

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**(Formerly known as Hong Leong Credit Berhad)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 31 MARCH 2007**

	<b>As at 31/03/07 RM '000</b>	<b>As at 30/06/06 RM '000</b>
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	18,753,096	14,762,999
Deposits and placements with financial institutions	10,297,284	1,608,526
Securities purchased under resale agreements	4,235,607	4,474,913
Securities held at fair value through profit or loss	2,990,264	3,907,027
Securities available-for-sale	5,580,179	7,760,401
Securities held-to-maturity	2,620,390	1,221,204
Loans, advances and financing	30,940,699	29,058,958
Trade receivables	511,947	183,130
Other receivables	927,083	802,304
Statutory deposits with Bank Negara Malaysia	1,152,439	881,524
Tax recoverable	6,169	14,442
Deferred tax asset	161,727	171,710
Property, plant and equipment	362,275	340,326
Intangible assets	521,622	487,422
<b>Total Assets</b>	<b>79,060,781</b>	<b>65,674,886</b>
<b><u>Liabilities</u></b>		
Deposits from customers	49,378,733	44,198,417
Deposits and placements of banks and other financial institutions	4,136,206	2,796,260
Obligations on securities sold under repurchase agreements	4,662,645	6,850,498
Bills and acceptances payable	798,341	546,209
Short term corporate placement	6,916,635	-
Payables and other liabilities	1,854,643	1,347,670
Provision for claims	179,406	165,222
Provision for taxation	109,973	98,399
Bank loans	139,500	152,300
Subordinated notes	688,679	704,049
Syndicated facility	518,625	-
Long term liabilities	299,879	298,145
Insurance funds	3,933,527	3,404,775
<b>Total Liabilities</b>	<b>73,616,792</b>	<b>60,561,944</b>
<b><u>Equity</u></b>		
Share capital	1,040,830	1,040,722
Capital reserves	1,217,924	1,189,951
Retained profits	1,430,672	1,217,673
Fair value reserves	8,439	(42,471)
Treasury shares held for ESOS	(67,666)	(15,238)
<b>Total shareholders' equity</b>	<b>3,630,199</b>	<b>3,390,637</b>
Minority interest	1,813,790	1,722,305
<b>Total Equity</b>	<b>5,443,989</b>	<b>5,112,942</b>
<b>Total Liabilities and Equity</b>	<b>79,060,781</b>	<b>65,674,886</b>
<b>Commitment and Contingencies</b>	<b>71,125,059</b>	<b>48,109,341</b>

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**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

<b>THE GROUP</b>	<b>Current quarter ended</b>		<b>Nine months ended</b>	
	<b>31/03/07</b>	<b>31/03/06</b>	<b>31/03/07</b>	<b>31/03/06</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	740,858	618,645	2,116,794	1,755,118
Interest expense	(444,815)	(353,746)	(1,242,718)	(1,028,027)
Net interest income	296,043	264,899	874,076	727,091
Income from Islamic banking business	36,369	41,040	103,156	124,342
Non interest income	163,072	174,795	457,871	436,888
Net income	495,484	480,734	1,435,103	1,288,321
Overhead expenses	(223,846)	(186,798)	(617,206)	(535,077)
Operating profit before allowances	271,638	293,936	817,897	753,244
Allowance for losses on loans, advances and financing	(52,824)	(52,451)	(155,173)	(155,086)
Impairment loss	-	(24)	-	(3,178)
Profit before taxation and zakat	218,814	241,461	662,724	594,980
Taxation	(59,981)	(69,781)	(182,104)	(175,134)
Zakat	(12)	(10)	(30)	(40)
Net profit for the period	158,821	171,670	480,590	419,806
Attributable to :				
Equity holders of the parent	102,194	108,600	311,465	265,560
Minority interests	56,627	63,070	169,125	154,246
Net profit for the period	158,821	171,670	480,590	419,806
Basic earnings per ordinary share (sen)	10.0	10.4	30.4	25.5
Diluted earnings per ordinary share (sen)	9.8	10.4	30.0	25.5

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**UNAUDITED COMPANY BALANCE SHEETS AS AT 31 MARCH 2007**

	As at 31/03/07 RM '000	As at 30/06/06 RM '000
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	25,082	46,975
Securities held at fair value through profit or loss	50,073	-
Other receivables	6,457	7,731
Tax recoverable	6,168	12,269
Investment in subsidiaries	2,048,349	2,049,249
Property, plant and equipment	3,739	1,657
<b>Total Assets</b>	<b>2,139,868</b>	<b>2,117,881</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	17,507	20,800
Bank loans	116,000	120,300
Long term liabilities	299,879	298,145
<b>Total Liabilities</b>	<b>433,386</b>	<b>439,245</b>
<b><u>Financed by:</u></b>		
Share capital	1,040,830	1,040,722
Capital reserves	90,111	89,700
Retained profits	641,291	561,536
Treasury shares held for ESOS	(65,750)	(13,322)
<b>Total Equity</b>	<b>1,706,482</b>	<b>1,678,636</b>
<b>Total Liabilities and Equity</b>	<b>2,139,868</b>	<b>2,117,881</b>
<b>Commitment and Contingencies</b>	<b>-</b>	<b>-</b>

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**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

<b>THE COMPANY</b>	<b>Current quarter ended</b>		<b>Nine months ended</b>	
	<b>31/03/07</b>	<b>31/03/06</b>	<b>31/03/07</b>	<b>31/03/06</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Interest income	45	137	196	439
Interest expense	(5,629)	(5,377)	(17,298)	(16,185)
Net interest income	(5,584)	(5,240)	(17,102)	(15,746)
Non interest income	87,069	85,869	235,953	239,380
Net income	81,485	80,629	218,851	223,634
Overhead expenses	(3,128)	(2,115)	(8,059)	(5,287)
Profit before taxation and zakat	78,357	78,514	210,792	218,347
Taxation	(23,123)	(23,980)	(62,662)	(66,923)
Net profit for the period	55,234	54,534	148,130	151,424
Basic earnings per ordinary share (sen)	5.4	5.2	14.4	14.5
Diluted earnings per ordinary share (sen)	5.3	5.2	14.3	14.5

**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 31 MARCH 2007**

THE GROUP FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007	Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital		Fair Value Reserves RM '000	Exchange Fluctuation Reserves RM '000		Retained Profits RM '000	Treasury Shares RM '000	Total Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
				Reserves & General Reserves RM '000	Reserves		Fluctuation Reserves RM '000	Reserves					
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		
Exchange fluctuation differences						(2,529)			(2,529)		(2,529)		
Net fair value changes in available-for-sale securities					50,910				50,910		50,910		
Net income/(expense) recognised directly in equity					50,910	(2,529)			48,381		48,381		
Net profit for financial period							311,465		311,465		169,125		480,590
Total recognised income/(expense) for the period					50,910	(2,529)	311,465		359,846		169,125		528,971
Issue of shares arising from the exercise of Warrants 1997/2007	108	411							519		519		
Allocation of other reserves to minority interests										(77,640)	(77,640)		
Transfer to statutory reserves			30,091				(30,091)						
Dividend paid							(68,375)		(68,375)				(68,375)
Treasury Shares held for ESOS								(52,428)	(52,428)				(52,428)
<b>AT 31 MARCH 2007</b>	<b>1,040,830</b>	<b>71,627</b>	<b>993,257</b>	<b>133,258</b>	<b>8,439</b>	<b>19,782</b>	<b>1,430,672</b>	<b>(67,666)</b>	<b>3,630,199</b>	<b>1,813,790</b>	<b>5,443,989</b>		

