

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 SEPTEMBER 2007**

	As at 30/09/07 RM '000	As at 30/06/07 RM '000
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	12,723,920	16,767,686
Deposits and placements with financial institutions	4,614,106	9,290,759
Securities purchased under resale agreements	3,160,384	3,495,309
Securities held at fair value through profit or loss	3,554,738	3,525,932
Securities available-for-sale	6,428,495	5,423,563
Securities held-to-maturity	1,206,533	2,622,790
Loans, advances and financing	32,538,628	32,150,940
Trade receivables	492,008	407,396
Other receivables	969,891	1,048,415
Statutory deposits with Bank Negara Malaysia	1,214,589	1,206,939
Tax recoverable	6,858	14,648
Prepaid land lease payments	32,286	46,003
Deferred tax asset	166,120	162,140
Property, plant and equipment	456,198	435,342
Intangible assets	589,344	588,967
<b>Total Assets</b>	<b>68,154,098</b>	<b>77,186,829</b>
<b><u>Liabilities</u></b>		
Deposits from customers	50,401,902	56,095,966
Deposits and placements of banks and other financial institutions	3,292,274	5,113,620
Obligations on securities sold under repurchase agreements	-	1,129,521
Bills and acceptances payable	391,642	566,251
Payables and other liabilities	2,215,012	2,713,181
Provision for claims	168,988	169,711
Provision for taxation	109,182	106,402
Bank loans	121,000	125,700
Subordinated Bonds	681,677	671,657
Syndicated loan facility	526,350	509,850
Long term borrowings	300,000	300,000
Insurance funds	4,112,522	4,043,762
<b>Total Liabilities</b>	<b>62,320,549</b>	<b>71,545,621</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,451
Capital reserves	1,342,324	1,337,795
Retained profits	1,549,914	1,428,148
Fair value reserves	13,380	15,394
Treasury shares held for ESOS	(67,666)	(67,666)
<b>Total shareholders' equity</b>	<b>3,890,720</b>	<b>3,766,122</b>
Minority interest	1,942,829	1,875,086
<b>Total Equity</b>	<b>5,833,549</b>	<b>5,641,208</b>
<b>Total Liabilities and Equity</b>	<b>68,154,098</b>	<b>77,186,829</b>
<b>Commitment and Contingencies</b>	<b>83,165,534</b>	<b>76,700,752</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

<b>THE GROUP</b>	<b>Current quarter ended 30/09/07 RM '000</b>	<b>Last year quarter ended 30/09/06 RM '000</b>	<b>Current year to date 30/09/07 RM '000</b>	<b>Last year to date 30/09/06 RM '000</b>
Interest income	755,346	670,259	755,346	670,259
Interest expense	(423,892)	(375,217)	(423,892)	(375,217)
Net interest income	331,454	295,042	331,454	295,042
Income from Islamic banking business	39,228	36,170	39,228	36,170
Non interest income	144,458	121,990	144,458	121,990
Net income	515,140	453,202	515,140	453,202
Overhead expenses	(223,282)	(192,073)	(223,282)	(192,073)
Operating profit before allowances	291,858	261,129	291,858	261,129
Allowance for losses on loans, advances and financing	(19,485)	(53,240)	(19,485)	(53,240)
Impairment loss	(1,009)	-	(1,009)	-
Profit before taxation and zakat	271,364	207,889	271,364	207,889
Taxation	(73,538)	(58,642)	(73,538)	(58,642)
Zakat	-	(9)	-	(9)
Net profit for the period	<u>197,826</u>	<u>149,238</u>	<u>197,826</u>	<u>149,238</u>
Attributable to :				
Equity holders of the company	126,598	93,460	126,598	93,460
Minority interests	71,228	55,778	71,228	55,778
Net profit for the period	<u>197,826</u>	<u>149,238</u>	<u>197,826</u>	<u>149,238</u>
Basic earnings per ordinary share (sen)	<u>12.2</u>	<u>9.1</u>	<u>12.2</u>	<u>9.1</u>
Diluted earnings per ordinary share (sen)	<u>12.2</u>	<u>9.1</u>	<u>12.2</u>	<u>9.1</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY BALANCE SHEETS AS AT 30 SEPTEMBER 2007**

	As at 30/09/07 RM '000	As at 30/06/07 RM '000
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	29,296	16,476
Securities held at fair value through profit or loss	7	7
Other receivables	5,279	8,970
Tax recoverable	6,827	13,823
Investment in subsidiaries	2,048,349	2,048,349
Property, plant and equipment	3,489	4,136
Intangible assets	18	20
<b>Total Assets</b>	<b>2,093,265</b>	<b>2,091,781</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	19,642	22,815
Bank loans	121,000	111,000
Long term borrowings	300,000	300,000
<b>Total Liabilities</b>	<b>440,642</b>	<b>433,815</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,451
Capital reserves	138,018	135,653
Retained profits	527,587	535,612
Treasury shares held for ESOS	(65,750)	(65,750)
<b>Total Equity</b>	<b>1,652,623</b>	<b>1,657,966</b>
<b>Total Liabilities and Equity</b>	<b>2,093,265</b>	<b>2,091,781</b>
<b>Commitment and Contingencies</b>	<b>-</b>	<b>-</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<b>THE COMPANY</b>				
Interest income	228	77	228	77
Interest expense	(5,133)	(5,742)	(5,133)	(5,742)
Net interest expense	(4,905)	(5,665)	(4,905)	(5,665)
Non interest income	1,274	1,124	1,274	1,124
Net income	(3,631)	(4,541)	(3,631)	(4,541)
Overhead expenses	(4,394)	(2,314)	(4,394)	(2,314)
Profit before taxation and zakat	(8,025)	(6,855)	(8,025)	(6,855)
Taxation	-	-	-	-
Net profit for the period	(8,025)	(6,855)	(8,025)	(6,855)
Basic earnings per ordinary share (sen)	(0.8)	(0.7)	(0.8)	(0.7)
Diluted earnings per ordinary share (sen)	(0.8)	(0.7)	(0.8)	(0.7)

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

THE GROUP FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007	Share	Share	Statutory	Other Capital	Share	Fair Value	Exchange	Retained	Treasury	Total	Minority	Total
	Capital	Premium	Reserves	Reserves &	Options	Reserves	Fluctuation	Profits	Shares	Shareholders'	Interests	Equity
	RM '000	RM '000	RM '000	General Reserves	Reserves	RM '000	Reserves	RM '000	RM '000	Equity	RM '000	RM '000
Opening balance as at 1 July 2007	1,052,451	116,017	1,067,869	133,258	1,152	15,394	19,499	1,428,148	(67,666)	3,766,122	1,875,086	5,641,208
Exchange fluctuation differences	-	-	-	-	-	-	(2,668)	-	-	(2,668)	-	(2,668)
Net fair value changes in available-for-sale securities	-	-	-	-	-	(2,014)	-	-	-	(2,014)	-	(2,014)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(2,014)	(2,668)	-	-	(4,682)	-	(4,682)
Net profit for financial period	-	-	-	-	-	-	-	126,598	-	126,598	71,228	197,826
Total recognised income/(expense) for the period	-	-	-	-	-	(2,014)	(2,668)	126,598	-	121,916	71,228	193,144
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	-	-	-	-	-	-	-	1,529	-	1,529
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(3,485)	(3,485)
Transfer to statutory reserves	-	-	4,832	-	-	-	-	(4,832)	-	-	-	-
Option reserves arising from ESOS	-	-	-	-	1,153	-	-	-	-	1,153	-	1,153
<b>AT 30 SEPTEMBER 2007</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,072,701</b>	<b>133,258</b>	<b>2,305</b>	<b>13,380</b>	<b>16,831</b>	<b>1,549,914</b>	<b>(67,666)</b>	<b>3,890,720</b>	<b>1,942,829</b>	<b>5,833,549</b>

