

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2007

THE GROUP	As at 31/12/07 RM '000	As at 30/06/07 RM '000
<u>Assets</u>		
Cash and short term funds	19,373,806	16,767,686
Deposits and placements with financial institutions	2,809,186	9,290,759
Securities purchased under resale agreements	1,022,997	3,495,309
Securities held at fair value through profit or loss	5,134,389	3,525,932
Securities available-for-sale	6,374,416	5,423,563
Securities held-to-maturity	1,746,555	2,622,790
Loans, advances and financing	33,491,926	32,150,940
Trade receivables	290,996	407,396
Other receivables	1,062,403	1,048,415
Statutory deposits with Bank Negara Malaysia	1,219,739	1,206,939
Tax recoverable	6,828	14,648
Prepaid land lease payments	31,624	46,003
Deferred tax asset	163,604	162,140
Property, plant and equipment	480,224	435,342
Intangible assets	588,470	588,967
Total Assets	73,797,163	77,186,829
<u>Liabilities</u>		
Deposits from customers	57,104,189	56,095,966
Deposits and placements of banks and other financial institutions	2,603,297	5,113,620
Obligations on securities sold under repurchase agreements	-	1,129,521
Bills and acceptances payable	398,542	566,251
Payables and other liabilities	2,167,072	2,713,181
Provision for claims	178,646	169,711
Provision for taxation	109,959	106,402
Bank loans	5,600	125,700
Subordinated Bonds	676,034	671,657
Syndicated loan facility	-	509,850
CP/MTN	390,000	300,000
Insurance funds	4,237,642	4,043,762
Total Liabilities	67,870,981	71,545,621
<u>Equity</u>		
Share capital	1,052,768	1,052,451
Capital reserves	1,351,773	1,337,795
Retained profits	1,614,443	1,428,148
Fair value reserves	11,323	15,394
Treasury shares held for ESOS	(67,666)	(67,666)
Total shareholders' equity	3,962,641	3,766,122
Minority interest	1,963,541	1,875,086
Total Equity	5,926,182	5,641,208
Total Liabilities and Equity	73,797,163	77,186,829
Commitment and Contingencies	87,464,859	76,700,752

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2007

THE GROUP	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Interest income	758,616	705,677	1,513,962	1,375,936
Interest expense	(403,432)	(422,686)	(827,324)	(797,903)
Net interest income	355,184	282,991	686,638	578,033
Income from Islamic banking business	40,412	30,617	79,640	66,787
Non interest income	178,423	172,809	322,881	294,799
Net income	574,019	486,417	1,089,159	939,619
Overhead expenses	(240,251)	(201,287)	(463,533)	(393,360)
Operating profit before allowances	333,768	285,130	625,626	546,259
Allowance for losses on loans, advances and financing	(25,051)	(49,109)	(44,536)	(102,349)
Impairment loss	-	-	(1,009)	-
Profit before taxation and zakat	308,717	236,021	580,081	443,910
Taxation	(84,485)	(63,481)	(158,023)	(122,123)
Zakat	-	(9)	-	(18)
Net profit for the period	<u>224,232</u>	<u>172,531</u>	<u>422,058</u>	<u>321,769</u>
Attributable to :				
Equity holders of the company	144,291	115,811	270,889	209,271
Minority interests	79,941	56,720	151,169	112,498
Net profit for the period	<u>224,232</u>	<u>172,531</u>	<u>422,058</u>	<u>321,769</u>
Basic earnings per ordinary share (sen)	<u>13.9</u>	<u>11.3</u>	<u>26.1</u>	<u>20.4</u>
Diluted earnings per ordinary share (sen)	<u>13.9</u>	<u>11.3</u>	<u>26.1</u>	<u>20.4</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2007

	As at 31/12/07 RM '000	As at 30/06/07 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	6,082	16,476
Securities held at fair value through profit or loss	27,007	7
Other receivables	4,319	8,970
Tax recoverable	6,827	13,823
Investment in subsidiaries	2,048,349	2,048,349
Property, plant and equipment	3,289	4,136
Intangible assets	15	20
Total Assets	2,095,888	2,091,781
<u>Liabilities</u>		
Payables and other liabilities	17,990	22,815
Bank loans	1,000	111,000
CP/MTN	390,000	300,000
Total Liabilities	408,990	433,815
<u>Financed by:</u>		
Share capital	1,052,768	1,052,451
Capital reserves	139,170	135,653
Retained profits	560,710	535,612
Treasury shares held for ESOS	(65,750)	(65,750)
Total Equity	1,686,898	1,657,966
Total Liabilities and Equity	2,095,888	2,091,781
Commitment and Contingencies	-	-

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2007

	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
THE COMPANY				
Interest income	108	74	336	151
Interest expense	(4,761)	(5,927)	(9,894)	(11,669)
Net interest expense	(4,653)	(5,853)	(9,558)	(11,518)
Non interest income	149,264	147,760	150,538	148,884
Net income	144,611	141,907	140,980	137,366
Overhead expenses	(4,059)	(2,617)	(8,452)	(4,931)
Profit before taxation and zakat	140,552	139,290	132,528	132,435
Taxation	(38,315)	(39,539)	(38,315)	(39,539)
Net profit for the period	102,237	99,751	94,213	92,896
Basic earnings per ordinary share (sen)	9.8	9.7	9.1	9.1
Diluted earnings per ordinary share (sen)	9.8	9.7	9.1	9.1