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006	Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital		Fair Value Reserves RM '000	Exchange Fluctuation Reserves RM '000		Retained Profits RM '000	Treasury Shares RM '000	Total Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
				Reserves & General Reserves RM '000	Reserves		Fluctuation Reserves RM '000	Reserves					
Opening balance as at 1 July 2005	1,040,722	71,216	870,813	133,258	-	26,226	1,069,534	-	3,211,769	1,685,166	4,896,935		
Prior year adjustment					9,397		(920)		6,561	1,727	8,288		
Restated opening balance as at 1 July 2005	1,040,722	71,216	870,813	133,258	9,397	26,226	1,068,614	(1,916)	3,218,330	1,686,893	4,905,223		
Exchange fluctuation differences						164			164		164		
Net fair value changes in available-for-sale securities					(38,109)				(38,109)		(38,109)		
Net income/(expense) recognised directly in equity					(38,109)	164			(37,945)		(37,945)		
Net profit for financial period							265,560		265,560		154,246		419,806
Total recognised income/(expense) for the period					(38,109)	164	265,560		227,615		154,246		381,861
Transfer to statutory reserves			68,256				(68,256)						
Dividend paid							(59,946)		(59,946)				(59,946)
Allocation of other reserves to minority interests										(168,930)	(168,930)		
<b>AT 31 MARCH 2006</b>	<b>1,040,722</b>	<b>71,216</b>	<b>939,069</b>	<b>133,258</b>	<b>(28,712)</b>	<b>26,390</b>	<b>1,205,972</b>	<b>(1,916)</b>	<b>3,385,999</b>	<b>1,672,209</b>	<b>5,058,208</b>		

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**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

	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
<b>FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007</b>						
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 financial period	-	-	-	148,130	-	148,130
Total recognised income/(expense) for the period	-	-	-	148,130	-	148,130
Issue of shares arising from the exercise of Warrants 1997/2007	108	411	-	-	-	519
Dividend paid	-	-	-	(68,375)	-	(68,375)
Treasury Shares held for ESOS	-	-	-	-	(52,428)	(52,428)
<b>AT 31 MARCH 2007</b>	<b>1,040,830</b>	<b>71,627</b>	<b>18,484</b>	<b>641,291</b>	<b>(65,750)</b>	<b>1,706,482</b>

	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
<b>FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006</b>						
Opening balance as at 1 July 2005	1,040,722	71,216	18,484	519,780	-	1,650,202
Net profit for the financial period	-	-	-	151,424	-	151,424
Total recognised income/(expense) for the period	-	-	-	151,424	-	151,424
Dividend paid	-	-	-	(59,946)	-	(59,946)
Treasury Shares held for ESOS	-	-	-	-	-	-
<b>AT 31 MARCH 2006</b>	<b>1,040,722</b>	<b>71,216</b>	<b>18,484</b>	<b>611,258</b>	<b>-</b>	<b>1,741,680</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
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**UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

<b><u>THE GROUP</u></b>	<b>31/03/07</b>	<b>31/03/06</b>
	<b>RM '000</b>	<b>RM '000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	662,724	594,980
<b>Adjustments for :</b>		
Non-cash items	468,539	366,142
Operating profit before working capital changes	1,131,263	961,122
Increase in assets / receivables	(9,307,829)	(11,683,297)
Increase in liabilities / payables	12,006,314	9,355,321
	2,698,485	(2,327,976)
<b>Cash used in operations</b>	<b>3,829,748</b>	<b>(1,366,854)</b>
Income tax paid	(196,517)	(168,430)
Interest paid	(17,298)	(17,796)
Interest received	3,433	1,514
	(210,382)	(184,712)
<b>Net cash used in operating activities</b>	<b>3,619,366</b>	<b>(1,551,566)</b>
<b>Cash flow from investing activities</b>		
Interest received on securities available-for-sale and held-to-maturity	197,991	262,374
Dividends received on securities available-for-sale and held-to-maturity	3,131	5,564
Proceeds from disposal of property, plant and equipment	35,315	1,260
Purchase of property, plant and equipment	(108,506)	(64,375)
Acquisition of additional shares in subsidiary by minority interest	35,000	-
<b>Net cash generated from investing activities</b>	<b>162,931</b>	<b>204,823</b>
<b>Cash flow from financing activities</b>		
Drawdown/(Repayment) of borrowings	(12,800)	(44,700)
Dividends paid to minority interest	(90,599)	(99,858)
Dividends paid to shareholders of the Company	(68,375)	(59,946)
Purchase of treasury shares in subsidiary company	(82,519)	(61,235)
Purchase of ESOS shares	(52,428)	-
Proceed from exercise of Warrant 1997/2007	519	-
Net proceeds from issuance of syndicated facility	518,625	-
Net proceeds from issuance of subordinated notes	-	736,650
<b>Net cash generated from financing activities</b>	<b>212,423</b>	<b>470,911</b>
<b>Net decrease in cash and cash equivalents</b>	<b>3,994,720</b>	<b>(875,832)</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>14,762,999</b>	<b>11,556,472</b>
<b>Effect of change in foreign exchange rate</b>	<b>(4,623)</b>	<b>162</b>
<b>Cash and cash equivalents as at 31 March</b>	<b>18,753,096</b>	<b>10,680,802</b>
<b>Analysis of cash and cash equivalents as at 31 March</b>		
Cash and short term funds	18,868,999	10,700,918
Less: Remisiers' and clients' trust monies	(115,903)	(20,116)
	<b>18,753,096</b>	<b>10,680,802</b>

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**UNAUDITED COMPANY CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

<u>COMPANY</u>	31/03/07 RM '000	31/03/06 RM '000
<b>Cash flows from operating activities</b>		
Profit before taxation and zakat	210,792	218,347
<u>Adjustments for :</u>		
Non-cash items	(197,272)	(223,042)
Operating profit before working capital changes	<u>13,520</u>	<u>(4,695)</u>
Increase in assets / receivables	(42,501)	(6,936)
Increase in liabilities / payables	(18,862)	4,004
	<u>(61,363)</u>	<u>(2,932)</u>
<b>Cash used in operations</b>	<b>(47,843)</b>	<b>(7,627)</b>
Interest paid	(17,298)	(16,185)
Interest received	196	439
	<u>(17,102)</u>	<u>(15,746)</u>
<b>Net cash used in operating activities</b>	<b>(64,945)</b>	<b>(23,373)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(2,683)	(618)
Dividend received from investment	169,419	172,088
Proceed from disposal of property, plant and equipment	-	1
Proceeds from liquidation of a subsidiary company	-	(224)
Redemption of Redeemable Preference Shares by subsidiary	900	-
Purchase of ESOS shares	(52,428)	-
<b>Net cash generated from investing activities</b>	<b>115,208</b>	<b>171,247</b>
<b>Cash flow from financing activities</b>		
Dividends paid	(68,375)	(59,946)
Proceeds from exercise of warrants 1997/2007	519	-
Drawdown/(Repayment) of revolving credit	(4,300)	(40,700)
<b>Net cash generated from financing activities</b>	<b>(72,156)</b>	<b>(100,646)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(21,893)</b>	<b>47,228</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>46,975</b>	<b>21,023</b>
<b>Cash and cash equivalents as at 31 March</b>	<b><u>25,082</u></b>	<b><u>68,251</u></b>



**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 31 MARCH 2007**

**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 unaudited 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, 108, 110, 116, 121, 127, 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 HLFGB**

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 period ended 31 March 2007 other than as mentioned below.

Exercise of Warrants 1997/2007

During the financial period, the issued and paid-up share capital of the Company was increased from 1,040,722,242 ordinary shares of RM1.00 each to 1,040,830,042 ordinary shares of RM1.00 each by the issue of 107,800 new ordinary shares of RM1.00 each at RM4.82 per share arising from the exercise of 107,800 Warrants 1997/2007 of the Company. The resulting share premium amounting to RM411,000 has been credited to share premium account.