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006	Share	Share	Statutory	Other Capital	Share	Fair Value	Exchange	Retained	Treasury	Total	Minority	Total
	Capital	Premium	Reserves	Reserves &	Options	Reserves	Fluctuation	Profits	Shares	Shareholders'	Interests	Equity
	RM '000	RM '000	RM '000	General Reserves	Reserves	RM '000	Reserves	RM '000	RM '000	Equity	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
Exchange fluctuation differences	-	-	-	-	-	-	2,696	-	-	2,696	-	2,696
Net fair value changes in available-for-sale securities	-	-	-	-	-	28,517	-	-	-	28,517	-	28,517
Net income/(expense) recognised directly in equity	-	-	-	-	-	28,517	2,696	-	-	31,213	-	31,213
Net profit for financial period	-	-	-	-	-	-	-	93,460	-	93,460	55,778	149,238
Total recognised income/(expense) for the period	-	-	-	-	-	28,517	2,696	93,460	-	124,673	55,778	180,451
Transfer to statutory reserves	-	-	26,028	-	-	-	-	(26,028)	-	-	-	-
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	(39,341)	(39,341)	-	(39,341)
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(21,094)	(21,094)
<b>AT 30 SEPTEMBER 2006</b>	<b>1,040,722</b>	<b>71,216</b>	<b>989,194</b>	<b>133,258</b>	<b>-</b>	<b>(13,954)</b>	<b>25,007</b>	<b>1,285,105</b>	<b>(54,579)</b>	<b>3,475,969</b>	<b>1,756,989</b>	<b>5,232,958</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

	Share Capital		Share Premium RM '000	Other Capital Reserves & General Reserves RM '000		Share Options Reserves RM '000		Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
	RM '000	RM '000		RM '000	RM '000	RM '000	RM '000			
Opening balance as at 1 July 2007	1,052,451	116,017	18,484	1,152	535,612	(65,750)	1,657,966			
Net profit for the financial period	-	-	-	-	(8,025)	-	(8,025)			
Total recognised income/(expense) for the period	-	-	-	-	(8,025)	-	(8,025)			
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	-	-	-	-	1,529			
Option reserves arising from ESOS	-	-	-	1,153	-	-	1,153			
<b>AT 30 SEPTEMBER 2007</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>2,305</b>	<b>527,587</b>	<b>(65,750)</b>	<b>1,652,623</b>			

	Share Capital		Share Premium RM '000	Other Capital Reserves & General Reserves RM '000		Share Options Reserves RM '000		Retained Profits RM '000	Treasury Shares RM '000	Total Equity 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	18,484	-	561,536	(13,322)	1,678,636			
Net profit for the financial period	-	-	-	-	(6,855)	-	(6,855)			
Total recognised income/(expense) for the period	-	-	-	-	(6,855)	-	(6,855)			
Treasury Shares held for ESOS	-	-	-	-	-	(39,426)	(39,426)			
<b>AT 30 SEPTEMBER 2006</b>	<b>1,040,722</b>	<b>71,216</b>	<b>18,484</b>	<b>-</b>	<b>554,681</b>	<b>(52,748)</b>	<b>1,632,355</b>			

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

	<b>The Group</b>		<b>The Company</b>	
	<b>30/09/07</b>	<b>30/09/06</b>	<b>30/09/07</b>	<b>30/09/06</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation and zakat	271,364	207,889	(8,025)	(6,855)
Adjustment for non-cash items and others	12,788	180,390	5,388	5,903
Operating profit before working capital changes	284,152	388,279	(2,637)	(952)
Income tax recovered/(paid)	(77,123)	(64,129)	6,996	-
Interest paid	(5,458)	(6,910)	(5,133)	(5,742)
Interest received	725	1,385	228	77
Net changes in working capital	(4,690,381)	(6,703,839)	1,461	(225)
Net cash flow from operating activities	(4,488,085)	(6,385,214)	915	(6,842)
Net cash flow from investing activities	442,334	897,719	376	(39,850)
Net cash flow from financing activities	1,336	(138,258)	11,529	10,700
<b>Changes in cash and cash equivalents</b>	<b>(4,044,415)</b>	<b>(5,625,753)</b>	<b>12,820</b>	<b>(35,992)</b>
<b>Effect of change in foreign exchange rate</b>	<b>649</b>	<b>523</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>16,767,686</b>	<b>14,762,999</b>	<b>16,476</b>	<b>46,975</b>
<b>Cash and cash equivalents as at 30 Sept</b>	<b>12,723,920</b>	<b>9,137,769</b>	<b>29,296</b>	<b>10,983</b>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2007.

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 adoption of FRS 117, ‘Leases’ which is effective for accounting periods beginning on or after 1 October 2006. The Group has adopted FRS 117 commencing from financial period beginning 1 July 2007. The adoption of FRS 117 has resulted in the restatement of the comparative figures as disclosed in Note 29.

**2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2007 of HLFGB**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2007.

**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 30 September 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 1,052,450,562 ordinary shares of RM1.00 each to 1,052,767,789 ordinary shares of RM1.00 each by the issue of 317,227 new ordinary shares of RM1.00 each at RM4.82 per share arising from the exercise of 317,227 Warrants 1997/2007 of the Company. The resulting share premium amounting to RM1,211,807 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. Pursuant to the scheme, 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.

The Company granted 12,500,000 conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFG subject to the achievement of certain performance criteria over an option performance period.

**7. Dividends paid**

There were no dividend paid during the 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	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 30 SEPTEMBER 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 year ended</b>						
External sales	471,661	24,472	22,553	(3,546)	-	515,140
Intersegment sales	3,185	600	5,468	1,537	(10,790)	-
	<u>474,846</u>	<u>25,072</u>	<u>28,021</u>	<u>(2,009)</u>	<u>(10,790)</u>	<u>515,140</u>
<b>Results for the year ended</b>						
Segment results	255,702	14,145	8,344	(6,827)	-	271,364
Profit before taxation and zakat						<u>271,364</u>
Taxation and zakat						<u>(73,538)</u>
Profit after taxation						<u>197,826</u>
Minority interest						<u>(71,228)</u>
Net profit for the year						<u>126,598</u>
<b>Other information</b>						
Segment assets	61,957,037	618,859	5,302,960	57,134	26,853	67,962,843
Other corporate assets						191,255
<b>Total consolidated assets</b>						<u>68,154,098</u>
Segment liabilities	57,284,524	466,285	4,697,464	24,172	(572,896)	61,899,549
Other corporate liabilities						421,000
<b>Total consolidated liabilities</b>						<u>62,320,549</u>
Capital expenditure	16,524	590	923	27	-	18,064
Depreciation	13,059	339	4,291	943	-	18,632
Loan loss and other allowances	19,485	-	-	-	-	19,485

