

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2006

	As at 30/09/06 RM '000	As at 30/06/06 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	9,137,769	14,762,999
Deposits and placements with financial institutions	10,127,339	1,608,526
Securities purchased under resale agreements	3,255,213	4,474,913
Securities held at fair value through profit or loss	3,716,432	3,907,027
Securities available-for-sale	6,655,450	7,760,401
Securities held-for-maturity	1,523,700	1,221,204
Loans, advances and financing	29,435,104	29,058,958
Trade receivables	225,385	183,130
Other receivables	667,751	802,304
Statutory deposits with Bank Negara Malaysia	893,124	881,524
Tax recoverable	12,270	14,442
Deferred tax asset	161,579	171,710
Property, plant and equipment	352,689	340,326
Intangible assets	511,352	487,422
Total Assets	66,675,157	65,674,886
<u>Liabilities</u>		
Deposits from customers	44,954,586	44,198,417
Deposits and placements of banks and other financial institutions	3,232,569	2,796,260
Obligations on securities sold under repurchase agreements	6,028,737	6,850,498
Bills and acceptances payable	654,228	546,209
Payables and other liabilities	1,517,489	1,347,670
Provision for claims	156,127	165,222
Provision for taxation	100,003	98,399
Bank loans	156,000	152,300
Subordinated notes	722,617	704,049
Long term liabilities	300,000	298,145
Insurance funds	3,619,843	3,404,775
Total Liabilities	61,442,199	60,561,944
<u>Equity</u>		
Share capital	1,040,722	1,040,722
Capital Reserves	1,218,675	1,189,951
Retained Profits	1,285,105	1,217,673
Fair Value Reserves	(13,954)	(42,471)
Treasury Shares held for ESOS	(54,579)	(15,238)
Total shareholders' equity	3,475,969	3,390,637
Minority interest	1,756,989	1,722,305
Total Equity	5,232,958	5,112,942
Total Liabilities and Equity	66,675,157	65,674,886
Commitment and Contingencies	61,261,581	48,109,341

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006

THE GROUP	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Interest income	670,259	568,259	670,259	568,259
Interest expense	(375,217)	(334,009)	(375,217)	(334,009)
Net interest income	295,042	234,250	295,042	234,250
Income from Islamic banking business	36,170	39,779	36,170	39,779
Non interest income	121,990	134,487	121,990	134,487
Net income	453,202	408,516	453,202	408,516
Overhead expenses	(192,073)	(171,659)	(192,073)	(171,659)
Operating profit before provision	261,129	236,857	261,129	236,857
Allowance for losses on loans, advances and financing	(53,240)	(30,008)	(53,240)	(30,008)
Impairment loss	-	(3,039)	-	(3,039)
Profit before taxation and zakat	207,889	203,810	207,889	203,810
Taxation	(58,642)	(58,486)	(58,642)	(58,486)
Zakat	(9)	(15)	(9)	(15)
Net profit for the period	149,238	145,309	149,238	145,309
Attributable to :				
Equity holders of the parent	93,460	91,154	93,460	91,154
Minority interests	55,778	54,155	55,778	54,155
Net profit for the period	149,238	145,309	149,238	145,309
Basic earnings per ordinary share (sen)	9.1	8.8	9.1	8.8
Diluted earnings per ordinary share (sen)	9.1	8.8	9.1	8.8

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 30 SEPTEMBER 2006

	As at 30/09/06 RM '000	As at 30/06/06 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	10,983	46,975
Other receivables	7,964	7,731
Tax recoverable	12,269	12,269
Investment in subsidiaries	2,049,249	2,049,249
Property, plant and equipment	1,848	1,657
Total Assets	2,082,313	2,117,881
<u>Liabilities</u>		
Payables and other liabilities	18,958	20,800
Bank loans	131,000	120,300
Long term liabilities	300,000	298,145
Total Liabilities	449,958	439,245
<u>Financed by:</u>		
Share capital	1,040,722	1,040,722
Capital Reserves	89,700	89,700
Retained Profits	554,681	561,536
Treasury Shares held for ESOS	(52,748)	(13,322)
Total Equity	1,632,355	1,678,636
Total Liabilities and Equity	2,082,313	2,117,881
Commitment and Contingencies	-	-

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006

THE COMPANY	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Interest income	77	117	77	117
Interest expense	(5,742)	(5,564)	(5,742)	(5,564)
Net interest income	(5,665)	(5,447)	(5,665)	(5,447)
Non Interest Income	1,124	5,880	1,124	5,880
Net income	(4,541)	433	(4,541)	433
Overhead expenses	(2,314)	(1,372)	(2,314)	(1,372)
Profit before taxation and zakat	(6,855)	(939)	(6,855)	(939)
Taxation	-	-	-	-
Zakat	-	-	-	-
Net profit for the period	(6,855)	(939)	(6,855)	(939)
Basic earnings per ordinary share (sen)	(0.7)	(0.1)	(0.7)	(0.1)
Diluted earnings per ordinary share (sen)	(0.7)	(0.1)	(0.7)	(0.1)

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

(Formerly known as Hong Leong Credit Berhad)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006

THE GROUP FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006	Share	Share	Statutory	Other Capital	Fair Value	Exchange	Retained	Treasury	Total	Minority	Total
	Capital	Premium	Reserves	Reserves & General Reserves	Reserves	Fluctuation Reserves	Profits	Shares	Shareholders' Equity	Interests	Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Opening balance as at 1 July 2006	1,040,722	71,216	963,166	133,258	(42,471)	22,311	1,217,673	(15,238)	3,390,637	1,722,305	5,112,942
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-
Restated opening balance as at 1 July 2006	1,040,722	71,216	963,166	133,258	(42,471)	22,311	1,217,673	(15,238)	3,390,637	1,722,305	5,112,942
Net profit for financial period	-	-	-	-	-	-	93,460	-	93,460	55,778	149,238
Exchange fluctuation differences	-	-	-	-	-	2,696	-	-	2,696	-	2,696
Transfer to statutory reserves	-	-	26,028	-	-	-	(26,028)	-	-	-	-
Net fair value changes in available for sale securities	-	-	-	-	28,517	-	-	-	28,517	-	28,517
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	(21,094)	(21,094)
Less: Dividend paid	-	-	-	-	-	-	-	-	-	-	-
Less: Treasury Shares held for ESOS	-	-	-	-	-	-	-	(39,341)	(39,341)	-	(39,341)
AT 30 SEPTEMBER 2006	1,040,722	71,216	989,194	133,258	(13,954)	25,007	1,285,105	(54,579)	3,475,969	1,756,989	5,232,958