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 shares 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' Equity on the Balance Sheet. As at 31 March 2007, the number of shares bought by the appointed trustee was 14,461,408 at an average price of RM4.55 and the total consideration paid, including transaction costs was RM65,749,757.

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 RM1,916,000, which have been classified as treasury shares held for ESOS at the Group level.

**7. Dividends paid**

An interim dividend of 9 sen per share less income tax on 27% amounted to RM68,375,451 was paid on 18 December 2006.

**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	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 31 MARCH 2007	Securities & Asset					Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	
<b>Revenue for the nine months ended</b>						
External sales	1,304,950	48,105	91,800	(13,012)	-	1,431,843
Intersegment sales	3,498	4,504	6,765	3,340	(14,847)	3,260
	<u>1,308,448</u>	<u>52,609</u>	<u>98,565</u>	<u>(9,672)</u>	<u>(14,847)</u>	<u>1,435,103</u>
<b>Results for the nine months ended</b>						
Segment results	614,894	25,753	41,294	214,093	(233,310)	662,724
Profit before taxation and zakat						<u>662,724</u>
Taxation and zakat						<u>(182,134)</u>
Profit after taxation						480,590
Minority interest						<u>(169,125)</u>
Net profit for the period						<u>311,465</u>
<b>Other information</b>						
Segment assets	72,683,940	643,109	4,856,503	99,400	609,933	78,892,885
Other corporate assets						167,896
<b>Total consolidated assets</b>						<u>79,060,781</u>
Segment liabilities	68,298,037	481,764	4,476,068	24,399	(102,859)	73,177,409
Other corporate liabilities						439,383
<b>Total consolidated liabilities</b>						<u>73,616,792</u>
Capital expenditure	100,476	1,117	4,307	2,606	-	108,506
Depreciation	41,442	553	8,952	713	-	51,660
Loan loss and other allowances	155,173	-	-	-	-	155,173

GROUP 31 MARCH 2006	Securities & Asset					Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	
<b>Revenue for the nine months ended</b>						
External sales	1,176,569	36,944	81,783	(14,079)	7,104	1,288,321
Intersegment sales	3,524	1,491	6,763	1,165	(12,943)	-
	<u>1,180,093</u>	<u>38,435</u>	<u>88,546</u>	<u>(12,914)</u>	<u>(5,839)</u>	<u>1,288,321</u>
<b>Results for the nine months ended</b>						
Segment results	562,978	16,959	34,951	(19,779)	(129)	594,980
Profit before taxation and zakat						<u>594,980</u>
Taxation and zakat						<u>(175,174)</u>
Profit after taxation						<u>419,806</u>
Minority interest						<u>(154,246)</u>
Net profit for the period						<u>265,560</u>
<b>Other information</b>						
Segment assets	63,136,802	469,119	4,184,052	126,472	(128,795)	67,787,650
Other corporate assets						171,499
<b>Total consolidated assets</b>						<u>67,959,149</u>
Segment liabilities	58,490,895	250,157	3,774,446	23,404	(108,549)	62,430,353
Other corporate liabilities						470,588
<b>Total consolidated liabilities</b>						<u>62,900,941</u>
Capital expenditure	56,025	892	6,548	910	-	64,375
Depreciation	41,782	1,192	11,962	444	-	55,380
Loan loss and other allowances	155,086	-	-	-	-	155,086

## 9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	114,457	24,652
Malaysian Government Securities	169,976	246,604
Negotiable instruments of deposit	437,388	2,592,938
Bankers' acceptances and Islamic accepted bills	217,068	15,312
Bank Negara Malaysia bills	1,371,361	69,158
Khazanah bonds	24,619	-
Cagamas bonds/notes	65,663	742,369
	2,400,532	3,691,033
Quoted securities :		
Shares/Loan stocks/Unit Trust	221,732	62,419
Foreign currency bonds	1,800	54,994
Unquoted securities :		
Syndicated bond	25,000	-
Private debt securities	335,948	82,826
<b><u>Others designated at fair value through P&amp;L</u></b>		
Loan stock quoted in Malaysia	5,252	15,755
	2,990,264	3,907,027
Total securities held at fair value through profit and loss	2,990,264	3,907,027

	Company	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	50,073	-

## 10. Securities available-for-sale

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Government Treasury Bills	406,695	256,703
Malaysian Government Securities	2,177,711	3,069,429
Malaysian Government Investment Certificates	-	24,615
Cagamas bonds	1,040,364	1,539,632
HK Government Exchange Fund	8,819	23,561
	3,633,589	4,913,940
Quoted securities :		
Shares/Loan stocks/Unit Trust	527,707	610,539
Foreign Currency Bonds	63,635	1,003,278
Unquoted securities :		
Private debt securities/shares/reits	1,355,248	1,232,644
Total securities available-for-sale	5,580,179	7,760,401

## 11. Securities held-to-maturity

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	119,222	248,194
Malaysian Government Investment Certificates	169,752	155,866
Negotiable instruments of deposit	1,748,318	-
Cagamas bonds	275,107	440,359
Khazanah bonds	-	4,875
	2,312,399	849,294
Quoted securities :		
Foreign Currency Bonds	10,376	11,039
Unquoted securities :		
Private debt securities/shares/loan stocks	297,615	360,871
Total securities held-to-maturity	2,620,390	1,221,204

## 12. Loans, advances and financing

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
Overdrafts	2,644,364	2,959,945
Term loans :		
- Housing loans/financing	16,015,164	13,687,545
- Syndicated term loan/financing	1,667,238	1,270,824
- Hire purchase receivables	5,742,861	6,166,419
- Lease receivables	30,644	19,450
- Other term loans/financing	1,558,182	1,601,129
Credit/charge card receivables	1,571,628	1,204,604
Bills receivables	345,778	479,948
Trust receipts	135,223	153,710
Claims on customers under acceptance credits	2,571,918	2,478,691
Block discounting	22,370	19,540
Revolving credits	725,179	635,503
Policy and premium loans	483,919	440,090
Staff loans	115,386	117,073
Other loans/financing	56,776	61,966
	33,686,630	31,296,437
Unearned interest and income	(1,682,804)	(1,327,429)
	32,003,826	29,969,008
Allowance for bad and doubtful debts and financing :		
- general	(463,832)	(436,233)
- specific	(599,295)	(473,817)
Net loans, advances and financing	30,940,699	29,058,958

## 12. Loans, advances and financing (continued)

### (a) By type of customer

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
Domestic banking institutions	355	149
Domestic non-bank financial institutions	160,593	123,561
Domestic business enterprises		
- Small and medium enterprises	3,314,061	3,746,882
- Others	6,035,769	5,776,117
Government and statutory bodies	339,346	114,638
Individuals	21,212,682	19,249,310
Other domestic entities	29,849	29,113
Foreign entities	911,171	929,238
Gross loans, advances and financing	<u>32,003,826</u>	<u>29,969,008</u>

### (b) By interest/profit rate sensitivity

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
Fixed rate		
- Housing loans/financing	3,697,975	3,665,259
- Hire purchase receivables	4,950,823	5,476,042
- Other fixed rate loan/financing	2,886,002	2,311,124
Variable rate		
- Base lending rate plus	17,211,902	15,195,330
- Cost plus	3,200,423	3,223,618
- Other variables rates	56,701	97,635
Gross loans, advances and financing	<u>32,003,826</u>	<u>29,969,008</u>