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2007

	Share Capital RM '000	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
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	-	-	-	-	94,213	-	94,213
Total recognised income/(expense) for the period	-	-	-	-	94,213	-	94,213
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	-	-	-	-	1,529
Dividend paid - 1st interim dividend	-	-	-	-	(69,115)	-	(69,115)
Option reserves arising from ESOS	-	-	-	2,305	-	-	2,305
AT 31 DECEMBER 2007	1,052,768	117,229	18,484	3,457	560,710	(65,750)	1,686,898

	Share Capital RM '000	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
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	-	-	-	-	92,896	-	92,896
Total recognised income/(expense) for the period	-	-	-	-	92,896	-	92,896
Dividend paid - 1st interim dividend	-	-	-	-	(68,375)	-	(68,375)
Treasury Shares held for ESOS	-	-	-	-	-	(52,428)	(52,428)
AT 31 DECEMBER 2006	1,040,722	71,216	18,484	-	586,057	(65,750)	1,650,729

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

	The Group		The Company	
	31/12/07	31/12/06	31/12/07	31/12/06
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	580,081	443,910	132,528	132,435
Adjustment for non-cash items and others	137,496	357,216	(137,462)	(134,540)
Operating profit before working capital changes	717,577	801,126	(4,934)	(2,105)
Income tax recovered/(paid)	(158,423)	(146,717)	6,996	-
Interest paid	(10,223)	(11,669)	(9,894)	(11,669)
Interest received	2,251	2,461	336	151
Net changes in working capital	2,298,322	(5,278,105)	2,121	(21,560)
Net cash flow from operating activities	2,849,504	(4,632,904)	(5,375)	(35,183)
Net cash flow from investing activities	(68,689)	112,350	82,567	54,801
Net cash flow from financing activities	(175,308)	265,343	(87,586)	(57,675)
Changes in cash and cash equivalents	2,605,507	(4,255,211)	(10,394)	(38,057)
Effect of change in foreign exchange rate	613	(1,078)	-	-
Cash and cash equivalents as at 1 July	16,767,686	14,762,999	16,476	46,975
Cash and cash equivalents as at 31 December	19,373,806	10,506,710	6,082	8,918

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 HLFG

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 HLFM for the financial period ended 31 December 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.

7. Dividends paid

An interim dividend of 9 sen per share less income tax on 26% amounted to RM70,114,335 was paid on 18 December 2007.

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 DECEMBER 2007	Securities & Asset					Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	
Revenue for the year ended						
External sales	998,942	41,834	54,696	(6,313)	-	1,089,159
Intersegment sales	125	1,150	7,269	3,774	(12,318)	-
	<u>999,067</u>	<u>42,984</u>	<u>61,965</u>	<u>(2,539)</u>	<u>(12,318)</u>	<u>1,089,159</u>
Results for the year ended						
Segment results	548,790	20,763	22,472	(11,944)	-	580,081
Profit before taxation and zakat						<u>580,081</u>
Taxation and zakat						<u>(158,023)</u>
Profit after taxation						<u>422,058</u>
Minority interest						<u>(151,169)</u>
Net profit for the year						<u>270,889</u>
Other information						
Segment assets	67,629,205	388,222	5,431,577	54,292	105,158	73,608,454
Other corporate assets						188,709
Total consolidated assets						<u>73,797,163</u>
Segment liabilities	62,900,544	235,280	4,818,895	22,600	(497,338)	67,479,981
Other corporate liabilities						391,000
Total consolidated liabilities						<u>67,870,981</u>
Capital expenditure	67,982	1,420	963	5	-	70,370
Depreciation	27,674	721	4,541	515	-	33,451
Loan loss and other allowances	44,536	-	-	-	-	44,536

GROUP 31 DECEMBER 2006	Securities & Asset				Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	
Revenue for the year ended					
External sales	855,190	25,375	67,924	(8,870)	-
Intersegment sales	3,355	2,083	3,800	1,714	(10,952)
	<u>858,545</u>	<u>27,458</u>	<u>71,724</u>	<u>(7,156)</u>	<u>(10,952)</u>
					<u>939,619</u>
Results for the year ended					
Segment results	410,832	12,036	34,151	(13,109)	-
					<u>443,910</u>
Profit before taxation and zakat					<u>(122,141)</u>
Taxation and zakat					<u>321,769</u>
Profit after taxation					<u>(112,498)</u>
Minority interest					<u>209,271</u>
Net profit for the year					<u>443,910</u>
					<u>(122,141)</u>
					<u>321,769</u>
					<u>(112,498)</u>
					<u>209,271</u>
Other information					
Segment assets	66,341,430	309,967	4,687,278	56,421	601,194
Other corporate assets					169,323
Total consolidated assets					<u>72,165,613</u>
					<u>72,165,613</u>
Segment liabilities					
Other corporate liabilities	61,999,964	164,058	4,314,156	29,478	(102,249)
Total consolidated liabilities					<u>448,850</u>
					<u>66,854,257</u>
					<u>66,854,257</u>
Capital expenditure					
Depreciation	86,461	268	2,950	494	-
Loan loss and other allowances	27,915	553	8,642	420	-
	<u>102,349</u>	-	-	-	-
	<u>102,349</u>				<u>102,349</u>