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005	Share	Share	Statutory	Other Capital	Fair Value	Exchange	Retained	Treasury	Total	Minority	Total
	Capital	Premium	Reserves	Reserves & General Reserves	Reserves	Fluctuation Reserves	Profits	Shares	Shareholders' Equity	Interests	Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Opening balance as at 1 July 2005	1,040,722	71,216	870,813	133,258	-	26,226	1,069,534	(1,916)	3,209,853	1,685,166	4,895,019
Prior year adjustment	-	-	-	-	510	-	(2,603)	-	(2,093)	1,727	(366)
Restated opening balance as at 1 July 2005	1,040,722	71,216	870,813	133,258	510	26,226	1,066,931	(1,916)	3,207,760	1,686,893	4,894,653
Net profit for financial period	-	-	-	-	-	-	91,154	-	91,154	54,155	145,309
Exchange fluctuation differences	-	-	-	-	-	(1,186)	-	-	(1,186)	-	(1,186)
Transfer from statutory reserves	-	-	23,864	-	-	-	(23,864)	-	-	-	-
Net fair value changes in available for sale securities	-	-	-	-	4,498	-	-	-	4,498	-	4,498
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	(3,010)	(3,010)
AT 30 SEPTEMBER 2005	1,040,722	71,216	894,677	133,258	5,008	25,040	1,134,221	(1,916)	3,302,226	1,738,038	5,040,264

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total RM '000
Opening balance as at 1 July 2006	1,040,722	71,216	18,484	561,536	(13,322)	1,678,636
Prior year adjustment	-	-	-	-	-	-
Restated opening balance as at 1 July 2006	1,040,722	71,216	18,484	561,536	(13,322)	1,678,636
Net profit for the year	-	-	-	(6,855)	-	(6,855)
Less: Dividend paid	-	-	-	-	-	-
Less: Treasury Shares held for ESOS	-	-	-	-	(39,426)	(39,426)
AT 30 SEPTEMBER 2006	1,040,722	71,216	18,484	554,681	(52,748)	1,632,355

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2005	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total RM '000
Opening balance as at 1 July 2005	1,040,722	71,216	18,484	519,780	-	1,650,202
Prior year adjustment	-	-	-	-	-	-
Restated opening balance as at 1 July 2005	1,040,722	71,216	18,484	519,780	-	1,650,202
Net profit for the year	-	-	-	(939)	-	(939)
Less: Dividend paid	-	-	-	-	-	-
Less: Treasury Shares held for ESOS	-	-	-	-	-	-
AT 30 SEPTEMBER 2005	1,040,722	71,216	18,484	518,841	-	1,649,263

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006

THE GROUP

Cash flows from operating activities

	30/09/06 RM '000	30/09/05 RM '000
Net profit before taxation	207,889	203,810
<u>Adjustments for:</u>		
Non-cash items	180,390	(42,216)
Operating profit before working capital changes	<u>388,279</u>	<u>161,594</u>
Increase in assets / receivables	(7,411,775)	(2,370,296)
Increase in liabilities / payables	707,936	3,159,463
	<u>(6,703,839)</u>	<u>789,167</u>
Cash used in operations	(6,315,560)	950,761
Income tax paid	(64,129)	(75,533)
Interest paid	(6,910)	(6,038)
Interest received	1,385	523
	<u>(69,654)</u>	<u>(81,048)</u>
Net cash used in operating activities	(6,385,214)	869,713

Cash flow from investing activities

Net (purchases)/proceeds of securities available-for-sale	1,175,540	(2,827,635)
Net (purchases)/proceeds of securities held-to-maturity	(310,610)	(72,536)
Interest received on securities available-for-sale and held-to-maturity	63,177	41,799
Dividend received on securities available-for-sale and held-to-maturity	1,227	3,546
Proceeds from disposal of property, plant and equipment	-	1,896
Purchase of property, plant and equipment	(31,615)	(28,560)
Net cash generated from investing activities	897,719	(2,881,490)

Cash flow from financing activities

Net proceeds from issuance of subordinated notes	-	753,900
Drawdown/(Repayment) of borrowings	3,700	(24,000)
Purchase of ESOS shares	(39,341)	-
Purchase of treasury shares in subsidiary company	(102,617)	(3,180)
Net cash generated from financing activities	(138,258)	726,720

Net decrease in cash and cash equivalents (5,625,753) (1,285,057)

Cash and cash equivalents as at 1 July 14,762,999 11,556,472
Effect of change in foreign exchange rate 523 (1,904)
Cash and cash equivalents as at 30 September 9,137,769 10,269,511

Analysis of cash and cash equivalents as at 30 June

Cash and short term funds	9,174,929	10,282,150
Less: Remisiers' and clients' trust monies	(37,160)	(12,639)
	<u>9,137,769</u>	<u>10,269,511</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
UNAUDITED COMPANY CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006

<u>COMPANY</u>	30/09/06 RM '000	30/09/05 RM '000
Cash flows from operating activities		
Net profit before taxation	(6,855)	(939)
<u>Adjustments for :</u>		
Non-cash items	5,903	5,788
Operating profit before working capital changes	(952)	4,849
Decrease / (increase) in assets / receivables	(237)	(7,330)
Increase / (decrease) in liabilities / payables	12	7,478
	(225)	148
Cash used in operations	(1,177)	4,997
Interest paid	(5,742)	(5,564)
Interest received	77	117
	(5,665)	(5,447)
Net cash used in operating activities	(6,842)	(450)
Cash flow from investing activities		
Purchase of property, plant and equipment	(424)	(106)
Purchase of ESOS shares	(39,426)	-
Net cash generated from investing activities	(39,850)	(106)
Cash flow from financing activities		
(Repayment)/Drawdown of revolving credit	10,700	(20,000)
Net cash generated from financing activities	10,700	(20,000)
Net decrease in cash and cash equivalents	(35,992)	(20,556)
Cash and cash equivalents as at 1 July	46,975	21,023
Cash and cash equivalents as at 30 September	10,983	467

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
(Formerly known as Hong Leong Credit Berhad)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006**

1. Basis of preparation

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board (“MASB”), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2006.

The accounting policies and methods of computation applied in the audited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements 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 Malaysian Accounting Standards Board that are effective for the financial period beginning 1 July 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 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 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 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133 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 disclosed in Note 30.

2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2006 of HLFG

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2006.

3. Seasonality or cyclicity of operations

The business operations of the Group have not been materially affected by any seasonal and cyclical factors.

4. Exceptional items / unusual events affecting financial statements

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the current period.

5. Variation from financial estimates reported in preceding financial year

There were no material changes in estimates of amounts reported in the preceding financial year that have a material effect in the current period.

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial year ended 30 September 2006 other than as mentioned below.

Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFG and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's stocks from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Funds on the Balance Sheet. As at 30 September 2006, the number of shares bought by the appointed trustee was 11,804,100 at an average price of RM4.47 and the total consideration paid, including transaction costs was RM52,748,000.

Pursuant to the insurance subsidiary company's ESOS scheme, the insurance subsidiary company also held 538,592 units of the Company's shares at an average price of RM3.56 per share with total consideration paid, including transaction costs of RM1,831,000, which have been classified as treasury shares for ESOS at the Group level.

7. Dividends paid

There were no dividends paid during the financial period under review.