### (c) By economic sector

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
Agriculture	345,709	310,643
Mining and quarrying	27,669	37,146
Manufacturing	2,271,797	2,531,467
Electricity, gas and water	15,462	22,640
Construction	559,538	643,895
Real Estate	381,568	387,432
Purchase of landed properties (of which : - residential - non-residential)	11,728,257	10,448,532
General commerce	3,886,430	3,354,428
Transport, storage and communication	2,248,590	2,108,620
Finance, insurance and business services	286,543	307,911
Purchase of securities	654,804	669,818
Purchase of transport vehicles	569,692	703,516
Consumption credit	4,469,298	4,703,448
Others	3,205,525	2,548,124
Gross loans, advances and financing	<u>1,352,944</u>	<u>1,191,388</u>
	<u>32,003,826</u>	<u>29,969,008</u>

## 12. Loans, advances and financing (continued)

### (d) Non-performing loans by sector

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
Agriculture	1,777	4,405
Mining and quarrying	3,152	4,294
Manufacturing	181,580	178,329
Electricity, gas and water	180	280
Construction	77,446	107,267
Real estate	96,137	93,646
Purchase of landed properties		
(of which : - residential	339,675	337,276
- non-residential)	127,638	160,412
General commerce	75,284	96,046
Transport, storage and communication	27,100	26,788
Finance, insurance and business services	109,590	123,336
Purchase of securities	21,011	33,461
Purchase of transport vehicles	118,543	107,102
Consumption credit	75,895	71,278
Others	24,751	38,063
Gross loans, advances and financing	<u>1,279,759</u>	<u>1,381,983</u>

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

	Group	
	As at 31/03/07 RM '000	As at 30/06/06 RM '000
At beginning	1,381,983	1,657,683
Non-performing during the period/year	2,305,517	3,251,908
Reclassified as performing	(1,997,640)	(2,757,428)
Amount written back in respect of recoveries	(353,237)	(481,955)
Amount written off	(56,864)	(289,745)
Exchange differences	-	1,520
Closing balance	<u>1,279,759</u>	<u>1,381,983</u>
Specific allowance	<u>(599,295)</u>	<u>(473,817)</u>
Net non-performing loans, advances and financing	<u>680,464</u>	<u>908,166</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>2.3%</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	As at
	31/03/07	30/06/06
	RM '000	RM '000
<u>General Allowance</u>		
At beginning	436,233	412,877
Net allowance made during the period/year	27,758	23,057
Exchange differences	(159)	299
Closing balance	<u>463,832</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	254,462	386,511
Amount written back in respect of recoveries	(71,538)	(89,250)
Amount written off	(56,865)	(289,746)
Exchange differences	(581)	1,048
Closing balance	<u>599,295</u>	<u>473,817</u>

13. Other receivables

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Interest/Income receivable	224,039	199,489
Investment properties	190,057	190,057
Other debtors, deposits and prepayments	509,978	409,749
Foreclosed properties	3,009	3,009
	<u>927,083</u>	<u>802,304</u>

	Company	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Amount due from subsidiary companies	4,674	7,081
Amount due from related companies	321	284
Other debtors, deposits and prepayments	1,462	366
	<u>6,457</u>	<u>7,731</u>

#### 14. Deposits from customers

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Fixed deposits	29,939,149	27,066,053
Negotiable instruments of deposit	7,574,828	6,229,198
Demand deposits	4,556,739	4,255,913
Savings deposits	7,069,272	6,402,925
Other	238,745	244,328
	<u>49,378,733</u>	<u>44,198,417</u>

#### The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
One year or less (short term)	37,513,977	32,691,507
More than one year (medium/long term)	-	603,744
	<u>37,513,977</u>	<u>33,295,251</u>

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

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Government and statutory bodies	356,862	650,612
Business enterprises	17,071,156	14,592,305
Individuals	30,180,197	27,055,017
Others	1,770,518	1,900,483
	<u>49,378,733</u>	<u>44,198,417</u>

#### 15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Licensed banks	3,999,006	2,494,760
Other financial institutions	137,200	301,500
	<u>4,136,206</u>	<u>2,796,260</u>

#### The maturity structure :

One year or less (short term)	4,136,206	2,796,260
More than one year (medium/long term)	-	-
	<u>4,136,206</u>	<u>2,796,260</u>

## 16. Short Term Corporate Placements

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Corporate placements	6,916,635	-

Short term corporate placements is to allow the Bank to provide an alternative to corporate customers for short term placement of their excess funds. The funds are placed for a fixed tenure at prevailing interbank money market rates which are agreed upfront and will be remunerated at maturity.

## 17. Payables and other liabilities

	Group	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Trade payables	646,150	294,336
Amount due to related companies	989	1,293
Other payables and accrued liabilities	862,655	729,316
Interest payable	339,007	316,990
Post employment benefits obligations - defined contribution plan	5,842	5,735
	<u>1,854,643</u>	<u>1,347,670</u>

	Company	
	As at	As at
	31/03/07	30/06/06
	RM '000	RM '000
Amount due to subsidiary companies	9,779	9,732
Other payables and accrued liabilities	5,091	5,186
Interest payable	2,567	5,817
Post employment benefits obligations - defined contribution plan	70	65
	<u>17,507</u>	<u>20,800</u>

## 18. Interest income

	Group		Group	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	366,912	301,725	1,068,089	886,208
- recoveries from NPLs	37,010	52,787	113,142	136,645
Money at call and deposit placements with financial institutions	224,973	127,903	539,420	318,895
Securities purchased under resale agreement	20,352	44,155	80,996	171,121
Securities held at fair value through profit and loss	33,038	38,914	132,662	95,515
Securities available-for-sale	32,795	56,356	132,788	149,994
Securities held-to-maturity	30,332	7,435	65,203	22,187
Others	2,134	1,809	7,513	7,981
	<u>747,546</u>	<u>631,084</u>	<u>2,139,813</u>	<u>1,788,546</u>
Amortisation of premium less accretion of discount	(4,280)	(8,034)	(16,302)	(19,713)
Interest suspended	(2,408)	(4,405)	(6,717)	(13,715)
	<u>740,858</u>	<u>618,645</u>	<u>2,116,794</u>	<u>1,755,118</u>

	Company		Company	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	45	137	196	439
Others	-	-	-	-
	<u>45</u>	<u>137</u>	<u>196</u>	<u>439</u>

## 19. Interest expense

	Group		Group	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	70,841	84,089	244,868	230,744
Deposits from customers	327,418	254,253	916,848	753,087
Borrowings	5,880	5,841	18,167	17,361
Subordinated bonds	8,542	9,180	27,004	25,581
Short term corporate placements	24,242	-	24,242	-
Others	7,892	383	11,589	1,254
	<u>444,815</u>	<u>353,746</u>	<u>1,242,718</u>	<u>1,028,027</u>
	Company		Company	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Borrowings	5,629	5,377	17,298	15,952
Others	-	-	-	233
	<u>5,629</u>	<u>5,377</u>	<u>17,298</u>	<u>16,185</u>