9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	315,596	102,211
Malaysian Government Securities	304,541	125,232
Negotiable instruments of deposit	203,045	111,395
Bankers' acceptances and Islamic accepted bills	2,281,596	1,132,891
Bank Negara Malaysia bills	1,242,462	1,506,638
Malaysian Government Investment Certificates	-	55,066
Cagamas bonds/notes	320,367	79,045
	4,667,607	3,112,478
Quoted securities :		
Shares/Loan stocks/Unit Trust	172,220	166,968
Foreign currency bonds	18,690	1,790
Unquoted securities :		
Syndicated bond	40,465	38,619
Private debt securities	235,407	200,825
<u>Others designated at fair value through P&L</u>		
Loan stock quoted in Malaysia	-	5,252
	5,134,389	3,525,932
Total securities held at fair value through profit and loss	5,134,389	3,525,932

	Company	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	27,007	7

10. Securities available-for-sale

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	745,766	388,695
Malaysian Government Securities	2,103,382	1,877,862
Malaysian Government Investment Certificates	-	-
Negotiable instruments of deposit	-	20,000
Cagamas bonds	806,440	854,177
Other Government Securities	110,696	8,715
	3,766,284	3,149,449
Quoted securities :		
Shares/Loan stocks/Unit Trust	585,207	584,698
Foreign Currency Bonds	295,248	63,857
Unquoted securities :		
Private debt securities/shares/reits	1,727,677	1,625,559
Total securities available-for-sale	6,374,416	5,423,563

11. Securities held-to-maturity

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	70,941	107,353
Malaysian Government Investment Certificates	173,690	171,059
Negotiable instruments of deposit	949,825	1,781,273
Cagamas bonds	230,365	275,033
	1,424,821	2,334,718
Quoted securities :		
Foreign Currency Bonds	-	10,242
Unquoted securities :		
Private debt securities/shares/loan stocks	321,734	277,830
Total securities held-to-maturity	1,746,555	2,622,790

12. Loans, advances and financing

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Overdrafts	2,630,811	2,624,460
Term loans :		
- Housing loans/financing	17,982,363	16,559,484
- Syndicated term loan/financing	1,458,769	1,526,094
- Hire purchase receivables	5,901,284	5,695,681
- Lease receivables	27,713	29,374
- Other term loans/financing	1,791,804	1,721,550
Credit/charge card receivables	1,863,422	1,667,901
Bills receivables	292,191	310,842
Trust receipts	138,899	150,249
Claims on customers under acceptance credits	3,229,117	3,023,892
Block discounting	9,353	18,480
Revolving credits	627,840	783,949
Policy and premium loans	532,510	496,151
Staff loans	108,592	112,360
Other loans/financing	52,114	53,354
	36,646,782	34,773,821
Unearned interest and income	(2,228,127)	(1,760,915)
	34,418,655	33,012,906
Fair value changes arising from fair value hedges	15,197	32,540
Allowance for bad and doubtful debts and financing :		
- general	(502,508)	(481,746)
- specific	(439,418)	(412,760)
Net loans, advances and financing	33,491,926	32,150,940

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/12/07 RM '000	As at 30/06/07 RM '000
Domestic banking institutions	-	320
Domestic non-bank financial institutions	120,176	159,547
Domestic business enterprises		
- Small and medium enterprises	3,457,350	3,351,870
- Others	6,672,014	6,172,934
Government and statutory bodies	46,047	91,102
Individuals	23,086,490	21,998,311
Other domestic entities	20,853	41,907
Foreign entities	1,015,725	1,196,915
Gross loans, advances and financing	<u>34,418,655</u>	<u>33,012,906</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 31/12/07 RM '000	As at 30/06/07 RM '000
Fixed rate		
- Housing loans/financing	2,773,143	3,512,263
- Hire purchase receivables	5,107,729	4,942,068
- Other fixed rate loan/financing	3,445,912	3,084,586
Variable rate		
- Base lending rate plus	19,368,905	17,829,234
- Cost plus	3,658,604	3,582,814
- Other variables rates	64,362	61,941
Gross loans, advances and financing	<u>34,418,655</u>	<u>33,012,906</u>