8. Segmental reporting

Segmental information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on arms length basis. These transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise tax recoverable, tax payable and other corporate assets and other corporate liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

Business segments

The Group comprises the following main business segments:

Banking	Licensed banking business
Securities & Asset Management	Stocks and securities broking, and fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding, provision of management services, property management, information technology and internet related business

Group	Banking	Securities	Insurance	Others	Eliminations	Consolidated
30 September 2006	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	420,693	10,830	26,276	(4,597)	-	453,202
Intersegment sales	1,058	562	3,702	1,908	(7,230)	-
	<u>421,751</u>	<u>11,392</u>	<u>29,978</u>	<u>(2,689)</u>	<u>(7,230)</u>	<u>453,202</u>
Results						
Segment results	198,402	4,318	11,979	(5,579)	(1,231)	207,889
Profit before taxation						<u>207,889</u>
Taxation						<u>(58,651)</u>
Profit after taxation						<u>149,238</u>
Minority interest						<u>(55,778)</u>
Net profit for the period						<u>93,460</u>
Other information						
Segment assets	61,146,786	311,309	4,456,949	48,688	(162,137)	65,801,595
Other corporate assets						<u>873,562</u>
Total consolidated assets						<u>66,675,157</u>
Segment liabilities	56,757,581	159,338	4,092,347	32,512	(161,807)	60,879,971
Other corporate liabilities						<u>562,228</u>
Total consolidated liabilities						<u>61,442,199</u>
Capital expenditure	28,187	348	2,735	345	-	31,615
Depreciation	13,954	275	2,342	271	-	16,842
Loan loss and other provision	53,240	-	-	-	-	53,240

Group	Banking	Securities	Insurance	Others	Eliminations	Consolidated
30 September 2005	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	373,959	11,772	22,215	570	-	408,516
Intersegment sales	5,709	149	2,711	272	(8,841)	-
	<u>379,668</u>	<u>11,921</u>	<u>24,926</u>	<u>842</u>	<u>(8,841)</u>	<u>408,516</u>
Results						
Segment results	197,487	5,061	8,198	(1,064)	(5,872)	203,810
Profit before taxation						<u>203,810</u>
Taxation						<u>(58,501)</u>
Profit after taxation						<u>145,309</u>
Minority interest						<u>(54,155)</u>
Net profit for the period						<u>91,154</u>
Other information						
Segment assets	60,803,274	295,957	3,955,117	45,053	(38,107)	65,061,294
Other corporate assets						<u>126,693</u>
Total consolidated assets						<u>65,187,987</u>
Segment liabilities	56,006,789	82,521	3,557,780	24,174	(19,551)	59,651,713
Other corporate liabilities						<u>495,821</u>
Total consolidated liabilities						<u>60,147,534</u>
Capital expenditure	25,171	77	3,183	129	-	28,560
Depreciation	13,778	507	3,305	132	-	17,722
Loan loss and other provision	30,008	-	-	-	-	30,008

9. Securities held at fair value through profit or loss

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
	<u>At Fair Value</u>	
Malaysian Government Treasury Bills	14,790	24,652
Malaysian Government Securities	118,245	246,604
Negotiable instruments of deposit	2,143,801	2,592,938
Bankers' acceptances and Islamic accepted bills	569,642	15,312
Bank Negara Malaysia bills	301,800	69,158
Cagamas bonds/notes	378,562	742,369
Foreign currency bonds	18,176	53,098
	3,545,016	3,744,131
Quoted securities :		
Shares/Loan stocks/Unit Trust	119,548	80,070
Unquoted securities :		
Private debt securities	51,868	82,826
	3,716,432	3,907,027
Total securities held at fair value through profit and loss	3,716,432	3,907,027

10. Securities available-for-sale

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
	<u>At Fair Value</u>	
Malaysian Government Treasury Bills	265,215	256,703
Malaysian Government Securities	2,260,059	3,069,428
Malaysian Government Investment certificates	25,068	24,615
Cagamas bonds	1,284,626	1,539,632
Foreign Currency Bonds	951,791	1,003,278
HK Government Exchange Fund	14,149	23,562
	4,800,908	5,917,218
Quoted securities :		
Shares/Loan stocks/Unit Trust	607,717	610,539
Unquoted securities :		
Private debt securities/shares/reits	1,246,825	1,232,644
	6,655,450	7,760,401
Total securities available-for-sale	6,655,450	7,760,401

11. Securities held-to-maturity

	Group	
	As at 30/09/06	As at 30/06/06
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	236,858	248,194
Malaysian Government Investment certificates	167,152	155,866
Negotiable instruments of deposit	500,000	-
Foreign currency bonds	11,074	11,039
Cagamas bonds	275,250	440,359
Khazanah bonds	4,919	4,875
	1,195,253	860,333
Unquoted securities :		
Private debt securities/shares/loan stocks	328,447	360,871
Total securities held-to-maturity	1,523,700	1,221,204

12. Loans, advances and financing

	Group	
	As at 30/09/06	As at 30/06/06
	RM '000	RM '000
Overdrafts	2,761,165	2,959,945
Term loans :		
- Housing loans/financing	14,593,648	13,687,545
- Syndicated term loan/financing	1,679,702	1,270,824
- Hire purchase receivables	5,974,036	6,166,419
- Lease receivables	21,373	19,450
- Other term loans/financing	1,351,986	1,601,129
Credit/charge card receivables	1,365,601	1,204,604
Bills receivables	295,436	479,948
Trust receipts	150,474	153,710
Claims on customers under acceptance credits	2,308,256	2,478,691
Block discounting	28,016	19,540
Revolving credits	683,659	635,503
Policy and premium loans	455,611	440,090
Staff loans	115,382	117,073
Other loans/financing	62,560	61,966
	31,846,905	31,296,437
Unearned interest and income	(1,446,789)	(1,327,429)
	30,400,116	29,969,008
Allowance for bad and doubtful debts and financing :		
- general	(441,758)	(436,233)
- specific	(523,254)	(473,817)
Net loans, advances and financing	29,435,104	29,058,958

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Domestic banking institutions	130	148
Domestic non-bank financial institutions	165,666	123,561
Domestic business enterprises		
- Small and medium enterprises	3,414,234	3,746,882
- Others	5,810,907	5,776,117
Government and statutory bodies	115,521	114,638
Individuals	20,021,859	19,249,311
Other domestic entities	27,818	29,113
Foreign entities	843,981	929,238
Gross loans, advances and financing	30,400,116	29,969,008

(b) By interest/profit rate sensitivity

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Fixed rate		
- Housing loans/financing	3,759,326	3,665,259
- Hire purchase receivables	5,165,918	5,476,042
- Other fixed rate loan/financing	2,329,473	2,311,124
Variable rate		
- Base lending rate plus	15,883,367	15,195,330
- Cost plus	3,165,877	3,223,618
- Other variables rates	96,155	97,635
Gross loans, advances and financing	30,400,116	29,969,008

(c) By economic sector

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Agriculture	290,953	310,643
Mining and quarrying	30,504	37,146
Manufacturing	2,312,968	2,531,467
Electricity, gas and water	20,651	22,640
Construction	566,834	643,895
Real Estate	396,129	387,432
Purchase of landed properties (of which : - residential - non-residential)	10,974,156	10,448,532
General commerce	3,545,810	3,354,428
Transport, storage and communication	2,087,920	2,108,620
Finance, insurance and business services	310,596	307,911
Purchase of securities	589,525	669,818
Purchase of transport vehicles	606,708	703,516
Consumption credit	4,579,804	4,703,448
Others	2,946,851	2,548,124
Gross loans, advances and financing	1,140,707	1,191,388
	30,400,116	29,969,008