## 20. Non Interest Income

	Group		Group	
	Current quarter ended		Nine months ended	
	31/03/07 RM '000	31/03/06 RM '000	31/03/07 RM '000	31/03/06 RM '000
Net income from Insurance Business	11,560	17,865	54,073	60,702
Net brokerage and commissions from Stockbroking Business	15,729	5,068	28,882	14,227
Net unit trust and asset management income	5,092	7,185	15,267	17,644
Fee income:				
Management fees	294	196	925	740
Commissions	21,237	12,755	67,914	49,412
Service charges and fees	10,601	13,056	36,421	27,041
Guarantee fees	1,136	1,139	4,053	4,225
Other fee income	40,970	41,712	110,121	114,187
	74,238	68,858	219,434	195,605
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss	19,544	8,895	40,040	20,266
Net gain from sale of securities available-for-sale	11,079	25,312	45,161	34,030
Net gain/(loss) from redemption of securities held-to-maturity	-	235	947	4,277
	30,623	34,442	86,148	58,573
Gross dividend income from:				
Securities held at fair value through profit and loss	832	8,675	2,611	3,458
Securities available-for-sale	793	(1,855)	4,025	1,365
Securities held-to-maturity	-	-	324	741
	1,625	6,820	6,960	5,564
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	3,004	6,444	(33,296)	17,245
Other income:				
Foreign exchange gain/(loss)	15,812	22,790	63,632	54,553
Rental income	78	63	371	135
Gain/(loss) on disposal of property and equipment	(9)	289	418	570
Profit from Takaful investments	108	-	108	-
Others	5,212	4,971	15,874	12,070
	21,201	28,113	80,403	67,328
Total non interest income	163,072	174,795	457,871	436,888

## 20. Non Interest Income (continued)

	Company		Company	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	1,183	225	3,038	225
Gross dividend income from:				
Subsidiary companies	85,641	85,641	232,081	239,011
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(36)	-	73	-
Other income:				
Others	281	3	761	144
Total non interest income	87,069	85,869	235,953	239,380

## 21. Overhead expenses

	Group		Group	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	103,003	84,332	288,510	245,205
- Others	9,968	7,534	29,035	20,647
<u>Establishment costs</u>				
- Depreciation	14,130	19,685	51,660	55,380
- Rental	11,026	9,683	31,457	28,372
- Information technology expenses	11,334	8,252	28,982	23,439
- Others	11,672	11,160	27,984	29,564
<u>Marketing expenses</u>				
- Advertisement and publicity	12,024	6,624	30,470	24,936
- Handling fees	2,922	3,798	9,773	14,113
- Others	10,795	8,020	33,174	21,121
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,624	2,359	7,181	6,263
- Stationery & printing	4,952	4,043	11,859	11,907
- Others	29,396	21,308	67,121	54,130
	223,846	186,798	617,206	535,077

## 21. Overhead expenses (continued)

	Company		Company	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,096	1,060	5,181	2,825
- Others	59	143	146	391
<u>Establishment costs</u>				
- Depreciation	223	131	601	361
- Rental	163	78	480	227
- Others	66	123	200	148
<u>Administration and general expenses</u>				
- Teletransmission expenses	16	8	34	19
- Stationery & printing	15	1	21	28
- Others	490	571	1,396	1,288
	<u>3,128</u>	<u>2,115</u>	<u>8,059</u>	<u>5,287</u>

## 22. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	11,716	3,980	27,758	1,666
- specific allowance	80,686	91,156	254,462	271,247
- specific allowance written back	(21,085)	(25,840)	(71,538)	(66,873)
Bad debts and financing written off	1,544	1,631	5,046	5,826
Bad debts and financing recovered	(20,037)	(18,476)	(60,555)	(56,780)
	<u>52,824</u>	<u>52,451</u>	<u>155,173</u>	<u>155,086</u>

### 23. 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 31 March 2007 and 30 June 2006 met the minimum requirement.

	As at 31/03/07 RM '000	As at 30/06/06 RM '000
<b><u>Components of Tier - 1 and Tier - 2 Capital</u></b>		
<b>Tier -1 capital</b>		
Paid up share capital	1,580,107	1,580,107
Share premium	539,664	539,664
Retained profit, as restated	1,166,044	1,170,005
Other Reserves	1,709,238	1,661,766
Less : Treasury Shares	(632,545)	(491,025)
Less : Deferred Tax	(156,711)	(173,301)
Add : Minority interest	44,115	-
<b>Total tier 1 capital</b>	<b>4,249,912</b>	<b>4,287,216</b>
<b>Tier - 2 capital</b>		
General provision	463,802	436,233
Subordinated bonds	691,500	734,900
<b>Total tier 2 capital</b>	<b>1,155,302</b>	<b>1,171,133</b>
<b>Total capital base</b>	<b>5,405,214</b>	<b>5,458,349</b>
<b><u>Before deducting proposed dividends</u></b>		
Core Capital Ratio	13.15%	13.76%
Risk-weighted Capital Ratio	16.72%	17.52%
<b><u>After deducting proposed dividends</u></b>		
Core Capital Ratio	13.15%	13.24%
Risk-weighted Capital Ratio	16.72%	17.00%

The profit after tax of the banking subsidiaries for the half year ended 31 December 2006, had been subjected to a limited review by the banking subsidiaries external auditors. As such the banking subsidiaries profit after tax for the half year ended 31 December 2006 have been included in the capital base used in the computation of Capital Adequacy Ratios.

### 24. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 31 March 2007.



## 25. 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:

- On 25 March 2005, HLFG announced that its wholly-owned subsidiary, Heritage Vest (M) Sdn Bhd, was placed under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.
- On 29 June 2006, Hong Leong Bank Berhad 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. The liquidation is pending completion.
- On 10 November 2006, HLFG announced that its wholly-owned subsidiary, HLFG Assets Sdn Bhd (formerly known as HLC Management Co Sdn Bhd), had placed Natcap Portfolio Sdn Bhd under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.

## 26. Commitments and contingencies

- In the normal course of business, the banking subsidiaries 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 31/03/2007			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
<b><u>The Banking Group</u></b>						
Direct credit substitutes	164,495	164,495	164,495	190,074	190,074	190,074
Transaction-related contingent items	269,559	134,780	134,780	242,907	121,453	121,453
Short-term self liquidating trade-related contingencies	886,513	177,303	177,303	633,426	126,685	126,685
Other assets sold with recourse and commitment	81,905	81,905	81,905	31,987	31,987	31,987
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,216,817	2,108,409	2,108,409	4,257,875	2,128,938	2,128,938
-maturity less than 1 year	10,566,681	-	-	10,943,047	-	-
Foreign exchange related contracts	23,371,937	507,230	71,492	8,666,574	259,954	129,977
Interest rate related contracts	31,468,583	342,796	280	23,109,340	277,279	138,640
Equity related contracts	55,259	84	-	8,288	415	208
Miscellaneous	387	-	-	418	-	-
<b>Total</b>	<b>71,082,136</b>	<b>3,517,002</b>	<b>2,738,664</b>	<b>48,083,936</b>	<b>3,136,785</b>	<b>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 31 March 2007.