(c) By economic purpose

	Group	
	As at 31/12/07 RM '000	As at 30/06/07 RM '000
Purchase of securities	607,263	582,681
Purchase of transport vehicles	4,714,863	4,469,163
Purchase of landed properties		
- residential	12,761,744	12,136,525
- non-residential	4,153,900	3,926,088
Personal use	2,129,148	2,114,929
Credit card	1,863,422	1,667,901
Purchase of consumer durables	210	157
Construction	557,112	565,931
Working capital	7,048,878	6,961,765
Others	582,115	587,766
Gross loans, advances and financing	<u>34,418,655</u>	<u>33,012,906</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Purchase of securities	19,396	21,229
Purchase of transport vehicles	89,860	86,393
Purchase of landed properties		
- residential	269,108	289,258
- non-residential	96,421	102,970
Personal use	43,260	44,580
Credit card	30,653	26,674
Purchase of consumer durables	1	154
Construction	49,471	55,039
Working capital	378,088	407,083
Gross loans, advances and financing	<u>976,264</u>	<u>1,033,380</u>

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

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
At beginning	1,033,380	1,381,983
Non-performing during the period/year	1,300,658	3,008,575
Reclassified as performing	(1,125,048)	(2,640,341)
Amount written back in respect of recoveries	(189,797)	(465,517)
Amount written off	(43,594)	(249,843)
Exchange differences	665	(1,477)
Closing balance	<u>976,264</u>	<u>1,033,380</u>
Specific allowance	<u>(439,418)</u>	<u>(412,760)</u>
Net non-performing loans, advances and financing	<u>536,846</u>	<u>620,620</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.6%</u>	<u>1.9%</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 31/12/07 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	20,566	45,805
Exchange differences	196	(292)
Closing balance	<u>502,508</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	124,712	296,243
Amount written back in respect of recoveries	(54,848)	(106,256)
Amount written off	(43,597)	(250,137)
Exchange differences	391	(907)
Closing balance	<u>439,418</u>	<u>412,760</u>

13. Other receivables

	Group	
	As at 31/12/07 RM '000	As at 30/06/07 RM '000
Interest/Income receivable	180,954	217,315
Investment properties	1,274	1,280
Other debtors, deposits and prepayments	877,358	826,001
Assets held for sale	60	810
Foreclosed properties	2,757	3,009
	<u>1,062,403</u>	<u>1,048,415</u>
	<u>Company</u>	
	As at 31/12/07 RM '000	As at 30/06/07 RM '000
Amount due from subsidiary companies	3,044	6,117
Amount due from related companies	321	267
Other debtors, deposits and prepayments	954	2,586
	<u>4,319</u>	<u>8,970</u>

14. Deposits from customers

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Fixed deposits	31,136,172	29,279,540
Negotiable instruments of deposit	2,937,256	3,247,184
Demand deposits	5,691,503	4,947,287
Savings deposits	7,209,035	7,117,265
Short term corporate placement	9,951,179	11,293,502
Other	179,044	211,188
	<u>57,104,189</u>	<u>56,095,966</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
One year or less (short term)	32,925,058	31,694,339
More than one year (medium/long term)	1,148,370	832,385
	<u>34,073,428</u>	<u>32,526,724</u>

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

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Government and statutory bodies	389,438	362,135
Business enterprises	26,556,014	24,050,312
Individuals	29,964,585	30,054,518
Others	194,152	1,629,001
	<u>57,104,189</u>	<u>56,095,966</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Licensed banks	2,473,297	5,038,620
Other financial institutions	130,000	75,000
	<u>2,603,297</u>	<u>5,113,620</u>

The maturity structure :

One year or less (short term)	2,603,297	5,113,620
More than one year (medium/long term)	-	-
	<u>2,603,297</u>	<u>5,113,620</u>

16. Payables and other liabilities

	Group	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Trade payables	477,138	537,852
Amount due to related companies	4,767	2,853
Other payables and accrued liabilities	1,363,869	1,772,207
Interest payable	315,360	394,444
Post employment benefits obligations - defined contribution plan	5,938	5,825
	<u>2,167,072</u>	<u>2,713,181</u>

	Company	
	As at	As at
	31/12/07	30/06/07
	RM '000	RM '000
Amount due to subsidiary companies	7,760	10,228
Other payables and accrued liabilities	5,978	5,425
Interest payable	4,178	7,091
Post employment benefits obligations - defined contribution plan	74	71
	<u>17,990</u>	<u>22,815</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/07 RM '000	quarter ended 31/12/06 RM '000	to date 31/12/07 RM '000	to date 31/12/06 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	433,239	357,453	839,478	701,177
- recoveries from NPLs	14,885	34,346	46,312	76,132
Money at call and deposit placements				
with financial institutions	188,303	182,813	396,799	314,447
Securities purchased under resale agreement	19,146	21,390	36,573	60,644
Securities held at fair value through profit and loss	61,858	40,705	116,597	99,624
Securities available-for-sale	32,317	44,180	60,657	99,993
Securities held-to-maturity	8,473	27,507	17,735	34,871
Others	2,013	2,805	4,274	5,379
	<u>760,234</u>	<u>711,199</u>	<u>1,518,425</u>	<u>1,392,267</u>
Amortisation of premium less accretion of discount	1,241	(3,918)	650	(12,022)
Interest suspended	(2,859)	(1,604)	(5,113)	(4,309)
	<u>758,616</u>	<u>705,677</u>	<u>1,513,962</u>	<u>1,375,936</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/07 RM '000	quarter ended 31/12/06 RM '000	to date 31/12/07 RM '000	to date 31/12/06 RM '000
Money at call and deposit placements with financial institutions	108	74	336	151
Others	-	-	-	-
	<u>108</u>	<u>74</u>	<u>336</u>	<u>151</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/07 RM '000	quarter ended 31/12/06 RM '000	to date 31/12/07 RM '000	to date 31/12/06 RM '000
Deposits and placements of banks and other financial institutions	19,971	86,912	52,458	174,027
Deposits from customers	266,998	317,294	530,032	589,430
Borrowings	4,780	6,151	10,012	12,287
Subordinated bonds	8,681	8,898	17,553	18,462
Short term corporate placements	97,945	-	203,915	-
Others	5,057	3,431	13,354	3,697
	<u>403,432</u>	<u>422,686</u>	<u>827,324</u>	<u>797,903</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/07 RM '000	quarter ended 31/12/06 RM '000	to date 31/12/07 RM '000	to date 31/12/06 RM '000
Borrowings	4,761	5,927	9,894	11,669

