132,408
At market value	150,218

21 GROUP BORROWINGS AND DEBT SECURITIES

	Total RM'000
Long Term Borrowings:	
Unsecured:	
Long term loans	58,878
Portion repayable within 12 months	(58,878)
Total Long Term Borrowings	-
Short Term Borrowings:	
Unsecured:	
Current portion of long term loans	58,878
Banker acceptances	200,172
Bank overdrafts	56,125
	315,175
Secured	
Current portion of long term loans	-
Bank overdrafts	108,572
Total Short Term Borrowings	423,748
Total Borrowings	**423,748**

The details of the borrowings denominated in respective currencies are as follows:

	Ringgit Malaysia RM'000	Pounds Sterling RM'000	Total RM'000
Functional Currency			
Ringgit Malaysia	259,050	-	259,050
Pounds Sterling	-	164,698	164,698
Total	259,050	164,698	423,748
			-

22 OFF BALANCE SHEET FINANCIAL INSTRUMENTS

As at 21 February 2007, being the latest practicable date, the outstanding notional principal amount of the Group off balance sheet financial instruments is as follows:

		Maturity		
	Total	Less than 6 months	6 months to 1 year	More than 1 year
	RM'000	RM'000	RM'000	RM'000
Foreign exchange contracts	26,767	25,788.0	979.1	-

The Group enters into forward foreign exchange contracts as a hedge against anticipated foreign currency accounts payable and receivable. The contract exchange rates were used on the settlement of the payables and receivables. The net position to the Group as at 21 February 2007 is favourable by approximately RM1,212,000.

The contracts are executed with creditworthy financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their respective financial strength.

23. CHANGES IN MATERIAL LITIGATION

(a) On 26 October 2004 a supplier (Plaintiff) had obtained a judgement in default against a subsidiary company (Defendant) for RM12.2 million after failing to reach a formal agreement. Management had obtained legal opinion that the claims are without basis and an action to strike out a portion of the claim (i.e. RM7.2million) would be successful. Judgement in default was set aside on 19 August 2005. The striking out application was fixed for hearing on 18 October 2006 where the Plaintiff's solicitors requested an adjournment to file an Affidavit in Reply. The matter was fixed for Mention on 19 December 2006 pending filing of the Affidavit in Reply by the Plaintiff. The Plaintiff has filed it's Affidavit in Reply on 20 November 2006 and the Defendant has replied to the Plaintiff's said Affidavit on 18 December 2006.

The Defendant's Striking Out Application has been fixed for hearing on 15 March 2007.

In relation to the trial, the Court has fixed 14 June 2007 for Case Management.

(b) On 9 June 2005 a Distributor (Claimant) instituted arbitration proceedings against a subsidiary company (Respondent) as a result of the termination of its distributorship. Claimant claimed USD9,941,973 (RM37,779,497) plus general damages and interest on the grounds that the said termination was wrongful. The Final Award was released on 30 October 2006 wherein the Claimant's claim against the Respondent has been dismissed.

The Claimant has filed an Application to set aside the Arbitration Award at the Kuantan High Court.

The Respondent has filed an Application to Transfer the matter from Kuantan High Court to Kuala Lumpur High Court.

The Respondent has filed an Application for Security For Costs.

Hearing of the Respondent's Application to Transfer, Application for Security For Costs and the Claimant's Application has been fixed for hearing on 28 February 2007.

24. Earnings per share

(a) (Loss)/Earnings per share

Basic (loss)/earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	Current quarter	Current year to date
	RM'000	RM'000
Loss per share		
Net loss attributable to equity holders (RM'000)	(281,455)	(590,448)
Weighted average number of shares ('000)	549,213	549,213
Loss per share (sen)	(51.2)	(107.5)
	-	-

Diluted EPS

Diluted EPS is not applicable at 31 December 2006 as there are no dilutive potential ordinary shares.

25. CAPITAL COMMITMENTS

Capital commitments for property, plant and equipment not provided for in the financial statements as at 31 December 2006 are as follows:

	RM Million
Authorised by Directors and contracted	329.5
Authorised by Directors and not contracted	2,486.9
	2,816.4

26. STATUS OF CORPORATE PROPOSALS

The Group does not have any corporate proposals announced but not completed at the date of this report.

27. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2007.

BY ORDER OF THE BOARD

MOHD NIZAMUDDIN MOKHTAR

COMPANY SECRETARY

Shah Alam, 26 February 2007