## 27. 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.

## 28. Interest/Profit rate risk

	The Group							Total RM'000	Effective interest rate %
	31/03/07								
	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		
<b>Assets</b>									
Cash and short-term funds	18,104,937	-	-	-	-	648,159	-	18,753,096	3.8
Deposits and placements with banks and other financial institution	-	8,700,396	1,576,888	20,000	-	-	-	10,297,284	3.8
Securities purchased under resale agreements	934,656	2,991,900	309,051	-	-	-	-	4,235,607	3.8
Securities held at fair value through profit or loss	-	-	-	-	-	-	2,990,264	2,990,264	4.0
Securities available-for-sale	49,515	679,394	174,496	965,421	3,144,782	566,571	-	5,580,179	4.4
Securities held-for-maturity	842,927	620,000	872,649	88,018	171,699	25,097	-	2,620,390	4.8
Loans, advances and financing									
- performing	19,085,743	1,310,691	1,013,486	3,981,230	5,332,918	(453,626)	-	30,270,442	6.6
- non performing	-	-	-	-	-	670,257	-	670,257	-
Trade receivables	-	-	-	-	-	511,947	-	511,947	-
Other receivables	-	-	-	-	-	927,083	-	927,083	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,152,439	-	1,152,439	-
Tax recoverable	-	-	-	-	-	6,169	-	6,169	-
Deferred tax assets	-	-	-	-	-	161,727	-	161,727	-
Property and equipment	-	-	-	-	-	362,275	-	362,275	-
Intangible assets	-	-	-	-	-	521,622	-	521,622	-
<b>Total assets</b>	<b>39,017,778</b>	<b>14,302,381</b>	<b>3,946,570</b>	<b>5,054,669</b>	<b>8,649,399</b>	<b>5,099,720</b>	<b>2,990,264</b>	<b>79,060,781</b>	
<b>Liabilities</b>									
Deposits from customers	20,977,200	8,154,076	14,753,900	810,981	-	4,682,576	-	49,378,733	2.9
Deposits and placements of banks and other financial institution	3,994,772	70,575	70,575	-	-	284	-	4,136,206	3.7
Obligation of securities sold under repurchase agreements	2,635,415	2,027,230	-	-	-	-	-	4,662,645	3.3
Bills and acceptance payable	9,566	244,334	72,339	-	-	472,102	-	798,341	3.8
Short term corporate placement	5,740,805	1,175,830	-	-	-	-	-	6,916,635	3.4
Payables and other liabilities	-	-	-	-	-	1,854,643	-	1,854,643	-
Provision for claims	-	-	-	-	-	179,406	-	179,406	-
Provision for taxation	-	-	-	-	-	109,973	-	109,973	-
Bank loans	139,500	-	-	-	-	-	-	139,500	4.3
Subordinated obligations	-	-	-	-	-	688,679	-	688,679	5.2
Syndicated facility	-	-	518,625	-	-	-	-	518,625	5.8
Long term liabilities									
- Term loan	99,879	-	-	-	-	-	-	99,879	3.6
- Medium Term Notes	-	-	90,000	110,000	-	-	-	200,000	6.9
Insurance funds	-	-	-	-	-	3,933,527	-	3,933,527	-
<b>Total liabilities</b>	<b>33,597,137</b>	<b>11,672,045</b>	<b>15,505,439</b>	<b>920,981</b>	<b>-</b>	<b>11,921,190</b>	<b>-</b>	<b>73,616,792</b>	
Shareholder's equity	-	-	-	-	-	3,630,199	-	3,630,199	
Minority interest	-	-	-	-	-	1,813,790	-	1,813,790	
<b>Total liabilities and shareholder's equity</b>	<b>33,597,137</b>	<b>11,672,045</b>	<b>15,505,439</b>	<b>920,981</b>	<b>-</b>	<b>17,365,179</b>	<b>-</b>	<b>79,060,781</b>	
On-balance sheet interest sensitivity gap	5,420,641	2,630,336	(11,558,869)	4,133,688	8,649,399				
Off-balance sheet interest sensitivity gap	(302,000)	(2,936,035)	(6,285,100)	(5,365,265)	124,350				
<b>Total interest sensitivity gap</b>	<b>5,118,641</b>	<b>(305,699)</b>	<b>(17,843,969)</b>	<b>(1,231,577)</b>	<b>8,773,749</b>				

## 28. Interest/Profit rate risk (continued)

The Group 30/06/06									
	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 %
<b>Assets</b>									
Cash and short-term funds	13,635,696	-	-	-	-	1,127,303	-	14,762,999	3.7
Deposits and placements with banks and other financial institution	-	1,041,259	443,732	123,535	-	-	-	1,608,526	3.9
Securities purchased under resale agreements	2,839,071	1,635,842	-	-	-	-	-	4,474,913	3.8
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	-
Deferred tax assets	-	-	-	-	-	171,710	-	171,710	-
Property and equipment	-	-	-	-	-	340,326	-	340,326	-
Intangible assets	-	-	-	-	-	487,422	-	487,422	-
<b>Total assets</b>	<b>32,516,990</b>	<b>4,404,237</b>	<b>2,322,287</b>	<b>9,832,255</b>	<b>7,178,363</b>	<b>5,513,727</b>	<b>3,907,027</b>	<b>65,674,886</b>	
<b>Liabilities</b>									
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
Subordinated obligations	-	-	-	-	704,049	-	-	704,049	5.3
Long term liabilities									
- Commercial paper	-	-	98,145	-	-	-	-	98,145	4.0
- Medium Term Notes	-	-	-	200,000	-	-	-	200,000	7.0
Insurance funds	-	-	-	-	-	3,404,775	-	3,404,775	-
<b>Total liabilities</b>	<b>29,912,049</b>	<b>8,110,279</b>	<b>11,415,645</b>	<b>836,147</b>	<b>704,049</b>	<b>9,583,775</b>	<b>-</b>	<b>60,561,944</b>	
Shareholder's equity	-	-	-	-	-	3,390,637	-	3,390,637	
Minority interest	-	-	-	-	-	1,722,305	-	1,722,305	
<b>Total liabilities and shareholder's equity</b>	<b>29,912,049</b>	<b>8,110,279</b>	<b>11,415,645</b>	<b>836,147</b>	<b>704,049</b>	<b>14,696,717</b>	<b>-</b>	<b>65,674,886</b>	
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)				
<b>Total interest sensitivity gap</b>	<b>1,939,941</b>	<b>(6,631,235)</b>	<b>(13,382,358)</b>	<b>4,632,001</b>	<b>6,133,614</b>				

## 28. Interest/Profit rate risk (continued)

The Company 31/03/07									
	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 %
<b>Assets</b>									
Cash and short-term funds	24,800	-	-	-	-	282	-	25,082	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	50,073	50,073	3.8
Other receivables	-	-	-	-	-	6,457	-	6,457	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	6,168	-	6,168	-
Property and equipment	-	-	-	-	-	3,739	-	3,739	-
<b>Total assets</b>	<b>24,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,064,995</b>	<b>50,073</b>	<b>2,139,868</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	17,507	-	17,507	-
Bank loans	116,000	-	-	-	-	-	-	116,000	4.2
Long term and deferred liabilities									
- Commercial paper	99,879	-	-	-	-	-	-	99,879	3.6
- Medium Term Notes	-	-	90,000	110,000	-	-	-	200,000	6.9
<b>Total liabilities</b>	<b>215,879</b>	<b>-</b>	<b>90,000</b>	<b>110,000</b>	<b>-</b>	<b>17,507</b>	<b>-</b>	<b>433,386</b>	
Shareholder's equity	-	-	-	-	-	1,706,482	-	1,706,482	
<b>Total liabilities and shareholder's equity</b>	<b>215,879</b>	<b>-</b>	<b>90,000</b>	<b>110,000</b>	<b>-</b>	<b>1,723,989</b>	<b>-</b>	<b>2,139,868</b>	
On-balance sheet interest sensitivity gap	(191,079)	-	(90,000)	(110,000)	-	-	-	-	

The Company 30/06/06									
	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 %
<b>Assets</b>									
Cash and short-term funds	46,000	-	-	-	-	975	-	46,975	3.4
Other receivables	-	-	-	-	-	7,731	-	7,731	-
Investment in subsidiaries	-	-	-	-	-	2,049,249	-	2,049,249	-
Tax recoverable	-	-	-	-	-	12,269	-	12,269	-
Property and equipment	-	-	-	-	-	1,657	-	1,657	-
<b>Total assets</b>	<b>46,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,071,881</b>	<b>-</b>	<b>2,117,881</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	20,800	-	20,800	-
Bank loans	39,300	-	81,000	-	-	-	-	120,300	4.4
Long term and deferred liabilities									
- Commercial paper	-	-	98,145	-	-	-	-	98,145	4.0
- Medium Term Notes	-	-	-	200,000	-	-	-	200,000	7.0
<b>Total liabilities</b>	<b>39,300</b>	<b>-</b>	<b>179,145</b>	<b>200,000</b>	<b>-</b>	<b>20,800</b>	<b>-</b>	<b>439,245</b>	
Shareholder's equity	-	-	-	-	-	1,678,636	-	1,678,636	
<b>Total liabilities and shareholder's equity</b>	<b>39,300</b>	<b>-</b>	<b>179,145</b>	<b>200,000</b>	<b>-</b>	<b>1,699,436</b>	<b>-</b>	<b>2,117,881</b>	
On-balance sheet interest sensitivity gap	6,700	-	(179,145)	(200,000)	-	-	-	-	