19. Non Interest Income

	Group		Group	
	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Net income from Insurance Business	25,665	23,676	40,560	42,513
Net brokerage and commissions from Stockbroking Business	11,694	8,193	29,671	13,153
Net unit trust and asset management income	5,190	5,015	11,441	10,175
Fee income:				
Management fees	(92)	308	165	631
Commissions	20,301	26,340	41,958	46,677
Service charges and fees	10,424	17,761	19,719	25,820
Guarantee fees	1,449	1,470	2,992	2,917
Other fee income	57,044	33,554	98,710	69,151
	89,126	79,433	163,544	145,196
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(9,031)	941	8,704	17,104
Net gain from sale of securities available-for-sale	3,291	9,272	9,208	34,082
Net gain/(loss) from redemption of securities held-to-maturity	-	957	2	947
	(5,740)	11,170	17,914	52,133
Gross dividend income from:				
Securities held at fair value through profit and loss	1,297	1,236	3,503	1,779
Securities available-for-sale	1,553	1,528	2,935	3,232
Securities held-to-maturity	313	324	2,653	324
	3,163	3,088	9,091	5,335
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	6,062	(804)	4,460	(11,683)
Net realised gains/(losses) on fair value changes arising from fair value hedge	(6,268)	(2,330)	(15,222)	(4,318)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	581	6,343	(5,645)	(16,907)
Other income:				
Foreign exchange gain/(loss)	40,386	35,299	52,838	47,820
Rental income	105	143	316	293
Gain/(loss) on disposal of property and equipment	457	2	1,034	427
Profit from Takaful investments	4,426	-	5,704	-
Others	3,576	3,581	7,175	10,662
	48,950	39,025	67,067	59,202
Total non interest income	178,423	172,809	322,881	294,799

19. Non Interest Income (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/07	31/12/06	31/12/07	31/12/06
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	1,183	1,183	2,366	1,855
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss	21	-	21	-
Gross dividend income from:				
Securities held at fair value through profit and loss	140	-	140	-
Subsidiary companies	147,366	146,440	147,366	146,440
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	-	109	-	109
Other income:				
Others	554	28	645	480
Total non interest income	149,264	147,760	150,538	148,884

20. Overhead expenses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/07	31/12/06	31/12/07	31/12/06
	RM '000	RM '000	RM '000	RM '000
Personnel costs				
- Salaries, allowances and bonuses	102,352	94,974	210,933	185,507
- Others	18,272	10,958	26,705	19,067
Establishment costs				
- Depreciation	15,469	20,688	33,451	37,530
- Rental	11,934	10,171	23,994	20,431
- Information technology expenses	13,491	10,310	23,721	17,648
- Others	13,012	6,640	24,116	16,312
Marketing expenses				
- Advertisement and publicity	13,508	8,962	24,931	18,446
- Handling fees	4,658	3,554	8,577	6,851
- Others	11,360	11,764	23,477	22,379
Administration and general expenses				
- Teletransmission expenses	2,912	2,410	5,280	4,557
- Stationery & printing	4,168	3,540	8,419	6,907
- Others	29,115	17,316	49,929	37,725
	240,251	201,287	463,533	393,360

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	1,984	1,684	4,055	3,085
- Others	82	48	163	87
<u>Establishment costs</u>				
- Depreciation	206	145	480	378
- Rental	188	163	349	317
- Others	61	80	92	134
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	10	18	18
- Stationery & printing	10	3	22	6
- Others	1,520	484	3,273	906
	<u>4,059</u>	<u>2,617</u>	<u>8,452</u>	<u>4,931</u>

21. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	14,837	10,573	20,565	16,042
- specific allowance	64,727	83,404	124,712	173,776
- specific allowance written back	(28,645)	(26,567)	(54,848)	(50,453)
Bad debts and financing written off	2,242	1,696	3,631	3,502
Bad debts and financing recovered	(28,110)	(19,997)	(49,524)	(40,518)
	<u>25,051</u>	<u>49,109</u>	<u>44,536</u>	<u>102,349</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 31 December 07 and 30 June 2007 met the minimum requirement.