12. Loans, advances and financing (continued)

(d) Non-performing loans by sector

	Group	
	As at	As at
	30/09/06	30/06/06
	RM '000	RM '000
Agriculture	4,564	4,405
Mining and quarrying	2,942	4,294
Manufacturing	183,863	178,329
Electricity, gas and water	239	280
Construction	91,235	107,267
Real estate	99,342	93,646
Purchase of landed properties		
(of which : - residential	330,548	337,276
- non-residential)	146,821	160,412
General commerce	96,922	96,046
Transport, storage and communication	26,273	26,788
Finance, insurance and business services	120,911	123,336
Purchase of securities	27,136	33,461
Purchase of transport vehicles	116,090	107,102
Consumption credit	73,127	71,278
Others	21,307	38,063
Gross loans, advances and financing	<u>1,341,320</u>	<u>1,381,983</u>

(e) Movements in non-performing loans, advances and financing ("NPL") are as follows:

	Group	
	As at	As at
	30/09/06	30/06/06
	RM '000	RM '000
At beginning	1,381,983	1,657,683
Non-performing during the period/year	780,971	3,251,908
Reclassified as performing	(665,717)	(2,757,428)
Amount written back in respect of recoveries	(138,944)	(481,955)
Amount written off	(17,196)	(289,746)
Exchange differences	223	1,521
Closing balance	<u>1,341,320</u>	<u>1,381,983</u>
Specific allowance	<u>(523,254)</u>	<u>(473,817)</u>
Net non-performing loans, advances and financing	<u>818,066</u>	<u>908,166</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>2.8%</u>	<u>3.1%</u>

12. Loans, advances and financing (continued)

(f) Movements in allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
<u>General Allowance</u>		
At beginning	436,233	412,877
Net allowance made during the period/year	5,469	23,057
Exchange differences	56	299
Closing balance	<u>441,758</u>	<u>436,233</u>
As % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
<u>Specific Allowance</u>		
At beginning	473,817	465,254
Allowance made during the period/year	90,372	386,511
Amount written back in respect of recoveries	(23,886)	(89,250)
Amount written off	(17,197)	(289,746)
Exchange differences	148	1,048
Closing balance	<u>523,254</u>	<u>473,817</u>

13. Other receivables

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Interest/Income receivable	173,603	199,489
Investment properties	190,057	190,057
Other debtors, deposits and prepayments	301,082	409,749
Foreclosed properties	3,009	3,009
	<u>667,751</u>	<u>802,304</u>
	<u>Company</u>	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Amount due from subsidiary companies	7,148	7,091
Amount due from related companies	292	284
Other debtors, deposits and prepayments	524	356
	<u>7,964</u>	<u>7,731</u>

14. Deposits from customers

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Fixed deposits	28,166,109	27,066,053
Negotiable instruments of deposit	5,739,883	6,229,198
Demand deposits	4,382,104	4,255,913
Savings deposits	6,406,907	6,402,925
Other	259,583	244,328
	<u>44,954,586</u>	<u>44,198,417</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
One year or less (short term)	33,302,218	32,691,507
More than one year (medium/long term)	603,774	603,744
	<u>33,905,992</u>	<u>33,295,251</u>

The deposits from customer are sourced from the following types of customers:

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Government and statutory bodies	410,026	650,612
Business enterprises	14,311,631	14,592,305
Individuals	28,004,852	27,055,017
Others	2,228,077	1,900,483
	<u>44,954,586</u>	<u>44,198,417</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Licensed banks	2,982,569	2,494,760
Other financial institutions	250,000	301,500
	<u>3,232,569</u>	<u>2,796,260</u>

The maturity structure :

One year or less (short term)	3,232,569	2,796,260
More than one year (medium/long term)	-	-
	<u>3,232,569</u>	<u>2,796,260</u>

16. Payables and other liabilities

	Group	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Trade payables	359,096	294,336
Amount due to related companies	600	1,293
Other payables and accrued liabilities	856,484	729,316
Interest payable	295,522	316,990
Post employment benefits obligations - defined contribution plan	5,787	5,735
	<u>1,517,489</u>	<u>1,347,670</u>

	Company	
	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Amount due to subsidiary companies	9,747	9,732
Other payables and accrued liabilities	5,015	5,186
Interest payable	4,129	5,817
Post employment benefits obligations - defined contribution plan	67	65
	<u>18,958</u>	<u>20,800</u>

17. Interest income

	Group		Group	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	343,724	287,990	343,724	287,990
- recoveries from NPLs	41,786	44,280	41,786	44,280
Money at call and deposit placements with financial institutions	131,634	96,559	131,634	96,559
Securities purchased under resale agreement	39,254	72,133	39,254	72,133
Securities held at fair value through profit and loss	58,919	23,901	58,919	23,901
Securities available-for-sale	55,813	35,617	55,813	35,617
Securities held-to-maturity	7,364	7,966	7,364	7,966
Others	2,574	6,873	2,574	6,873
	<u>681,068</u>	<u>575,319</u>	<u>681,068</u>	<u>575,319</u>
Amortisation of premium less accretion of discount	(8,104)	(3,052)	(8,104)	(3,052)
Interest suspended	(2,705)	(4,008)	(2,705)	(4,008)
	<u>670,259</u>	<u>568,259</u>	<u>670,259</u>	<u>568,259</u>

	Company		Company	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	77	117	77	117
Others	-	-	-	-
	<u>77</u>	<u>117</u>	<u>77</u>	<u>117</u>

18. Interest expense

	Group		Group	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	87,115	76,284	87,115	76,284
Deposits from customers	272,136	244,878	272,136	244,878
Borrowings	6,136	5,783	6,136	5,783
Subordinated bonds	9,564	6,547	9,564	6,547
Others	266	517	266	517
	<u>375,217</u>	<u>334,009</u>	<u>375,217</u>	<u>334,009</u>
	Company		Company	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Borrowings	5,742	5,564	5,742	5,564

19. Non Interest Income

	Group		Group	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Net income from Insurance Business:	18,837	16,026	18,837	16,026
Net brokerage and commissions from Stockbroking Business:	4,960	5,336	4,960	5,336
Net unit trust and asset management income:	5,160	3,098	5,160	3,098
Fee income:				
Management fees	323	416	323	416
Commissions	20,337	18,137	20,337	18,137
Service charges and fees	8,059	6,695	8,059	6,695
Guarantee fees	1,447	1,714	1,447	1,714
Other fee income	19,629	39,355	19,629	39,355
	49,795	66,316	49,795	66,316
Gain/(loss) arising from sale of securities				
Net gain from sale of securities held at fair value through profit and loss	10,433	4,900	10,433	4,900
Net gain from sale of securities available-for-sale	24,810	7,047	24,810	7,047
Net gain/(loss) from sale of securities held-to-maturity	(10)	4,042	(10)	4,042
	35,233	15,989	35,233	15,989
Gross dividend income from:				
Securities held at fair value through profit and loss	543	290	543	290
Securities available-for-sale	1,704	3,475	1,704	3,475
Securities held-to-maturity	-	-	-	-
	2,247	3,765	2,247	3,765
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(14,419)	(705)	(14,419)	(705)
Other income:				
Foreign exchange gain/(loss)	12,521	21,080	12,521	21,080
Rental income	150	104	150	104
Gain/(loss) on disposal of property and equipment	425	170	425	170
Others	7,081	3,308	7,081	3,308
	20,177	24,662	20,177	24,662
Total non interest income	121,990	134,487	121,990	134,487