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

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

	Group	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	88,762	102,211
Malaysian Government Securities	446,803	125,232
Negotiable instruments of deposit	173,159	111,395
Bankers' acceptances and Islamic accepted bills	1,161,977	1,132,891
Bank Negara Malaysia bills	979,341	1,506,638
Malaysian Government Investment Certificates	-	55,066
Cagamas bonds/notes	370,134	79,045
	3,220,176	3,112,478
Quoted securities :		
Shares/Loan stocks/Unit Trust	149,263	166,968
Foreign currency bonds	19,350	1,790
Unquoted securities :		
Syndicated bond	39,747	38,619
Private debt securities	126,202	200,825
<b><u>Others designated at fair value through P&amp;L</u></b>		
Loan stock quoted in Malaysia	-	5,252
	3,554,738	3,525,932
Total securities held at fair value through profit and loss		

	Company	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	7	7

## 10. Securities available-for-sale

	Group	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Government Treasury Bills	856,599	388,695
Malaysian Government Securities	2,259,450	1,877,862
Malaysian Government Investment Certificates	-	-
Negotiable instruments of deposit	-	20,000
Cagamas bonds	843,282	854,177
Other Government Securities	111,083	8,715
	4,070,414	3,149,449
Quoted securities :		
Shares/Loan stocks/Unit Trust	545,929	584,698
Foreign Currency Bonds	219,022	63,857
Unquoted securities :		
Private debt securities/shares/reits	1,593,130	1,625,559
	6,428,495	5,423,563
Total securities available-for-sale		

## 11. Securities held-to-maturity

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	106,549	107,353
Malaysian Government Investment Certificates	172,367	171,059
Negotiable instruments of deposit	650,000	1,781,273
Cagamas bonds	-	275,033
Khazanah bonds	-	-
	928,916	2,334,718
Quoted securities :		
Foreign Currency Bonds	-	10,242
Unquoted securities :		
Private debt securities/shares/loan stocks	277,617	277,830
Total securities held-to-maturity	1,206,533	2,622,790

## 12. Loans, advances and financing

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Overdrafts	2,659,510	2,624,460
Term loans :		
- Housing loans/financing	17,277,311	16,559,484
- Syndicated term loan/financing	1,526,222	1,526,094
- Hire purchase receivables	5,771,072	5,695,681
- Lease receivables	29,323	29,374
- Other term loans/financing	1,646,233	1,721,550
Credit/charge card receivables	1,767,990	1,667,901
Bills receivables	267,571	310,842
Trust receipts	151,205	150,249
Claims on customers under acceptance credits	2,900,599	3,023,892
Block discounting	18,400	18,480
Revolving credits	618,765	783,949
Policy and premium loans	511,791	496,151
Staff loans	111,148	112,360
Other loans/financing	55,976	53,354
	35,313,116	34,773,821
Unearned interest and income	(1,887,649)	(1,760,915)
	33,425,467	33,012,906
Fair value changes arising from fair value hedges	27,492	32,540
Allowance for bad and doubtful debts and financing :		
- general	(487,667)	(481,746)
- specific	(426,664)	(412,760)
Net loans, advances and financing	32,538,628	32,150,940

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

### (a) By type of customer

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Domestic banking institutions	301	320
Domestic non-bank financial institutions	162,939	159,547
Domestic business enterprises		
- Small and medium enterprises	3,493,390	3,351,870
- Others	5,744,348	6,172,934
Government and statutory bodies	92,800	91,102
Individuals	22,911,302	21,998,311
Other domestic entities	57,959	41,907
Foreign entities	962,428	1,196,915
Gross loans, advances and financing	33,425,467	33,012,906

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

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Fixed rate		
- Housing loans/financing	3,191,967	3,512,263
- Hire purchase receivables	5,002,155	4,942,068
- Other fixed rate loan/financing	3,290,275	3,084,586
Variable rate		
- Base lending rate plus	18,595,304	17,829,234
- Cost plus	3,278,770	3,582,814
- Other variables rates	66,996	61,941
Gross loans, advances and financing	33,425,467	33,012,906

### (c) By economic purpose

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Purchase of securities	634,681	582,681
Purchase of transport vehicles	4,565,435	4,469,163
Purchase of landed properties		
- residential	12,551,458	12,136,525
- non-residential	4,081,408	3,926,088
Personal use	2,383,578	2,114,929
Credit card	1,767,990	1,667,901
Purchase of consumer durables	188	157
Construction	518,348	565,931
Working capital	6,317,396	6,961,765
Others	604,985	587,766
Gross loans, advances and financing	33,425,467	33,012,906

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

**(d) Non-performing loans by purpose**

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Purchase of securities	20,945	21,229
Purchase of transport vehicles	88,901	86,393
Purchase of landed properties		
- residential	276,937	289,258
- non-residential	100,361	102,970
Personal use	51,496	44,580
Credit card	26,329	26,674
Purchase of consumer durables	82	154
Construction	53,175	55,039
Working capital	400,497	407,083
Gross loans, advances and financing	1,018,729	1,033,380

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

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
At beginning	1,033,380	1,381,983
Non-performing during the period/year	679,015	3,008,575
Reclassified as performing	(589,919)	(2,640,341)
Amount written back in respect of recoveries	(84,132)	(465,517)
Amount written off	(20,252)	(249,843)
Exchange differences	637	(1,477)
Closing balance	1,018,729	1,033,380
Specific allowance	(426,664)	(412,760)
Net non-performing loans, advances and financing	592,065	620,620
Net NPL as a % of gross loans, advances and financing less specific allowance	1.8%	1.9%

12. Loans, advances and financing (continued)

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

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
<u>General Allowance</u>		
At beginning	481,746	436,233
Net allowance made during the period/year	5,728	45,805
Exchange differences	193	(292)
Closing balance	<u>487,667</u>	<u>481,746</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	412,760	473,817
Allowance made during the period/year	59,985	296,243
Amount written back in respect of recoveries	(26,203)	(106,256)
Amount written off	(20,252)	(250,137)
Exchange differences	374	(907)
Closing balance	<u>426,664</u>	<u>412,760</u>

13. Other receivables

	Group	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Interest/Income receivable	181,038	217,315
Investment properties	1,278	1,280
Other debtors, deposits and prepayments	784,008	826,001
Assets held for sale	810	810
Foreclosed properties	2,757	3,009
	<u>969,891</u>	<u>1,048,415</u>
	<u>Company</u>	
	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Amount due from subsidiary companies	3,903	6,117
Amount due from related companies	443	267
Other debtors, deposits and prepayments	933	2,586
	<u>5,279</u>	<u>8,970</u>



#### 14. Deposits from customers

	Group	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
Fixed deposits	29,537,174	29,279,540
Negotiable instruments of deposit	919,810	3,247,184
Demand deposits	5,076,149	4,947,287
Savings deposits	7,060,291	7,117,265
Short term corporate placement	7,601,563	11,293,502
Other	206,915	211,188
	<u>50,401,902</u>	<u>56,095,966</u>

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

	Group	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
One year or less (short term)	29,383,691	31,694,339
More than one year (medium/long term)	1,073,293	832,385
	<u>30,456,984</u>	<u>32,526,724</u>

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

	Group	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
Government and statutory bodies	935,028	362,135
Business enterprises	18,473,380	24,050,312
Individuals	29,889,713	30,054,518
Others	1,103,781	1,629,001
	<u>50,401,902</u>	<u>56,095,966</u>