	As at 31/12/07 RM '000	As at 30/06/07 RM '000
<u>Components of Tier - 1 and Tier - 2 Capital</u>		
Tier -1 capital		
Paid up share capital	1,580,107	1,580,107
Share premium	539,664	539,664
Retained profit, as restated	1,595,014	1,369,223
Other Reserves	1,846,712	1,830,677
Less : Treasury Shares	(699,034)	(695,111)
Less : Deferred Tax	(163,899)	(164,961)
Add : Minority interest	43,938	43,655
Total tier 1 capital	4,742,502	4,503,254
Tier - 2 capital		
General provision	502,508	481,746
Subordinated obligations	661,400	682,800
Total tier 2 capital	1,163,908	1,164,546
Total capital base	5,906,410	5,667,800
<u>Before deducting proposed dividends</u>		
Core Capital Ratio	13.39%	13.34%
Risk-weighted Capital Ratio	16.67%	16.79%
<u>After deducting proposed dividends</u>		
Core Capital Ratio	13.12%	12.84%
Risk-weighted Capital Ratio	16.40%	16.29%

23. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 31 December 2007 other than as per disclosed in Note 9 appearing on page 29.

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 31/12/07			As at 30/06/07		
	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
The Banking Group						
Direct credit substitutes	177,026	177,026	177,026	168,884	168,884	168,884
Transaction-related contingent items	271,257	135,629	135,629	282,088	141,043	141,043
Short-term self liquidating trade-related contingencies	671,608	134,322	134,322	606,280	121,256	121,256
Other assets sold with recourse and commitment	-	-	-	45,452	45,452	45,452
Underwriting obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,660,726	2,330,364	2,330,364	4,336,920	2,168,460	2,168,460
-maturity less than 1 year	13,688,971	-	-	13,947,338	-	-
Foreign exchange related contracts	30,682,860	708,561	355,251	22,717,926	558,094	70,693
Interest rate related contracts	36,983,888	69,483	34,742	34,430,038	454,567	3,051
Equity related contracts	292,121	19,383	955	129,340	3,796	-
Miscellaneous	293	-	-	450	-	-
Total	87,428,750	3,574,768	3,168,289	76,664,716	3,661,552	2,718,839

- 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 December 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.

27. Interest/Profit rate risk

	The Group							Effective interest rate %	
	31/12/07								
	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	
Assets									
Cash and short-term funds	18,880,464	-	-	-	-	493,342	-	19,373,806	3.8
Deposits and placements with banks and other financial institution	-	2,754,492	31,544	2,000	20,000	1,150	-	2,809,186	3.8
Securities purchased under resale agreements	1,022,997	-	-	-	-	-	-	1,022,997	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	5,134,389	5,134,389	3.8
Securities available-for-sale	126,558	196,685	2,142,384	2,189,574	1,123,633	595,582	-	6,374,416	4.4
Securities held-for-maturity	109,298	1,113,015	260,907	136,537	109,662	17,136	-	1,746,555	4.0
Loans, advances and financing									
- performing	22,742,821	577,720	2,747,805	4,090,140	3,286,049	(481,402)	-	32,963,133	6.4
- non performing	-	-	-	-	-	528,793	-	528,793	-
Trade receivables	-	-	-	-	-	290,996	-	290,996	-
Other receivables	-	-	-	-	-	1,062,403	-	1,062,403	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	1,219,739	-	1,219,739	-
Tax recoverable	-	-	-	-	-	6,828	-	6,828	-
Prepaid land lease payments	-	-	-	-	-	31,624	-	31,624	-
Deferred tax assets	-	-	-	-	-	163,604	-	163,604	-
Property and equipment	-	-	-	-	-	480,224	-	480,224	-
Intangible assets	-	-	-	-	-	588,470	-	588,470	-
Total assets	42,882,138	4,641,912	5,182,640	6,418,251	4,539,344	4,998,489	5,134,389	73,797,163	
Liabilities									
Deposits from customers	32,600,111	5,883,644	12,452,418	1,197,041	-	4,970,975	-	57,104,189	3.0
Deposits and placements of banks and other financial institution	1,817,946	715,441	68,814	-	-	1,096	-	2,603,297	3.5
Bills and acceptance payable	775	7,685	6,648	-	-	383,434	-	398,542	3.6
Payables and other liabilities	-	-	-	-	-	2,167,072	-	2,167,072	-
Provision for claims	-	-	-	-	-	178,646	-	178,646	-
Provision for taxation	-	-	-	-	-	109,959	-	109,959	-
Bank loans	5,600	-	-	-	-	-	-	5,600	4.1
Subordinated Bonds	-	-	-	676,034	-	-	-	676,034	5.2
Borrowings									
- Commercial paper	180,000	-	-	-	-	-	-	180,000	3.6
- Medium Term Notes	-	-	70,000	140,000	-	-	-	210,000	5.6
Insurance funds	-	-	-	-	-	4,237,642	-	4,237,642	-
Total liabilities	34,604,432	6,606,770	12,597,880	2,013,075	-	12,048,824	-	67,870,981	
Shareholder's equity	-	-	-	-	-	3,962,641	-	3,962,641	
Minority interest	-	-	-	-	-	1,963,541	-	1,963,541	
Total liabilities and shareholder's equity	34,604,432	6,606,770	12,597,880	2,013,075	-	17,975,006	-	73,797,163	
On-balance sheet interest sensitivity gap	8,277,706	(1,964,858)	(7,415,240)	4,405,176	4,539,344				
Off-balance sheet interest sensitivity gap	(1,746,225)	1,422,508	103,643	(278,878)	198,953				
Total interest sensitivity gap	6,531,481	(542,351)	(7,311,598)	4,126,299	4,738,297				