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
(a) Fee income:				
Management fees	672	-	672	-
(b) Gross dividend income from:				
Subsidiary companies	-	5,876	-	5,876
(c) Other income:				
Others	452	4	452	4
Total other operating income	1,124	5,880	1,124	5,880

20. Overhead expenses

	Group		Group	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	90,533	79,784	90,533	79,784
- Others	8,109	6,652	8,109	6,652
<u>Establishment costs</u>				
- Depreciation	16,842	17,722	16,842	17,722
- Rental	10,260	8,999	10,260	8,999
- Information technology expenses	7,338	7,537	7,338	7,537
- Others	9,672	10,228	9,672	10,228
<u>Marketing expenses</u>				
- Advertisement and publicity	9,484	8,611	9,484	8,611
- Handling fees	3,297	5,518	3,297	5,518
- Others	10,615	5,947	10,615	5,947
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,147	2,090	2,147	2,090
- Stationery & printing	3,367	3,341	3,367	3,341
- Others	20,409	15,230	20,409	15,230
	192,073	171,659	192,073	171,659

	Company		Company	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	1,401	791	1,401	791
- Others	39	97	39	97
<u>Establishment costs</u>				
- Depreciation	233	107	233	107
- Rental	154	80	154	80
- Others	54	19	54	19
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	6	8	6
- Stationery & printing	3	4	3	4
- Others	422	268	422	268
	<u>2,314</u>	<u>1,372</u>	<u>2,314</u>	<u>1,372</u>

21. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	5,469	(16,394)	5,469	(16,394)
- specific allowance	90,372	85,802	90,372	85,802
- specific allowance written back	(23,886)	(21,558)	(23,886)	(21,558)
Bad debts and financing written off	1,806	2,197	1,806	2,197
Bad debts and financing recovered	(20,521)	(20,039)	(20,521)	(20,039)
	<u>53,240</u>	<u>30,008</u>	<u>53,240</u>	<u>30,008</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 September 2006 and 30 June 2006 met the minimum requirement.

	As at 30/09/06 RM '000	As at 30/06/06 RM '000
<u>Components of Tier - 1 and Tier - 2 Capital</u>		
Tier -1 capital		
Paid up share capital	1,580,107	1,580,107
Share premium	539,664	539,664
Retained profit, as restated	1,170,005	1,170,005
As previously stated	-	-
Prior year adjustments	-	-
Other Reserves	1,661,766	1,661,766
Less : Treasury Shares	(603,222)	(491,025)
Less : Deferred Tax	(173,301)	(173,301)
As previously stated	-	-
Prior year adjustments	-	-
Total tier 1 capital	4,175,019	4,287,216
Tier - 2 capital		
General provision	438,807	436,233
Subordinated bonds	590,000	734,900
Total tier 2 capital	1,028,807	1,171,133
Total capital base	5,203,826	5,458,349
<u>Before deducting proposed dividends</u>		
Core Capital Ratio	13.50%	13.76%
Risk-weighted Capital Ratio	16.83%	17.52%
<u>After deducting proposed dividends</u>		
Core Capital Ratio	12.98%	13.24%
Risk-weighted Capital Ratio	16.31%	17.00%

23. Events after Balance Sheet date

There were no material events subsequent to the end of the financial year ended 30 September 2006.

24. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial year and up to the date of this report except for the following:

- a. On 29 June 2006, Hong Leong Bank Berhad ("the Bank" or "HLB") announced that HLB Ventures Sdn Bhd, Chew Geok Lin Nominees (Tempatan) Sdn Bhd, Chew Geok Lin Nominees (Asing) Sdn Bhd and Wah Tat Properties Sdn Bhd were placed under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965 ('Liquidation'). The liquidation is pending completion.

25. Commitments and contingencies

- a. In the normal course of business, the banking subsidiary company make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are not secured against the assets of the Group.

The commitments and contingencies constitute the following:

	As at 30/09/2006			As at 30/06/2006		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
<u>The Banking Group</u>						
Direct credit substitutes	179,725	179,725	179,725	190,074	190,074	190,074
Transaction-related contingent items	267,880	133,940	133,940	242,907	121,453	121,453
Short-term self liquidating trade-related contingencies	1,010,437	202,087	202,087	633,426	126,685	126,685
Other assets sold with recourse and commitment	45,452	45,452	45,452	31,987	31,987	31,987
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,240,516	2,120,258	2,120,258	4,257,875	2,128,938	2,128,938
-maturity less than 1 year	11,133,204	-	-	10,943,047	-	-
Foreign exchange related contracts	11,212,761	258,994	129,498	8,666,574	259,954	129,977
Interest rate related contracts	33,051,418	267,932	133,967	23,109,340	277,279	138,640
Equity related contracts	98,912	4,946	2,473	8,288	415	208
Miscellaneous	321	-	-	418	-	-
Total	61,240,626	3,213,334	2,947,400	48,083,936	3,136,785	2,867,962

- b. Other commitments and contingencies – unsecured

HLG Unit Trust Bhd, a wholly-owned subsidiary company of the stockbroking division, HLG Capital Berhad, is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. HLG Capital Berhad has provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds fall below the minimum fund size of RM1 million, HLG Capital Berhad would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 September 2006.

26. Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

27. Interest/Profit rate risk

The Group
30.09.2006

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	1,864,951	-	-	-	-	7,272,818	-	9,137,769	3.7
Securities purchased under resale agreements	2,808,249	446,964	-	-	-	-	-	3,255,213	3.8
Deposits and placements with banks and other financial institution	-	9,595,762	408,042	123,535	-	-	-	10,127,339	3.9
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,716,432	3,716,432	3.8
Securities available-for-sale	23,301	313,828	611,609	3,824,327	1,278,596	603,789	-	6,655,450	4.3
Securities held-for-maturity	10,001	445,098	600,167	227,303	192,623	48,508	-	1,523,700	3.8
Loans, advances and financing									
- performing	20,509,539	1,244,600	778,675	2,108,488	4,498,990	(510,983)	-	28,629,309	6.5
- non performing	-	-	-	-	-	805,795	-	805,795	-
Trade receivables	-	-	-	-	-	225,385	-	225,385	-
Other receivables	-	-	-	-	-	667,751	-	667,751	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	893,124	-	893,124	-
Tax recoverable	-	-	-	-	-	12,270	-	12,270	-
Property and equipment	-	-	-	-	-	352,689	-	352,689	-
Deferred tax assets	-	-	-	-	-	161,579	-	161,579	-
Intangible assets	-	-	-	-	-	511,352	-	511,352	-
Total assets	25,216,041	12,046,252	2,398,493	6,283,653	5,970,209	11,044,077	3,716,432	66,675,157	
Liabilities									
Deposits from customers	18,232,211	10,193,644	10,698,920	603,745	-	5,226,066	-	44,954,586	2.9
Deposits and placements of banks and other financial institution	2,800,409	395,175	36,768	-	-	217	-	3,232,569	4.1
Obligation of securities sold under repurchase agreements	5,998,737	30,000	-	-	-	-	-	6,028,737	3.3
Bills and acceptance payable	9,594	13,046	7,705	45	-	623,838	-	654,228	3.8
Payables and other liabilities#	-	-	-	-	-	1,517,489	-	1,517,489	-
Provision for claims	-	-	-	-	-	156,127	-	156,127	-
Provision for taxation	-	-	-	-	-	100,003	-	100,003	-
Bank loans	-	25,000	131,000	-	-	-	-	156,000	4.5
Long term and deferred liabilities									
- Term loan	-	-	100,000	-	-	-	-	100,000	4.0
- Medium Term Notes	-	-	-	200,000	-	-	-	200,000	7.0
Subordinated obligations	-	-	-	-	722,617	-	-	722,617	5.3
Insurance funds	-	-	-	-	-	3,619,843	-	3,619,843	-
Total liabilities	27,040,951	10,656,865	10,974,393	803,790	722,617	11,243,583	-	61,442,199	
Shareholder's equity	-	-	-	-	-	3,475,969	-	3,475,969	
Minority interest	-	-	-	-	-	1,756,989	-	1,756,989	
Total liabilities and shareholder's equity	27,040,951	10,656,865	10,974,393	803,790	722,617	16,476,541	-	66,675,157	
On-balance sheet interest sensitivity gap	(1,824,910)	1,389,387	(8,575,900)	5,479,863	5,247,592				
Off-balance sheet interest sensitivity gap	240,000	(1,920,645)	(3,476,507)	(7,551,250)	17,402				
Total interest sensitivity gap	(1,584,910)	(531,258)	(12,052,407)	(2,071,387)	5,264,994				

27. Interest/Profit rate risk (continued)

The Group
30.06.2006

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	13,635,696	-	-	-	-	1,127,303	-	14,762,999	3.7
Securities purchased under resale agreements	2,839,071	1,635,842	-	-	-	-	-	4,474,913	3.8
Deposits and placements with banks and other financial institution	-	1,041,259	443,732	123,535	-	-	-	1,608,526	3.9
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,907,027	3,907,027	3.8
Securities available-for-sale	63,298	351,235	693,840	4,816,947	1,236,385	598,696	-	7,760,401	4.3
Securities held-for-maturity	10,001	174,958	149,313	631,090	206,759	49,083	-	1,221,204	3.8
Loans, advances and financing									
- performing	15,968,924	1,200,943	1,035,402	4,260,683	5,735,219	(379,879)	-	27,821,292	6.5
- non performing	-	-	-	-	-	1,237,666	-	1,237,666	-
Trade receivables	-	-	-	-	-	183,130	-	183,130	-
Other receivables	-	-	-	-	-	802,304	-	802,304	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	881,524	-	881,524	-
Tax recoverable	-	-	-	-	-	14,442	-	14,442	-
Property and equipment	-	-	-	-	-	340,326	-	340,326	-
Deferred tax assets	-	-	-	-	-	171,710	-	171,710	-
Intangible assets	-	-	-	-	-	487,422	-	487,422	-
Total assets	32,516,990	4,404,237	2,322,287	9,832,255	7,178,363	5,513,727	3,907,027	65,674,886	
Liabilities									
Deposits from customers	20,735,106	7,579,329	11,191,947	636,102	-	4,055,933	-	44,198,417	2.8
Deposits and placements of banks and other financial institution	2,304,100	455,175	36,768	-	-	217	-	2,796,260	4.1
Obligation of securities sold under repurchase agreements	6,820,498	30,000	-	-	-	-	-	6,850,498	3.3
Bills and acceptance payable	13,045	13,775	7,785	45	-	511,559	-	546,209	3.8
Payables and other liabilities#	-	-	-	-	-	1,347,670	-	1,347,670	-
Provision for claims	-	-	-	-	-	165,222	-	165,222	-
Provision for taxation	-	-	-	-	-	98,399	-	98,399	-
Bank loans	39,300	32,000	81,000	-	-	-	-	152,300	4.4
Long term and deferred liabilities									
- Commercial paper	-	-	98,145	-	-	-	-	98,145	4.0
- Medium Term Notes	-	-	-	200,000	-	-	-	200,000	7.0
Subordinated obligations	-	-	-	-	704,049	-	-	704,049	5.3
Insurance funds	-	-	-	-	-	3,404,775	-	3,404,775	-
Total liabilities	29,912,049	8,110,279	11,415,645	836,147	704,049	9,583,775	-	60,561,944	
Shareholder's equity	-	-	-	-	-	3,390,637	-	3,390,637	
Minority interest	-	-	-	-	-	1,722,305	-	1,722,305	
Total liabilities and shareholder's equity	29,912,049	8,110,279	11,415,645	836,147	704,049	14,696,717	-	65,674,886	
On-balance sheet interest sensitivity gap	2,604,941	(3,706,042)	(9,093,358)	8,996,108	6,474,314				
Off-balance sheet interest sensitivity gap	(665,000)	(2,925,193)	(4,289,000)	(4,364,107)	(340,700)				
Total interest sensitivity gap	1,939,941	(6,631,235)	(13,382,358)	4,632,001	6,133,614				

29. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 30 September 2006

	Group	
	As at 30/09/06 RM'000	As at 30/06/06 RM'000
ASSETS		
Cash and short-term funds	1,413,121	1,370,943
Securities held at fair value through profit or loss	165,363	129,027
Securities available-for-sale	179,552	178,524
Securities held-for-maturity	435,181	589,337
Financing, advances and other financing	3,878,599	3,944,758
Other receivables	12,550	36,525
Statutory deposits with Bank Negara Malaysia	177,474	163,424
Property, plant and equipment	1,959	2,060
Deferred tax assets	18,467	19,063
Total Assets	6,282,266	6,433,661
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	5,358,720	5,701,544
Deposits and placements of banks and other financial institutions	265,531	135,000
Bills and acceptance payable	182	1,424
Payables and other liabilities	100,113	52,037
Provision for taxation	1,854	2,373
Total Liabilities	5,726,400	5,892,378
Islamic banking capital fund	500,000	500,000
Reserves	55,866	41,283
Islamic Banking Funds	555,866	541,283
Total Liabilities and Islamic Banking Funds	6,282,266	6,433,661
Commitments and Contingencies	488,241	427,370