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

	Group	
	As at	As at
	30/09/07	30/06/07
	RM '000	RM '000
Licensed banks	3,242,274	5,038,620
Other financial institutions	50,000	75,000
	<u>3,292,274</u>	<u>5,113,620</u>

#### The maturity structure :

One year or less (short term)	3,292,274	5,113,620
More than one year (medium/long term)	-	-
	<u>3,292,274</u>	<u>5,113,620</u>

## 16. Payables and other liabilities

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/07</b>	<b>30/06/07</b>
	<b>RM '000</b>	<b>RM '000</b>
Trade payables	673,410	537,852
Amount due to related companies	1,649	2,853
Other payables and accrued liabilities	1,280,199	1,772,207
Interest payable	253,871	394,444
Post employment benefits obligations - defined contribution plan	5,883	5,825
	<u>2,215,012</u>	<u>2,713,181</u>
	<b>Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/07</b>	<b>30/06/07</b>
	<b>RM '000</b>	<b>RM '000</b>
Amount due to subsidiary companies	10,136	10,228
Other payables and accrued liabilities	6,066	5,425
Interest payable	3,367	7,091
Post employment benefits obligations - defined contribution plan	73	71
	<u>19,642</u>	<u>22,815</u>

## 17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/07 RM '000	quarter ended 30/09/06 RM '000	to date 30/09/07 RM '000	to date 30/09/06 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	406,239	343,724	406,239	343,724
- recoveries from NPLs	31,427	41,786	31,427	41,786
Money at call and deposit placements				
with financial institutions	208,496	131,634	208,496	131,634
Securities purchased under resale agreement	17,427	39,254	17,427	39,254
Securities held at fair value through profit and loss	54,739	58,919	54,739	58,919
Securities available-for-sale	28,340	55,813	28,340	55,813
Securities held-to-maturity	9,262	7,364	9,262	7,364
Others	2,261	2,574	2,261	2,574
	<u>758,191</u>	<u>681,068</u>	<u>758,191</u>	<u>681,068</u>
Amortisation of premium less accretion of discount	(591)	(8,104)	(591)	(8,104)
Interest suspended	(2,254)	(2,705)	(2,254)	(2,705)
	<u>755,346</u>	<u>670,259</u>	<u>755,346</u>	<u>670,259</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/07 RM '000	quarter ended 30/09/06 RM '000	to date 30/09/07 RM '000	to date 30/09/06 RM '000
Money at call and deposit placements with financial institutions	228	77	228	77
Others	-	-	-	-
	<u>228</u>	<u>77</u>	<u>228</u>	<u>77</u>

## 18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/07 RM '000	quarter ended 30/09/06 RM '000	to date 30/09/07 RM '000	to date 30/09/06 RM '000
Deposits and placements of banks and other financial institutions	32,487	87,115	32,487	87,115
Deposits from customers	263,034	272,136	263,034	272,136
Borrowings	5,232	6,136	5,232	6,136
Subordinated bonds	8,872	9,564	8,872	9,564
Short term corporate placements	105,970	-	105,970	-
Others	8,297	266	8,297	266
	<u>423,892</u>	<u>375,217</u>	<u>423,892</u>	<u>375,217</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/07 RM '000	quarter ended 30/09/06 RM '000	to date 30/09/07 RM '000	to date 30/09/06 RM '000
Borrowings	5,133	5,742	5,133	5,742

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
Net income from Insurance Business	14,895	18,837	14,895	18,837
Net brokerage and commissions from Stockbroking Business	17,977	4,960	17,977	4,960
Net unit trust and asset management income	6,251	5,160	6,251	5,160
Fee income:				
Management fees	257	323	257	323
Commissions	21,657	20,337	21,657	20,337
Service charges and fees	9,295	8,059	9,295	8,059
Guarantee fees	1,543	1,447	1,543	1,447
Other fee income	41,666	35,597	41,666	35,597
	74,418	65,763	74,418	65,763
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	17,735	16,163	17,735	16,163
Net gain from sale of securities available-for-sale	5,917	24,810	5,917	24,810
Net gain/(loss) from redemption of securities held-to-maturity	2	(10)	2	(10)
	23,654	40,963	23,654	40,963
Gross dividend income from:				
Securities held at fair value through profit and loss	2,206	543	2,206	543
Securities available-for-sale	1,382	1,704	1,382	1,704
Securities held-to-maturity	2,340	-	2,340	-
	5,928	2,247	5,928	2,247
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	(1,602)	(10,879)	(1,602)	(10,879)
Net realised gains/(losses) on fair value changes arising from fair value hedge	(8,954)	(1,988)	(8,954)	(1,988)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(6,226)	(23,250)	(6,226)	(23,250)
Other income:				
Foreign exchange gain/(loss)	12,452	12,521	12,452	12,521
Rental income	211	150	211	150
Gain/(loss) on disposal of property and equipment	577	425	577	425
Profit from Takaful investments	1,278	-	1,278	-
Others	3,599	7,081	3,599	7,081
	18,117	20,177	18,117	20,177
Total non interest income	144,458	121,990	144,458	121,990

## 19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
Fee income:				
Management fees	1,183	672	1,183	672
Other income:				
Others	91	452	91	452
Total non interest income	<u>1,274</u>	<u>1,124</u>	<u>1,274</u>	<u>1,124</u>

## 20. Overhead expenses

	Group		Group	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	108,581	90,533	108,581	90,533
- Others	8,433	8,109	8,433	8,109
<u>Establishment costs</u>				
- Depreciation	18,632	16,842	18,632	16,842
- Rental	12,151	10,260	12,151	10,260
- Information technology expenses	10,230	7,338	10,230	7,338
- Others	10,363	9,672	10,363	9,672
<u>Marketing expenses</u>				
- Advertisement and publicity	11,423	9,484	11,423	9,484
- Handling fees	3,919	3,297	3,919	3,297
- Others	12,117	10,615	12,117	10,615
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,368	2,147	2,368	2,147
- Stationery & printing	4,251	3,367	4,251	3,367
- Others	20,814	20,409	20,814	20,409
	<u>223,282</u>	<u>192,073</u>	<u>223,282</u>	<u>192,073</u>

## 20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,071	1,401	2,071	1,401
- Others	81	39	81	39
<u>Establishment costs</u>				
- Depreciation	274	233	274	233
- Rental	161	154	161	154
- Others	31	54	31	54
<u>Administration and general expenses</u>				
- Teletransmission expenses	10	8	10	8
- Stationery & printing	12	3	12	3
- Others	1,754	422	1,754	422
	<u>4,394</u>	<u>2,314</u>	<u>4,394</u>	<u>2,314</u>

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

	Group		Group	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	5,728	5,469	5,728	5,469
- specific allowance	59,985	90,372	59,985	90,372
- specific allowance written back	(26,203)	(23,886)	(26,203)	(23,886)
Bad debts and financing written off	1,389	1,806	1,389	1,806
Bad debts and financing recovered	(21,414)	(20,521)	(21,414)	(20,521)
	<u>19,485</u>	<u>53,240</u>	<u>19,485</u>	<u>53,240</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 07 and 30 June 2007 met the minimum requirement.