27. 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 %
Assets									
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	-
Total assets	43,542,221	9,316,595	5,291,361	6,718,299	4,004,780	4,787,641	3,525,932	77,186,829	
Liabilities									
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
Borrowings									
- Medium Term Notes	-	200,000	100,000	-	-	-	-	300,000	5.9
Insurance funds	-	-	-	-	-	4,043,762	-	4,043,762	-
Total liabilities	35,295,357	9,197,346	13,207,534	1,700,089	-	12,145,295	-	71,545,621	
Shareholder's equity	-	-	-	-	-	3,766,122	-	3,766,122	
Minority interest	-	-	-	-	-	1,875,086	-	1,875,086	
Total liabilities and shareholder's equity	35,295,357	9,197,346	13,207,534	1,700,089	-	17,786,503	-	77,186,829	
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				
Total interest sensitivity gap	8,176,864	(2,260,419)	(12,736,173)	(882,890)	4,054,780				

27. Interest/Profit rate risk (continued)

The Company 31/12/07									
	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 %
Assets									
Cash and short-term funds	2,500	-	-	-	-	3,582	-	6,082	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	27,007	27,007	3.8
Other receivables	-	-	-	-	-	4,319	-	4,319	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	6,827	-	6,827	-
Property and equipment	-	-	-	-	-	3,289	-	3,289	-
Intangible assets	-	-	-	-	-	15	-	15	-
Total assets	2,500	-	-	-	-	2,066,381	27,007	2,095,888	
Liabilities									
Payables and other liabilities	-	-	-	-	-	17,990	-	17,990	-
Bank loans	1,000	-	-	-	-	-	-	1,000	4.1
Borrowings									
- Commercial paper	180,000	-	-	-	-	-	-	180,000	3.6
- Medium Term Notes	-	-	70,000	140,000	-	-	-	210,000	5.9
Total liabilities	181,000	-	70,000	140,000	-	17,990	-	408,990	
Shareholder's equity	-	-	-	-	-	1,686,898	-	1,686,898	
Total liabilities and shareholder's equity	181,000	-	70,000	140,000	-	1,704,888	-	2,095,888	
On-balance sheet interest sensitivity gap	(178,500)	-	(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 %
Assets									
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	-
Total assets	-	-	-	-	-	2,091,774	7	2,091,781	
Liabilities									
Payables and other liabilities	-	-	-	-	-	22,815	-	22,815	-
Bank loans	111,000	-	-	-	-	-	-	111,000	4.1
Borrowings									
- Medium Term Notes	-	200,000	100,000	-	-	-	-	300,000	5.9
Total liabilities	111,000	200,000	100,000	-	-	22,815	-	433,815	
Shareholder's equity	-	-	-	-	-	1,657,966	-	1,657,966	
Total liabilities and shareholder's equity	111,000	200,000	100,000	-	-	1,680,781	-	2,091,781	
On-balance sheet interest sensitivity gap	(111,000)	(200,000)	(100,000)	-	-	-	-	-	

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 31 December 2007

	Group	
	As at 31/12/07 RM'000	As at 30/06/07 RM'000
ASSETS		
Cash and short-term funds	1,606,951	1,355,818
Deposits and placements with banks and other financial institutions	-	100,000
Securities held at fair value through profit or loss	493,599	318,848
Securities available-for-sale	134,943	136,210
Securities held-for-maturity	184,852	432,812
Financing, advances and other financing	4,007,216	3,672,900
Other receivables	90,805	19,875
Statutory deposits with Bank Negara Malaysia	144,814	170,314
Property, plant and equipment	2,295	1,630
Deferred tax assets	16,527	15,883
Total Assets	6,682,002	6,224,290
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	5,393,202	5,250,725
Deposits and placements of banks and other financial institutions	405,000	75,000
Bills and acceptance payable	11,415	3,756
Payables and other liabilities	239,051	292,119
Provision for taxation	3,094	2,555
Total Liabilities	6,051,762	5,624,155
Islamic banking capital fund	500,000	500,000
Reserves	130,240	100,135
Islamic Banking Funds	630,240	600,135
Total Liabilities and Islamic Banking Funds	6,682,002	6,224,290
Commitments and Contingencies	794,072	398,025

(b) Unaudited Income Statements for the 2nd Quarter and Cumulative Six Months Ended 31 December 2007