## 29. Operations of Islamic Banking

### (a) Unaudited Balance Sheets as at 31 March 2007

	Group	
	As at 31/03/07 RM'000	As at 30/06/06 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,520,986	1,370,943
Deposits and placements with banks and other financial institutions	135,000	-
Securities held at fair value through profit or loss	267,146	129,027
Securities available-for-sale	136,727	178,524
Securities held-for-maturity	431,975	589,337
Financing, advances and other financing	3,713,950	3,944,758
Other receivables	11,639	36,525
Statutory deposits with Bank Negara Malaysia	146,414	163,424
Property, plant and equipment	1,703	2,060
Deferred tax assets	15,956	19,063
Tax recoverable	3,819	-
<b>Total Assets</b>	<b>6,385,315</b>	<b>6,433,661</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	5,511,744	5,701,544
Deposits and placements of banks and other financial institutions	215,400	135,000
Bills and acceptance payable	2,189	1,424
Payables and other liabilities	70,611	52,037
Provision for taxation	-	2,373
<b>Total Liabilities</b>	<b>5,799,944</b>	<b>5,892,378</b>
Islamic banking capital fund	500,000	500,000
Reserves	85,371	41,283
<b>Islamic Banking Funds</b>	<b>585,371</b>	<b>541,283</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>6,385,315</b>	<b>6,433,661</b>
<b>Commitments and Contingencies</b>	<b>383,468</b>	<b>427,370</b>

(b) **Unaudited Income Statements for the 3rd Quarter and Cumulative Nine Months Ended 31 March 2007**

	Current quarter ended		Nine months ended	
	31/03/07 RM '000	31/03/06 RM '000	31/03/07 RM '000	31/03/06 RM '000
<b>Group</b>				
Income derived from investment of deposits' funds and others	73,171	76,270	225,426	216,760
Income derived from investment of shareholders' funds	8,220	7,669	23,040	21,062
Allowance for losses on financing	(3,162)	(6,215)	(2,623)	(15,369)
Profit equalisation reserve	(400)	1,500	(5,011)	5,475
Total distributable income	77,829	79,224	240,832	227,928
Income attributable to deposits	(44,624)	(44,398)	(140,298)	(118,710)
Total net income	33,205	34,826	100,534	109,218
Other operating expenses	(12,164)	(20,372)	(43,564)	(62,409)
Profit before taxation and zakat	21,041	14,454	56,970	46,809
Zakat	(12)	(10)	(30)	(40)
Taxation	(5,681)	(3,960)	(15,382)	(13,091)
Profit after taxation and zakat	15,348	10,484	41,558	33,678
Profit attributable to shareholders	15,348	10,484	41,558	33,678
Earnings per share - basic (sen)	3.07	2.10	8.31	6.74
Earnings per share - fully diluted (sen)	3.07	2.10	8.31	6.74

(c) **Financing, advances and other financing**

(i) **By type**

	Group	
	As at 31/03/07 RM'000	As at 30/06/06 RM'000
Cash line	8,977	10,196
Term financing		
- House financing	1,612,941	1,045,491
- Hire purchase receivable	2,753,586	3,343,399
- Lease receivable	27,114	15,098
- Other term financing	530,355	548,171
Claims on customers under acceptance credits	138,910	103,291
Staff financing	95	123
Revolving credit	2,392	2,900
Others	559	1,096
	<u>5,074,929</u>	<u>5,069,765</u>
Less: Unearned income	(1,269,167)	(1,037,941)
	3,805,762	4,031,824
Less: Allowance for bad and doubtful financing		
- General	(56,562)	(60,158)
- Specific	(35,250)	(26,908)
Total net financing, advances and other financing	<u><u>3,713,950</u></u>	<u><u>3,944,758</u></u>

(ii) **By contract**

	Group	
	As at 31/03/07 RM'000	As at 30/06/06 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,193,698	979,754
Ijarah (lease)	24,975	13,794
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,448,179	2,934,985
Murabahah (cost-plus)	138,910	103,291
	<u>3,805,762</u>	<u>4,031,824</u>

Non-performing financing

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

	Group	
	As at 31/03/07	As at 30/06/06
	RM'000	RM'000
At beginning	75,637	70,437
Non-performing during the period/year	192,646	240,128
Reclassified as performing	(158,055)	(195,844)
Amount written back in respect of recoveries	(29,271)	(32,270)
Amount written off	-	(6,814)
Closing balance	<u>80,957</u>	<u>75,637</u>
Net non-performing financing, advances and other financing	<u>45,707</u>	<u>48,729</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.2%</u>	<u>1.2%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/03/07	As at 30/06/06
	RM'000	RM'000
General allowance		
At beginning	60,158	55,009
Net allowance made/(written back) during the period/year	(3,596)	5,149
Closing balance	<u>56,562</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	16,517	26,771
Amount written back in respect of recoveries	(8,175)	(6,111)
Amount written off	-	(6,815)
Closing balance	<u>35,250</u>	<u>26,908</u>



(e) Deposits from customer

By type of deposit

	Group	
	As at 31/03/07 RM'000	As at 30/06/06 RM'000
<b>Non-Mudharabah</b>		
Demand deposits	221,264	127,218
Savings deposits	515,731	433,735
Negotiable instruments of deposit	48,671	1,739,230
	<u>785,666</u>	<u>2,300,183</u>
<b>Mudharabah</b>		
Demand deposits	-	-
Saving deposits	403,192	292,243
General investment deposits	2,117,878	2,094,070
Specific investment deposits	2,203,789	1,013,613
Others	1,219	1,435
	<u>4,726,078</u>	<u>3,401,361</u>
	<u>5,511,744</u>	<u>5,701,544</u>

**30. Change in Accounting Policies**

During the period ended 31 March 2007, 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 period 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.

### **30. Change in Accounting Policies and Prior Year Adjustments (Continued)**

#### **(a) Change in Accounting Policies (Continued)**

##### **(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 was carried forward at cost less the previous amount written off. Goodwill would be written down at such time when the Directors considered that there was a permanent diminution in the value of the investments. The exception was in respect of an immaterial sum of goodwill arising on consolidation of a subsidiary group which was 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 periods 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 preceding year's corresponding quarter**

The Group achieved a profit before tax of RM218.8 million for the quarter ended 31 March 2007 as compared to RM241.5 million in the preceding year's corresponding quarter, a decrease of RM22.6 million or 9.3%. This was mainly due to lower contributions from the Banking and Insurance divisions.

The Banking division recorded a pre-tax profit of RM204.1 million for the current financial quarter ended 31 March 2007, a decrease of RM25.3 million as compared to preceding year's corresponding quarter. Mainly due to lower gain on disposal of securities and higher operating expenses from higher personnel cost due to additional headcount particularly from Personal Financial Services to drive business growth.

The Insurance division registered a profit before taxation of RM7.1 million for the current quarter as compared to RM9.3 million in the preceding year's corresponding quarter, a decrease of RM2.2 million. The decrease was mainly due to higher claims and lower unrealised gain on revaluation of securities held for trading.