	As at 30/09/07 RM '000	As at 30/06/07 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	1,369,223	1,369,223
Other Reserves	1,830,677	1,830,677
Less : Treasury Shares	(699,034)	(695,111)
Less : Deferred Tax	(164,961)	(164,961)
Add : Minority interest	43,655	43,655
<b>Total tier 1 capital</b>	<b>4,499,331</b>	<b>4,503,254</b>
<b>Tier - 2 capital</b>		
General provision	487,667	481,746
Subordinated obligations	682,800	682,800
<b>Total tier 2 capital</b>	<b>1,170,467</b>	<b>1,164,546</b>
<b>Total capital base</b>	<b>5,669,798</b>	<b>5,667,800</b>
<b><u>Before deducting proposed dividends</u></b>		
Core Capital Ratio	13.39%	13.34%
Risk-weighted Capital Ratio	16.87%	16.79%
<b><u>After deducting proposed dividends</u></b>		
Core Capital Ratio	12.89%	12.84%
Risk-weighted Capital Ratio	16.38%	16.29%

## 23. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 30 September 2007 other than as per disclosed in Note 8 appearing on page 27.

## 24. Changes in composition of the Group

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

- On 11 October 2007, HLG Capital Markets Sdn Bhd, a wholly-owned subsidiary of HLG Capital Berhad, had transferred the entire equity interest comprising 500,000 ordinary shares of RM1.00 each in HLG Credit Sdn Bhd to HLG Capital Berhad for a total cash consideration of RM104,173.
- On 29 June 2006, HLB announced that HLB Ventures Sdn Bhd ("HLBV"), Chew Geok Lin Nominees (Tempatan) Sendirian Berhad ("CGLN(T)") and Chew Geok Lin Nominees (Asing) Sendirian Berhad ("CGLN(A)") and Wah Tat Properties Sdn Bhd ("WTP") were placed under Member's Voluntary Liquidation pursuant to Section 254(1) of the Companies Act, 1965.

HLBV, CGLN(T) and CGL(A) were dissolved on 9 August 2007. The liquidation of WTP is pending completion.

## 25. 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 30/09/2007			As at 30/06/2007		
	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>The Banking Group</b>						
Direct credit substitutes	167,777	167,777	167,777	168,884	168,884	168,884
Transaction-related contingent items	275,068	137,534	137,534	282,088	141,043	141,043
Short-term self liquidating trade-related contingencies	635,042	127,008	127,008	606,280	121,256	121,256
Other assets sold with recourse and commitment	-	-	-	45,452	45,452	45,452
Underwriting obligations	24,341	12,171	12,171	-	-	-
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,359,983	2,179,992	2,179,992	4,336,920	2,168,460	2,168,460
-maturity less than 1 year	13,397,803	-	-	13,947,338	-	-
Foreign exchange related contracts	30,309,436	839,786	230,286	22,717,926	560,034	70,693
Interest rate related contracts	33,909,861	618,535	133,548	34,430,038	454,567	3,051
Equity related contracts	42,560	4,410	-	129,340	1,940	-
Miscellaneous	380	-	-	450	-	-
<b>Total</b>	<b>83,122,251</b>	<b>4,087,213</b>	<b>2,988,316</b>	<b>76,664,716</b>	<b>3,661,636</b>	<b>2,718,839</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 2007.

## 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.



## 28. Interest/Profit rate risk

	The Group 30/09/07						Trading book RM'000	Total RM'000	Effective interest rate %
	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			
<b>Assets</b>									
Cash and short-term funds	12,343,688	-	-	-	-	380,232	-	12,723,920	3.6
Deposits and placements with banks and other financial institution	-	3,091,102	1,500,004	2,000	20,000	1,000	-	4,614,106	3.6
Securities purchased under resale agreements	2,119,551	1,040,833	-	-	-	-	-	3,160,384	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,554,738	3,554,738	4.0
Securities available-for-sale	105,522	286,111	2,248,215	2,213,277	1,019,817	555,553	-	6,428,495	4.3
Securities held-for-maturity	109,298	600,000	258,342	100,817	119,467	18,609	-	1,206,533	3.8
Loans, advances and financing									
- performing	23,491,538	386,072	1,806,316	3,795,141	2,938,177	(461,800)	-	31,955,444	6.6
- non performing	-	-	-	-	-	583,184	-	583,184	-
Trade receivables	-	-	-	-	-	492,008	-	492,008	-
Other receivables	-	-	-	-	-	969,891	-	969,891	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	1,214,589	-	1,214,589	-
Tax recoverable	-	-	-	-	-	6,858	-	6,858	-
Prepaid land lease payments	-	-	-	-	-	32,286	-	32,286	-
Deferred tax assets	-	-	-	-	-	166,120	-	166,120	-
Property and equipment	-	-	-	-	-	456,198	-	456,198	-
Intangible assets	-	-	-	-	-	589,344	-	589,344	-
<b>Total assets</b>	<b>38,169,597</b>	<b>5,404,118</b>	<b>5,812,877</b>	<b>6,111,235</b>	<b>4,097,461</b>	<b>5,004,072</b>	<b>3,554,738</b>	<b>68,154,098</b>	
<b>Liabilities</b>									
Deposits from customers	25,832,870	5,537,450	12,700,368	1,228,015	-	5,103,199	-	50,401,902	3.0
Deposits and placements of banks and other financial institution	2,624,503	597,861	68,814	-	-	1,096	-	3,292,274	3.5
Obligation of securities sold under repurchase agreements	-	-	-	-	-	-	-	-	3.6
Bills and acceptance payable	1,596	8,488	8,913	-	-	372,645	-	391,642	3.6
Payables and other liabilities	-	-	-	-	-	2,215,012	-	2,215,012	-
Provision for claims	-	-	-	-	-	168,988	-	168,988	-
Provision for taxation	-	-	-	-	-	109,182	-	109,182	-
Bank loans	121,000	-	-	-	-	-	-	121,000	4.1
Subordinated Bonds	-	-	-	681,677	-	-	-	681,677	5.2
Syndicated loan facility	-	-	526,350	-	-	-	-	526,350	5.1
Long term borrowings									
- Commercial paper	90,000	-	-	-	-	-	-	90,000	3.6
- Medium Term Notes	-	-	70,000	140,000	-	-	-	210,000	5.9
Insurance funds	-	-	-	-	-	4,112,522	-	4,112,522	-
<b>Total liabilities</b>	<b>28,669,969</b>	<b>6,143,799</b>	<b>13,374,445</b>	<b>2,049,692</b>	<b>-</b>	<b>12,082,644</b>	<b>-</b>	<b>62,320,549</b>	
Shareholder's equity	-	-	-	-	-	3,890,720	-	3,890,720	
Minority interest	-	-	-	-	-	1,942,829	-	1,942,829	
<b>Total liabilities and shareholder's equity</b>	<b>28,669,969</b>	<b>6,143,799</b>	<b>13,374,445</b>	<b>2,049,692</b>	<b>-</b>	<b>17,916,193</b>	<b>-</b>	<b>68,154,098</b>	
On-balance sheet interest sensitivity gap	9,499,628	(739,681)	(7,561,568)	4,061,543	4,097,461				
Off-balance sheet interest sensitivity gap	(70,000)	(3,481,358)	(894,200)	(4,377,848)	234,329				
<b>Total interest sensitivity gap</b>	<b>9,429,628</b>	<b>(4,221,039)</b>	<b>(8,455,768)</b>	<b>(316,305)</b>	<b>4,331,790</b>				