**(b) Unaudited Income Statements for the 1st Quarter and Cumulative Three Months Ended
30 September 2006**

	Current quarter ended		Cumulative quarter ended	
	30/09/06 RM '000	30/09/05 RM '000	30/09/06 RM '000	30/09/05 RM '000
Group				
Income derived from investment of deposits' funds and others	76,799	67,967	76,799	67,967
Income derived from investment of shareholders' funds	7,589	6,658	7,589	6,658
Allowance for losses on financing	1,566	(2,253)	1,566	(2,253)
Profit equalisation reserve	1,000	-	1,000	-
Total distributable income	86,954	72,372	86,954	72,372
Income attributable to deposits	(49,217)	(34,601)	(49,217)	(34,601)
Total net income	37,737	37,771	37,737	37,771
Other operating expenses	(18,849)	(20,658)	(18,849)	(20,658)
Profit before taxation and zakat	18,888	17,113	18,888	17,113
Zakat	(9)	(15)	(9)	(15)
Taxation	(5,100)	(4,822)	(5,100)	(4,822)
Profit after taxation and zakat	13,779	12,276	13,779	12,276
Profit attributable to shareholders	13,779	12,276	13,779	12,276
Earnings per share - basic (sen)	2.76	2.46	2.76	2.46
Earnings per share - fully diluted (sen)	2.76	2.46	2.76	2.46

(c) Financing, advances and other financing

(i) By type

	Group	
	As at 30/09/06 RM'000	As at 30/06/06 RM'000
Cash line	9,283	10,196
Term financing		
- House financing	1,261,232	1,045,491
- Hire purchase receivable	3,252,627	3,343,399
- Lease receivable	17,236	15,098
- Other term financing	537,773	548,171
Claims on customers under acceptance credits	20,790	103,291
Staff financing	113	123
Revolving credit	3,402	2,900
Others	1,148	1,096
	<u>5,103,604</u>	<u>5,069,765</u>
Less: Unearned income	<u>(1,139,039)</u>	<u>(1,037,941)</u>
	3,964,565	4,031,824
Less: Allowance for bad and doubtful financing		
- General	(59,175)	(60,158)
- Specific	(26,791)	(26,908)
Total net financing, advances and other financing	<u>3,878,599</u>	<u>3,944,758</u>

(ii) By contract

	Group	
	As at 30/09/06 RM'000	As at 30/06/06 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,065,733	979,754
Ijarah (lease)	15,809	13,794
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,862,233	2,934,985
Murabahah (cost-plus)	20,790	103,291
	<u>3,964,565</u>	<u>4,031,824</u>

Non-performing financing

(a) Movements in non-performing financing, advances and other financing

	Group	
	As at 30/09/06	As at 30/06/06
	RM'000	RM'000
At beginning	75,637	70,437
Non-performing during the period/year	63,042	240,128
Reclassified as performing	(49,329)	(195,844)
Amount written back in respect of recoveries	(7,643)	(32,270)
Amount written off	-	(6,814)
Closing balance	<u>81,707</u>	<u>75,637</u>
Net non-performing financing, advances and other financing	<u>54,916</u>	<u>48,729</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.4%</u>	<u>1.2%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/09/06	As at 30/06/06
	RM'000	RM'000
General allowance		
At beginning	60,158	55,009
Net allowance made during the period/year	(983)	5,149
Closing balance	<u>59,175</u>	<u>60,158</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	26,908	13,063
Allowance made during the period/year	7,299	26,771
Amount written back in respect of recoveries	(7,416)	(6,111)
Amount written off	-	(6,815)
Closing balance	<u>26,791</u>	<u>26,908</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 30/09/06 RM'000	As at 30/06/06 RM'000
Non-Mudharabah		
Demand deposits	177,106	127,218
Savings deposits	465,070	433,735
Negotiable instruments of deposit	378,874	1,739,230
	<u>1,021,050</u>	<u>2,300,183</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	327,446	292,243
General investment deposits	2,733,414	2,094,070
Specific investment deposits	1,275,449	1,013,613
Others	1,361	1,435
	<u>4,337,670</u>	<u>3,401,361</u>
	<u>5,358,720</u>	<u>5,701,544</u>

30. Change in Accounting Policies and Prior Year Adjustments

(a) Change in Accounting Policies

During the quarter ended 30 September 2006, the Group have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 July 2006 which resulted in changes in accounting policies as follows:

(i) 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.

For the current quarter under review, there were no share options granted under the ESOS and accordingly, the adoption of FRS 2 has not resulted in any financial impact to the Group.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept advances from the Group to purchase the Company's ordinary shares from the open market for the purposes of the ESOS.

In accordance with IC Interpretation 112 Consolidation - Special Purpose Entities, the advances given to the trustee is consolidated and classified as Treasury Shares held for ESOS.

(ii) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in the Group ceasing amortisation of goodwill. 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 years, goodwill arising on consolidation is carried forward at cost less the previous amount written off. Goodwill will be written down at such time when the Directors consider there has been a permanent diminution in the value of the investments. The exception is in respect of an immaterial sum of goodwill arising on consolidation of a subsidiary group which is amortised over a period of 20 years.

(iii) 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.

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 FINANCIAL GROUP BERHAD (“HLFG”)

(formerly known as Hong Leong Credit Berhad)

ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

1. Review of performance

Current quarter against previous corresponding quarter

The Group achieved a profit before tax of RM207.9 million for the quarter ended 30 September 2006 as compared to RM203.8 million in the previous corresponding quarter, an increase of RM4.1 million or 2.0%. This was mainly due to higher contribution from Banking division and Insurance division.

The Banking division recorded a pre-tax profit of RM198.4 million for the current financial quarter ended 30 September 2006, an increase of RM0.9 million as compared to previous corresponding quarter. This is mainly due to higher net income of RM42.0 million which was spurred by strong growth in business volume.

The Insurance division registered a profit before tax of RM12.0 million for the current quarter compared to a profit before tax of RM8.2 million in the previous corresponding quarter. This was mainly due to higher insurance premium income.

The Stockbroking and Asset Management registered a lower profit before tax of RM4.3 million compared to a profit before tax of RM5.1 million in the previous corresponding quarter, due mainly to a gain on revaluation of securities held at fair value through profit and loss in the previous corresponding quarter.

2. Review of performance of current quarter against preceding quarter

For the current financial quarter under review, the Group recorded a profit before tax of RM207.9 million as compared to RM273.2 million in the preceding quarter. This decrease was mainly contributed by lower profits from the Insurance division and Stockbroking and Asset Management division.

The Banking division recorded a profit before tax of RM198.4 million as compared to RM201.3 million in the preceding quarter, a decrease of RM2.9 million arising from higher loan loss provision.

The Insurance division registered a profit before taxation of RM28.5 million for the current quarter as compared to RM63.4 million in the preceding quarter. The decrease was mainly due to surplus transferred from Life Fund in the preceding quarter, which is done only in the fourth quarter of every financial year.

The Stockbroking and Asset Management division registered a profit before tax of RM4.3 million as compared to RM13.2 million in the preceding quarter. The lower profit before tax for the current financial quarter under review was mainly due to lower brokerage income and a gain from sale of Bursa shares amounting to RM7.9 million in the preceding quarter.

3. Current year prospect

Barring unforeseen circumstances, the Group is expected to perform satisfactorily for the current financial year.

4. Variance of actual profit from forecasted profit

There was no profit forecast or profit guarantee issued by the Group.