The Stockbroking and Asset Management division registered a higher profit before tax of RM13.7 million compared to a profit before tax of RM8.8 million in the preceding year's corresponding quarter, mainly due to higher brokerage income.

**Financial year-to-date against preceding financial year-to-date**

The Group achieved a profit before tax of RM662.7 million for the nine months ended 31 March 2007 as compared to RM595.0 million in the previous corresponding period, an increase of RM67.7 million or 11.4%. This was mainly due to higher contributions from the Group's three main operating business.

The Banking division recorded a pre-tax profit of RM614.9 million for the nine months ended 31 March 2007, an increase of RM51.9 million or 9.2% as compared to previous corresponding period. This was mainly due to higher net income which was spurred by strong growth in business volumes.

The Insurance division registered a profit before taxation of RM41.3 million for the nine months ended 31 March 2007 as compared to RM35.0 million in the previous corresponding period, an increase of RM6.3 million or 18.0%. The increase was mainly due to higher premium income.

The Stockbroking and Asset Management division registered a higher profit before tax of RM25.8 million as compared to RM17.0 million in the previous corresponding period, an increase of RM8.8 million or 51.8% mainly due to higher brokerage income arising from higher Bursa volumes.

## **2. Review of performance of current quarter against preceding quarter**

For the current financial quarter, the Group recorded a profit before tax of RM218.8 million as compared to RM236.0 million in the preceding quarter. The decrease was mainly contributed by lower profits from the Banking and Insurance divisions.

The Banking division recorded a profit before tax of RM204.1 million as compared to RM212.4 million in the preceding quarter, a decrease of RM8.4 million mainly due to a shorter working quarter and higher operating expenses.

The Insurance division registered a profit before taxation of RM7.1 million for the current quarter as compared to RM21.2 million in the preceding quarter due to lower premium income and higher claims incurred.

The Stockbroking and Asset Management divisions registered a profit before tax of RM13.7 million as compared to RM7.7 million in the preceding quarter. The higher profit before tax for the current financial quarter was mainly due to higher brokerage income arising from higher Bursa volumes.

## **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 and zakat

Provision based on profits for the financial period ended 31 March 2007:

	Group		Group	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Tax and zakat expenses				
Malaysian – current	(66,435)	(69,009)	(195,367)	(173,597)
Overseas – current	(596)	(491)	(1,804)	(721)
Transfer (from) / to deferred tax	7,038	(291)	15,037	(856)
	<u>(59,993)</u>	<u>(69,791)</u>	<u>(182,134)</u>	<u>(175,174)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(59,993)</u>	<u>(69,791)</u>	<u>(182,134)</u>	<u>(175,174)</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.

	Company		Company	
	Current quarter ended		Nine months ended	
	31/03/07	31/03/06	31/03/07	31/03/06
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(23,123)	(23,980)	(62,662)	(66,923)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	-	-	-	-
	<u>(23,123)</u>	<u>(23,980)</u>	<u>(62,662)</u>	<u>(66,923)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(23,123)</u>	<u>(23,980)</u>	<u>(62,662)</u>	<u>(66,923)</u>

The effective tax rate for the Company 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.

## 9. Group borrowings

The Group borrowings include:

	As at 31/03/07 RM '000	As at 30/06/06 RM '000
Short Term – unsecured	139,500	152,300
Long Term – unsecured	299,879	298,145
Total Borrowings	<u>439,379</u>	<u>450,445</u>
Syndicated facility - USD150 million	518,625	-
Subordinated Bonds - USD200 million	688,679	704,049

### Subordinated bonds

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.

### Syndicated facility

During the financial period, the Banking subsidiary company entered into a Syndicated Transferable Short Term Loan Facility (“the Facility”) of USD150 million repayable in bullet repayment on the date falling 364 days from the drawdown date. Proceeds from the Facility would be used for general funding purposes.

## 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	2,910,857	2,100,952	447,790	282,986	76,178	2,951	-
- swaps	17,801,244	8,583,194	4,382,530	1,244,484	1,217,433	1,796,190	577,413
- options	2,659,836	1,566,402	360,201	407,598	325,635	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	17,379,000	140,000	2,506,000	2,616,000	3,633,000	8,484,000	-
- swaps	14,089,583	142,800	1,127,180	770,000	1,225,000	10,004,089	820,514
<b>Total</b>	<b>54,840,520</b>	<b>12,533,348</b>	<b>8,823,701</b>	<b>5,321,068</b>	<b>6,477,246</b>	<b>20,287,230</b>	<b>1,397,927</b>

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 RM533,043,786 (FYE June 2006: RM340,585,000) and RM17,336,877,056 (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 RM79,024,735 (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

- (i) For the financial period ended 31 March 2007, a first interim dividend of 9 sen per share less income tax of 27% was declared (2005/2006 : 8 sen per share less income tax of 28%) and paid on 18 December 2006.
- (ii) A second interim dividend of 14.0 sen per share less income tax of 27% had been proposed by the Company during the third quarter.
  - (i) Amount per share : 14 sen per share less income tax of 27%
  - (ii) Previous corresponding period : 10 sen per share (tax exempt)
  - (iii) Entitlement date : (to be advised)
  - (iv) Payment date : (to be advised)
- (iii) Total dividend for the financial period : 23.0 sen per share less income tax at 27% (2005/2006 : 8 sen per share less income tax at 28% and 10 sen per share tax-exempt)



### 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 Nine months ended	
	31/03/07 RM '000	31/03/06 RM '000	31/03/07 RM '000	31/03/06 RM '000
Weighted average number of ordinary shares	1,025,830	1,040,722	1,025,830	1,040,722
Net profit attributable to shareholders of the company	102,194	108,600	311,465	265,560
Basic earnings per share (Sen)	10.0	10.4	30.4	25.5

Weighted Average Number Of Ordinary Shares	Company Current quarter ended		Company Nine months ended	
	31/03/07 RM '000	31/03/06 RM '000	31/03/07 RM '000	31/03/06 RM '000
Weighted average number of ordinary shares	1,026,369	1,040,722	1,026,369	1,040,722
Net profit attributable to shareholders of the company	55,234	54,534	148,130	151,424
Basic earnings per share (Sen)	5.4	5.2	14.4	14.5

### 13. Earnings per share (Continued)

#### (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 (diluted) during the financial period.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group Current quarter ended		Group Nine months ended	
	31/03/07 RM '000	31/03/06 RM '000	31/03/07 RM '000	31/03/06 RM '000
Weighted average no. of shares as at end of financial period	1,025,830	1,040,722	1,025,830	1,040,722
Effect of Warrant 1997/2007	12,231	-	12,231	-
Weighted average number of ordinary shares (Diluted)	1,038,061	1,040,722	1,038,061	1,040,722
Net profit attributable to shareholders of the company	102,194	108,600	311,465	265,560
Fully diluted earnings per share (Sen)	9.8	10.4	30.0	25.5

Fully Diluted Weighted Average Number Of Ordinary Shares	Company Current quarter ended		Company Nine months ended	
	31/03/07 RM '000	31/03/06 RM '000	31/03/07 RM '000	31/03/06 RM '000
Weighted average no. of shares as at end of financial period	1,026,369	1,040,722	1,026,369	1,040,722
Effect of Warrant 1997/2007	12,231	-	12,231	-
Weighted average number of ordinary shares (Diluted)	1,038,600	1,040,722	1,038,600	1,040,722
Net profit attributable to shareholders of the company	55,234	54,534	148,130	151,424
Fully diluted earnings per share (Sen)	5.3	5.2	14.3	14.5