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

The Group 30/06/07									
	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	16,714,972	-	-	-	-	52,714	-	16,767,686	3.7
Deposits and placements with banks and other financial institution	-	6,598,000	2,648,855	2,000	-	41,904	-	9,290,759	3.6
Securities purchased under resale agreements	2,366,332	1,128,977	-	-	-	-	-	3,495,309	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,525,932	3,525,932	4.0
Securities available-for-sale	128,205	332,155	518,579	2,871,595	984,123	588,906	-	5,423,563	4.2
Securities held-for-maturity	1,140,242	876,306	340,604	97,875	129,010	38,753	-	2,622,790	3.8
Loans, advances and financing									
- performing	23,192,470	381,157	1,783,323	3,746,829	2,891,647	(449,963)	-	31,545,463	6.5
- non performing	-	-	-	-	-	605,477	-	605,477	-
Trade receivables	-	-	-	-	-	407,396	-	407,396	-
Other receivables	-	-	-	-	-	1,048,415	-	1,048,415	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,206,939	-	1,206,939	-
Tax recoverable	-	-	-	-	-	14,648	-	14,648	-
Prepaid land lease payments	-	-	-	-	-	46,003	-	46,003	-
Deferred tax assets	-	-	-	-	-	162,140	-	162,140	-
Property and equipment	-	-	-	-	-	435,342	-	435,342	-
Intangible assets	-	-	-	-	-	588,967	-	588,967	-
<b>Total assets</b>	<b>43,542,221</b>	<b>9,316,595</b>	<b>5,291,361</b>	<b>6,718,299</b>	<b>4,004,780</b>	<b>4,787,641</b>	<b>3,525,932</b>	<b>77,186,829</b>	
<b>Liabilities</b>									
Deposits from customers	29,736,173	8,153,411	13,031,987	518,465	-	4,655,930	-	56,095,966	3.0
Deposits and placements of banks and other financial institution	4,289,046	755,524	68,820	-	-	230	-	5,113,620	3.5
Obligation of securities sold under repurchase agreements	1,087,015	42,506	-	-	-	-	-	1,129,521	3.6
Bills and acceptance payable	57,423	45,905	6,727	117	-	456,079	-	566,251	3.8
Payables and other liabilities	-	-	-	-	-	2,713,181	-	2,713,181	-
Provision for claims	-	-	-	-	-	169,711	-	169,711	-
Provision for taxation	-	-	-	-	-	106,402	-	106,402	-
Bank loans	125,700	-	-	-	-	-	-	125,700	4.1
Subordinated Bonds	-	-	-	671,657	-	-	-	671,657	5.2
Syndicated loan facility	-	-	-	509,850	-	-	-	509,850	5.1
Long term borrowings	-	-	-	-	-	-	-	-	-
- Medium Term Notes	-	200,000	100,000	-	-	-	-	300,000	5.9
Insurance funds	-	-	-	-	-	4,043,762	-	4,043,762	-
<b>Total liabilities</b>	<b>35,295,357</b>	<b>9,197,346</b>	<b>13,207,534</b>	<b>1,700,089</b>	<b>-</b>	<b>12,145,295</b>	<b>-</b>	<b>71,545,621</b>	
Shareholder's equity	-	-	-	-	-	3,766,122	-	3,766,122	
Minority interest	-	-	-	-	-	1,875,086	-	1,875,086	
<b>Total liabilities and shareholder's equity</b>	<b>35,295,357</b>	<b>9,197,346</b>	<b>13,207,534</b>	<b>1,700,089</b>	<b>-</b>	<b>17,786,503</b>	<b>-</b>	<b>77,186,829</b>	
On-balance sheet interest sensitivity gap	8,246,864	119,249	(7,916,173)	5,018,210	4,004,780				
Off-balance sheet interest sensitivity gap	(70,000)	(2,379,668)	(4,820,000)	(5,901,100)	50,000				
<b>Total interest sensitivity gap</b>	<b>8,176,864</b>	<b>(2,260,419)</b>	<b>(12,736,173)</b>	<b>(882,890)</b>	<b>4,054,780</b>				

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

The Company 30/09/07									
	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	28,700	-	-	-	-	596	-	29,296	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	7	7	3.8
Other receivables	-	-	-	-	-	5,279	-	5,279	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	6,827	-	6,827	-
Property and equipment	-	-	-	-	-	3,489	-	3,489	-
Intangible assets	-	-	-	-	-	18	-	18	-
<b>Total assets</b>	<b>28,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,064,558</b>	<b>7</b>	<b>2,093,265</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	19,642	-	19,642	-
Bank loans	121,000	-	-	-	-	-	-	121,000	4.1
Long term borrowings									
- Commercial paper	90,000	-	-	-	-	-	-	90,000	3.6
- Medium Term Notes	-	-	70,000	140,000	-	-	-	210,000	5.9
<b>Total liabilities</b>	<b>211,000</b>	<b>-</b>	<b>70,000</b>	<b>140,000</b>	<b>-</b>	<b>19,642</b>	<b>-</b>	<b>440,642</b>	
Shareholder's equity	-	-	-	-	-	1,652,623	-	1,652,623	-
<b>Total liabilities and shareholder's equity</b>	<b>211,000</b>	<b>-</b>	<b>70,000</b>	<b>140,000</b>	<b>-</b>	<b>1,672,265</b>	<b>-</b>	<b>2,093,265</b>	
On-balance sheet interest sensitivity gap	(182,300)	-	(70,000)	(140,000)	-	-	-	-	-

The Company 30/06/07									
	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	-	-	-	-	-	16,476	-	16,476	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	7	7	3.8
Other receivables	-	-	-	-	-	8,970	-	8,970	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	13,823	-	13,823	-
Property and equipment	-	-	-	-	-	4,136	-	4,136	-
Intangible assets	-	-	-	-	-	20	-	20	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,091,774</b>	<b>7</b>	<b>2,091,781</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	22,815	-	22,815	-
Bank loans	111,000	-	-	-	-	-	-	111,000	4.1
Long term borrowings									
- Medium Term Notes	-	200,000	100,000	-	-	-	-	300,000	5.9
<b>Total liabilities</b>	<b>111,000</b>	<b>200,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>22,815</b>	<b>-</b>	<b>433,815</b>	
Shareholder's equity	-	-	-	-	-	1,657,966	-	1,657,966	-
<b>Total liabilities and shareholder's equity</b>	<b>111,000</b>	<b>200,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>1,680,781</b>	<b>-</b>	<b>2,091,781</b>	
On-balance sheet interest sensitivity gap	(111,000)	(200,000)	(100,000)	-	-	-	-	-	-

## 28. Operations of Islamic Banking

### (a) Unaudited Balance Sheets as at 30 September 2007

	Group	
	As at 30/09/07 RM'000	As at 30/06/07 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,380,749	1,355,818
Deposits and placements with banks and other financial institutions	-	100,000
Securities held at fair value through profit or loss	525,523	318,848
Securities available-for-sale	135,723	136,210
Securities held-for-maturity	158,705	432,812
Financing, advances and other financing	3,826,395	3,672,900
Other receivables	20,119	19,875
Statutory deposits with Bank Negara Malaysia	141,964	170,314
Property, plant and equipment	1,937	1,630
Deferred tax assets	16,802	15,883
<b>Total Assets</b>	<b>6,207,917</b>	<b>6,224,290</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	5,079,324	5,250,725
Deposits and placements of banks and other financial institutions	200,000	75,000
Bills and acceptance payable	3,999	3,756
Payables and other liabilities	305,321	292,119
Provision for taxation	3,958	2,555
<b>Total Liabilities</b>	<b>5,592,602</b>	<b>5,624,155</b>
Islamic banking capital fund	500,000	500,000
Reserves	115,315	100,135
<b>Islamic Banking Funds</b>	<b>615,315</b>	<b>600,135</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>6,207,917</b>	<b>6,224,290</b>
<b>Commitments and Contingencies</b>	<b>611,845</b>	<b>398,025</b>