5. Taxation

Provision based on profits for the financial period ended 30 September 2006:

	Group		Group	
	Current quarter ended		Cumulative quarter ended	
	30/09/06	30/09/05	30/09/06	30/09/05
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(63,431)	(53,784)	(63,431)	(53,784)
Overseas – current	(341)	(165)	(341)	(165)
Transfer (from) / to deferred tax	5,121	(4,552)	5,121	(4,552)
	<u>(58,651)</u>	<u>(58,501)</u>	<u>(58,651)</u>	<u>(58,501)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(58,651)</u>	<u>(58,501)</u>	<u>(58,651)</u>	<u>(58,501)</u>

The effective tax rate for the Group for the current quarter and the financial period is higher than the statutory rate of taxation due to non-deductibility of certain expenses.

6. Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the financial quarter/period under review in HLFG.

7. Purchase / sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the financial period under review other than those purchased or disposed in the ordinary course of business.

8. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this report other than mentioned below:-

Hong Leong Bank Berhad (“HLB”) had, on 28 March 2006, announced that it had entered into a joint venture agreement with Hong Leong Assurance Berhad (“HLA”) and Tokio Marine & Nichido Fire Insurance Co. Ltd (“Tokio Marine”) to form a joint venture company to be known as Hong Leong Tokio Marine Takaful Berhad to operate as a registered takaful operator (“JV”). The equity participation in the JV company is HLB (55%), HLA (10%) and Tokio Marine (35%).

Bank Negara Malaysia had, vide its letter dated 2 March 2006, approved an application by the JV parties for a takaful licence under the Takaful Act 1984. The JV represented a strategic alliance between the parties to undertake Takaful business in Malaysia and a vehicle for future overseas expansion in the Takaful business.

9. Group borrowings

The Group borrowings include:

	As at 30/09/06 RM '000	As at 30/06/06 RM '000
Short Term – unsecured	156,000	152,300
Long Term – unsecured	300,000	298,145
Total Borrowings	<u>456,000</u>	<u>450,445</u>
Subordinated Bonds	722,617	704,049

All borrowings are denominated in Ringgit Malaysia.

On 3 August 2005, the Banking subsidiary company, Hong Leong Bank (“the Bank” or “HLB”) issued USD200 million in aggregate principal amount of Subordinated Bonds (“the Bonds”) due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August in each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

The Bonds constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Banking Group and the Bank.

10. Off-Balance Sheet financial instruments

The Banking Group has incurred the following:

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 Mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	2,602,795	1,615,080	498,576	297,236	161,095	30,808	-
- swaps	6,047,538	2,371,336	884,684	1,635,106	191,712	218,700	746,000
- options	2,562,428	1,164,612	907,843	438,490	29,468	22,015	-
Interest rate related contracts							
- forwards							
- futures	21,034,351	-	2,097,338	2,147,000	4,948,843	11,822,727	18,443
- swaps	12,017,067	60,000	60,000	430,000	1,960,000	9,119,161	387,906
Total	44,264,179	5,211,028	4,448,441	4,947,832	7,291,118	21,213,411	1,152,349

Foreign exchange, interest rate, equity and commodity related contracts are subject to market risk and credit risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM185,546,000 (FYE June 2006: RM340,585,000) and RM15,149,308,158 (FYE June 2006: RM14,197,940,190) respectively.

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group has a gain position. As at the end of the financial period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM57,002,058 (FYE June 2006: RM115,302,951). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited annual financial statements.

11. Material litigation

The Company was served with a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") in relation to the termination of the Sale and Purchase Agreement ("SPA") dated 31 October 2000 between HLG Securities Sdn Bhd ("HLG Sec") and BSH for the proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd ("BS") for a total purchase consideration of RM88 million comprising RM31 million cash and the balance RM57 million to be satisfied through the issue of new HLG shares to BSH ("Proposed Acquisition"). In conjunction with the Proposed Acquisition, BSH issued a letter to HLFG undertaking to give HLFG a first right of refusal to purchase any or all of the new HLG shares that BSH may, from time to time, wish to sell ("Undertaking").

In view of the Undertaking, HLFG was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HLFG had to abstain from voting at the extraordinary general meeting ("EGM") of HLG convened to consider the Proposed Acquisition. BSH alleged that HLFG ought not to have abstained from voting at the EGM and in so doing, had caused the SPA to be terminated. The Company is of the view that the claim is baseless and had appointed lawyers to defend the suit.

Other than the above, there is no pending material litigation.

12. HLFG Dividends

An interim dividend of 9 sen per share less income tax of 27% had been proposed by the Company during the financial quarter.

- (a) Amount per share : 9 sen per share less, income tax of 27%
- (b) Previous corresponding quarter : 8 sen per share less, income tax of 28%
- (c) Entitlement date : 5 December 2006
- (d) Payment date : 18 December 2006

Total proposed HLFG dividend for the current quarter is 9 sen per share less income tax of 27%.

13. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares in issue during the financial period.

Weighted Average Number Of Ordinary Shares	Group Current quarter ended		Group Cumulative quarter ended	
	30/09/06 RM '000	30/09/05 RM '000	30/09/06 RM '000	30/09/05 RM '000
Weighted average number of ordinary shares	1,028,379	1,040,722	1,028,379	1,040,722
Net profit attributable to shareholders of the company	93,460	91,154	93,460	91,154
Basic earnings per share (Sen)	9.1	8.8	9.1	8.8

Weighted Average Number Of Ordinary Shares	Company Current quarter ended		Company Cumulative quarter ended	
	30/09/06 RM '000	30/09/05 RM '000	30/09/06 RM '000	30/09/05 RM '000
Weighted average number of ordinary shares	1,028,918	1,040,722	1,028,918	1,040,722
Net profit attributable to shareholders of the company	(6,855)	(939)	(6,855)	(939)
Basic earnings per share (Sen)	(0.7)	(0.1)	(0.7)	(0.1)

(b) Fully diluted earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares in issue during the financial period.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group Current quarter ended		Group Cumulative quarter ended	
	30/09/06 RM '000	30/09/05 RM '000	30/09/06 RM '000	30/09/05 RM '000
Weighted average no. of shares as at end of financial period	1,028,379	1,040,722	1,028,379	1,040,722
Effect of share options	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,028,379	1,040,722	1,028,379	1,040,722
Net profit attributable to shareholders of the company	93,460	91,154	93,460	91,154
Fully diluted earnings per share (Sen)	9.1	8.8	9.1	8.8

Fully Diluted Weighted Average Number Of Ordinary Shares	Company Current quarter ended		Company Cumulative quarter ended	
	30/09/06 RM '000	30/09/05 RM '000	30/09/06 RM '000	30/09/05 RM '000
Weighted average no. of shares as at end of financial period	1,028,918	1,040,722	1,028,918	1,040,722
Effect of share options	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,028,918	1,040,722	1,028,918	1,040,722
Net profit attributable to shareholders of the company	(6,855)	(939)	(6,855)	(939)
Fully diluted earnings per share (Sen)	(0.7)	(0.1)	(0.7)	(0.1)