**(b) Unaudited Income Statements for the 1st Quarter and Cumulative Three Months Ended 30 September 2007**

	<b>Current quarter ended 30/09/07 RM '000</b>	<b>Last year quarter ended 30/09/06 RM '000</b>	<b>Current year to date 30/09/07 RM '000</b>	<b>Last year to date 30/09/06 RM '000</b>
<b>Group</b>				
Income derived from investment of deposits' funds and others	71,660	76,799	71,660	76,799
Income derived from investment of shareholders' funds	7,963	7,589	7,963	7,589
Allowance for losses on financing	(5,507)	1,566	(5,507)	1,566
Profit equalisation reserve	1,043	1,000	1,043	1,000
Total distributable income	<u>75,159</u>	<u>86,954</u>	<u>75,159</u>	<u>86,954</u>
Income attributable to deposits	<u>(41,436)</u>	<u>(49,217)</u>	<u>(41,436)</u>	<u>(49,217)</u>
Total net income	<u>33,723</u>	<u>37,737</u>	<u>33,723</u>	<u>37,737</u>
Other operating expenses	<u>(13,092)</u>	<u>(18,849)</u>	<u>(13,092)</u>	<u>(18,849)</u>
Profit before taxation and zakat	<u>20,631</u>	<u>18,888</u>	<u>20,631</u>	<u>18,888</u>
Zakat	-	(9)	-	(9)
Taxation	<u>(5,405)</u>	<u>(5,100)</u>	<u>(5,405)</u>	<u>(5,100)</u>
Profit after taxation and zakat	<u>15,226</u>	<u>13,779</u>	<u>15,226</u>	<u>13,779</u>
Profit attributable to shareholders	<u>15,226</u>	<u>13,779</u>	<u>15,226</u>	<u>13,779</u>
Earnings per share - basic (sen)	<u>3.05</u>	<u>2.76</u>	<u>3.05</u>	<u>2.76</u>
Earnings per share - fully diluted (sen)	<u>3.05</u>	<u>2.76</u>	<u>3.05</u>	<u>2.76</u>

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

(i) **By type**

	<b>Group</b>	
	<b>As at 30/09/07 RM'000</b>	<b>As at 30/06/07 RM'000</b>
Cash line	6,944	7,457
Term financing		
- House financing	1,765,569	1,659,400
- Hire purchase receivable	2,826,178	2,708,237
- Lease receivable	25,900	25,976
- Other term financing	484,999	510,740
Claims on customers under acceptance credits	205,399	148,583
Staff financing	63	86
Revolving credit	685	696
Others	1,065	1,176
	<u>5,316,802</u>	<u>5,062,351</u>
Less: Unearned income	(1,398,704)	(1,303,602)
	<u>3,918,098</u>	<u>3,758,749</u>
Less: Allowance for bad and doubtful financing		
- General	(58,278)	(55,932)
- Specific	(33,425)	(29,917)
Total net financing, advances and other financing	<u><u>3,826,395</u></u>	<u><u>3,672,900</u></u>

(ii) **By contract**

	<b>Group</b>	
	<b>As at 30/09/07 RM'000</b>	<b>As at 30/06/07 RM'000</b>
Bai' Bithaman Ajil (deferred payment sale)	1,183,282	1,020,885
Ijarah (lease)	23,895	24,086
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,505,522	2,407,069
Murabahah (cost-plus)	205,399	306,709
	<u><u>3,918,098</u></u>	<u><u>3,758,749</u></u>

Non-performing financing

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

	Group	
	As at 30/09/07 RM'000	As at 30/06/07 RM'000
At beginning	61,070	75,637
Non-performing during the year	53,215	252,574
Reclassified as performing	(42,265)	(211,495)
Amount written back in respect of recoveries	(7,108)	(46,766)
Amount written off	(191)	(8,880)
Closing balance	<u>64,721</u>	<u>61,070</u>
Net non-performing financing, advances and other financing	<u>31,296</u>	<u>31,153</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.8%</u>	<u>0.8%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/09/07 RM'000	As at 30/06/07 RM'000
General allowance		
At beginning	55,932	60,158
Net allowance made/(written back) during the year	2,346	(4,226)
Closing balance	<u>58,278</u>	<u>55,932</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	29,917	26,908
Allowance made during the year	5,796	21,795
Amount written back in respect of recoveries	(2,097)	(9,848)
Amount written off	(191)	(8,938)
Closing balance	<u>33,425</u>	<u>29,917</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 30/09/07 RM'000	As at 30/06/07 RM'000
<b>Non-Mudharabah</b>		
Demand deposits	280,738	299,018
Savings deposits	526,641	522,418
Negotiable instruments of deposit	246,411	198,077
	<u>1,053,790</u>	<u>1,019,513</u>
<b>Mudharabah</b>		
Demand deposits	-	-
Saving deposits	429,138	423,792
General investment deposits	1,625,654	2,002,058
Specific investment deposits	1,970,742	1,805,362
Others	-	-
	<u>4,025,534</u>	<u>4,231,212</u>
	<u>5,079,324</u>	<u>5,250,725</u>

**29. Change in Accounting Policies**

- (i) During the period ended 30 September 2007, the Group have adopted the revised FRS 117 Leases issued by MASB that are applicable with effect from 1 July 2007 which resulted in changes in accounting policies.

Prior to 1 July 2007, lease of land and buildings held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 Leases in 2007 resulted in the accounting policy relating to the classification of leases of land and buildings. Under FRS 117, lease of land and buildings are classified as operating and finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and the building element of the lease at the inception of the lease. The up-front payment represent prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. There were no effects on the income statements of the Group for the 1st quarter ended 30 September 2007.

- (ii) The following comparative figures have been restated for the effects of adopting the above changes in accounting policies to conform with the current period's presentation:

	Group	
	As restated RM'000	As previously reported RM'000
Balance Sheet as at 30 June 2007		
Prepaid land lease payments	46,003	-
Property and equipment	<u>435,342</u>	<u>481,345</u>



**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")  
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 recorded a profit before tax of RM271.4 million for the quarter ended 30 Sept 2007 as compared to RM207.9 million in the preceding year's corresponding quarter, a increase of RM63.5 million or 30.5%. This was mainly due to higher contributions from the Banking division.

The Banking division recorded a profit before tax of RM255.7 million for the quarter ended 30 Sept 2007 as compared to RM198.4 million in the preceding year's corresponding quarter, an increase of RM57.3 million or 28.9%. This was mainly due to lower allowance for losses on loans, advances and financing in the current quarter ended 30 September 2007.

The Insurance division recorded a profit before tax of RM8.3 million for the quarter ended 30 Sept 2007 as compared to RM12.0 million in the preceding year's corresponding quarter, a decrease of RM3.6 million or 30.3%. The decrease was mainly due to lower net insurance premiums.

The Stockbroking and Asset Management division recorded a profit before tax of RM14.1 million for the quarter ended 30 Sept 2007 as compared to RM4.3 million in the preceding year's corresponding quarter, an increase of RM9.8 million or 227.6%. The increase was mainly due to a higher brokerage income arising from higher Bursa volumes experienced during the period.

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

The Group recorded a profit before tax of RM271.4 million for the quarter ended 30 Sept 2007 as compared to RM323.0 million in the preceding quarter, an decrease of RM51.6 million or 16.0%. The decrease was mainly contributed by lower profits from the Insurance division.

The Banking division recorded a profit before tax of RM255.7 million for the quarter ended 30 Sept 2007 as compared to RM241.7 million in the preceding quarter, an increase of RM14.0 million or 5.8%. This was mainly due to higher net income which was spurred by strong growth in business volumes.

The Insurance division recorded a profit before tax of RM8.3 million for the quarter ended 30 Sept 2007 as compared to RM78.8 million in the preceding quarter, a decrease of RM70.5 million or 89.4%. The decrease was mainly due to surplus transferred from Life Fund in the preceeding quarter, which is done only in the fourth quarter of every financial year.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM14.1 million as compared to RM12.1 million in the preceding quarter, an increase of RM2.0 million or 16.7%. The increase was mainly due to higher brokerage income arising from higher Bursa volumes experienced during the period.

**3. Prospects for current financial year**

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 30 September 2007:

	Group		Group	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
Tax and zakat expenses				
Malaysian – current	(74,927)	(63,431)	(74,927)	(63,431)
Overseas – current	-	(341)	-	(341)
Transfer (from) / to deferred tax	1,540	5,121	1,540	5,121
	<u>(73,387)</u>	<u>(58,651)</u>	<u>(73,387)</u>	<u>(58,651)</u>
Prior year over/(under) provision				
- Malaysian	(151)	-	(151)	-
	<u>(73,538)</u>	<u>(58,651)</u>	<u>(73,538)</u>	<u>(58,651)</u>

The effective tax rate for the Group for the current quarter 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 under review in HILFG.

## 7. Purchase / sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the financial quarter 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 as mentioned below:-

- (a) On 19 October 2007, HLG Capital Berhad announced that HLG Credit (“HLG Credit”) together with HLG Capital Berhad (being the holding company of HLG Credit) had entered into a conditional Share Sale Agreement with SBB Capital Markets Sdn Bhd (“SSBCM”) and CIMB Bank Berhad (the holding company of SSBCM”) for HLG Credit to acquire the entire equity interest in SBB Securities Sdn Bhd (“SBBS”) comprising 90,000,000 shares (“Sale Shares”) from SSBCM for an indicative purchase consideration of RM77,000,000 (“Proposed Acquisition”).

The Proposed Acquisition by HLG Credit is conditional upon the approvals of the following:-

1. the approval of the shareholder of HLG Credit for the Proposed Acquisition
2. the approvals of the following public authorities having been obtained on terms and conditions acceptable to HLG Credit and SBBCM:-
  - (i) the SC’s licensing department pursuant to the conditions set out in the dealer’s licence of SBBS; and
  - (ii) the approval of the SC (Equity Compliance Unit) for the acquisition of the Sale Shares by HLG Credit;

## 8. Status of corporate proposals (continued)

3. the order of High Court confirming the Capital Repayment of SBBS;
4. the coming into effect of the vesting of certain rights and obligations to any subsidiary or associated company of CIMB Group Sdn Bhd as specified by the High Court after the Capital Repayment.

(b) On 25 October 2007, Hong Leong Bank Berhad announced that it had entered into a Share Subscription Agreement (“SSA”) with Chengdu City Commercial Bank Co., Ltd (“Chengdu Bank”) to subscribe for new shares representing 19.99% equity interest of the enlarged capital in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million (Proposed Subscription”).

The Proposed Subscription is conditional upon the approvals of the following:-

1. the board of directors/general meeting of shareholders of Chengdu Bank; and
2. the China Banking Regulator and all other relevant regulatory government departments in China.

## 9. Group borrowings

The Group borrowings include:

	As at 30/09/07 RM '000	As at 30/06/07 RM '000
Short Term – unsecured	121,000	125,700
Long Term – unsecured	300,000	300,000
Total Borrowings	<u>421,000</u>	<u>425,700</u>
Syndicated facility - USD150 million	526,350	509,850
Subordinated Bonds - USD200 million	681,677	671,657

### 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

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	2,909,948	1,801,841	703,907	273,343	130,858	-	
- swaps	23,702,164	7,281,623	7,611,558	5,117,402	1,142,210	2,262,885	286,486
- options	3,696,449	1,199,194	1,540,497	719,633	237,125	-	
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	14,411,899	123,419	2,983,300	1,816,180	2,794,000	6,695,000	
- swaps	19,497,962	10,000	549,980	755,000	1,930,300	15,178,453	1,074,229
Total	64,218,422	10,416,077	13,389,242	8,681,558	6,234,492	24,136,338	1,360,715

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 year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM1,369,605,877 (FYE June 2007: RM492,598,221) and RM22,050,860,830 (FYE June 2007: RM20,343,653,730) 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 year, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM144,884,992 (FYE June 2007: RM133,572,118). 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 on 26% had been proposed by the Company during the financial quarter.

- (i) Amount per share : 9 sen per share less income tax of 26%
- (ii) Previous corresponding period : 9 sen per share less income tax of 27%
- (iii) Entitlement date : (to be advised)
- (iv) Payment date : (to be advised)

Total proposed HLFG dividend for the current quarter is 9 sen per share less income tax of 26%.

### 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.

	Group		Group	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<b>Weighted Average Number Of Ordinary Shares</b>				
Weighted average number of ordinary shares	1,037,768	1,028,379	1,037,768	1,028,379
Net profit attributable to shareholders of the company	126,598	93,460	126,598	93,460
<b>Basic earnings per share (Sen)</b>	<b>12.2</b>	<b>9.1</b>	<b>12.2</b>	<b>9.1</b>

	Company		Company	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<b>Weighted Average Number Of Ordinary Shares</b>				
Weighted average number of ordinary shares	1,038,307	1,028,918	1,038,307	1,028,918
Net profit attributable to shareholders of the company	(8,025)	(6,855)	(8,025)	(6,855)
<b>Basic earnings per share (Sen)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(0.7)</b>

### 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.

	Group		Group	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,037,768	1,028,379	1,037,768	1,028,379
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,037,768	1,028,379	1,037,768	1,028,379
Net profit attributable to shareholders of the company	126,598	93,460	126,598	93,460
<b>Fully diluted earnings per share (Sen)</b>	<b>12.2</b>	<b>9.1</b>	<b>12.2</b>	<b>9.1</b>

	Company		Company	
	Current quarter ended 30/09/07 RM '000	Last year quarter ended 30/09/06 RM '000	Current year to date 30/09/07 RM '000	Last year to date 30/09/06 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,038,307	1,028,918	1,038,307	1,028,918
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,038,307	1,028,918	1,038,307	1,028,918
Net profit attributable to shareholders of the company	(8,025)	(6,855)	(8,025)	(6,855)
<b>Fully diluted earnings per share (Sen)</b>	<b>(0.8)</b>	<b>(0.7)</b>	<b>(0.8)</b>	<b>(0.7)</b>