Group	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Income derived from investment of deposits' funds and others	71,557	75,454	143,217	152,255
Income derived from investment of shareholders' funds	7,951	7,233	15,914	14,820
Allowance for losses on financing	(6,229)	(1,027)	(11,736)	539
Profit equalisation reserve	(249)	(5,611)	794	(4,611)
Total distributable income	73,030	76,049	148,189	163,003
Income attributable to deposits	(38,850)	(46,457)	(80,286)	(95,674)
Total net income	34,180	29,592	67,903	67,329
Other operating expenses	(12,967)	(12,551)	(26,059)	(31,400)
Profit before taxation and zakat	21,213	17,041	41,844	35,929
Zakat	-	(9)	-	(18)
Taxation	(5,482)	(4,601)	(10,887)	(9,701)
Profit after taxation and zakat	15,731	12,431	30,957	26,210
Profit attributable to shareholders	15,731	12,431	30,957	26,210
Earnings per share - basic (sen)	3.15	2.49	6.19	5.24
Earnings per share - fully diluted (sen)	3.15	2.49	6.19	5.24

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

(i) **By type**

	Group	
	As at 31/12/07 RM'000	As at 30/06/07 RM'000
Cash line	7,224	7,457
Term financing		
- House financing	2,197,962	1,659,400
- Hire purchase receivable	2,913,257	2,708,237
- Lease receivable	24,391	25,976
- Other term financing	456,314	510,740
Claims on customers under acceptance credits	217,578	148,583
Staff financing	56	86
Revolving credit	672	696
Others	856	1,176
	<u>5,818,310</u>	<u>5,062,351</u>
Less: Unearned income	<u>(1,712,673)</u>	<u>(1,303,602)</u>
	<u>4,105,637</u>	<u>3,758,749</u>
Less: Allowance for bad and doubtful financing		
- General	(61,058)	(55,932)
- Specific	(37,363)	(29,917)
Total net financing, advances and other financing	<u>4,007,216</u>	<u>3,672,900</u>

(ii) **By contract**

	Group	
	As at 31/12/07 RM'000	As at 30/06/07 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,286,510	1,020,885
Ijarah (lease)	22,616	24,086
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,578,933	2,407,069
Murabahah (cost-plus)	217,578	306,709
	<u>4,105,637</u>	<u>3,758,749</u>

Non-performing financing

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

	Group	
	As at 31/12/07 RM'000	As at 30/06/07 RM'000
At beginning	61,070	75,637
Non-performing during the year	97,064	252,574
Reclassified as performing	(80,116)	(211,495)
Amount written back in respect of recoveries	(14,442)	(46,766)
Amount written off	(191)	(8,880)
Closing balance	<u>63,385</u>	<u>61,070</u>
Net non-performing financing, advances and other financing	<u>26,022</u>	<u>31,153</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.6%</u>	<u>0.8%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/12/07 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	5,126	(4,226)
Closing balance	<u>61,058</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	11,614	21,795
Amount written back in respect of recoveries	(3,977)	(9,848)
Amount written off	(191)	(8,938)
Closing balance	<u>37,363</u>	<u>29,917</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 31/12/07 RM'000	As at 30/06/07 RM'000
Non-Mudharabah		
Demand deposits	310,090	299,018
Savings deposits	535,870	522,418
Negotiable instruments of deposit	296,344	198,077
	<u>1,142,304</u>	<u>1,019,513</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	451,406	423,792
General investment deposits	1,503,386	2,002,058
Specific investment deposits	2,296,106	1,805,362
Others	-	-
	<u>4,250,898</u>	<u>4,231,212</u>
	<u>5,393,202</u>	<u>5,250,725</u>

29. Change in Accounting Policies

- (i) During the period ended 31 December 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 31 December 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 RM308.7 million for the quarter ended 31 December 2007 as compared to RM236.0 million in the preceding year's corresponding quarter, a increase of RM72.7 million or 30.8%. This was mainly due to higher contributions from the Banking division.

The Banking division recorded a profit before tax of RM293.1 million for the quarter ended 31 December 2007 as compared to RM212.4 million in the preceding year's corresponding quarter, an increase of RM80.7 million or 38.0%. This was mainly due to higher net income of RM87.4 million and lower allowance for losses on loans, advances and financing of RM24.1 million in the current quarter as compared to the preceding year's corresponding quarter.

The Insurance division recorded a profit before tax of RM14.1 million for the quarter ended 31 December 2007 as compared to RM22.2 million in the preceding year's corresponding quarter, a decrease of RM8.1 million or 36.5%. The decrease was mainly due to one-off gains on disposal of securities amounting to RM6.2 million in the preceding year's corresponding quarter.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM6.6 million for the quarter ended 31 December 2007 as compared to RM7.7 million in the preceding year's corresponding quarter, a decrease of RM1.1 million or 14.3%. The decrease was mainly due to higher operating expenses in line with its growth plan.

2. Financial year-to-date against preceding financial year-to-date

The Group recorded a profit before tax of RM580.1 million for the six months ended 31 December 2007 as compared to RM443.9 million in the previous corresponding period, an increase of RM136.2 million or 30.7%. This was mainly due to higher contributions from the Banking division and Stockbroking and Asset Management divisions.

The Banking division recorded a profit before tax of RM548.8 million for the six months ended 31 December 2007 as compared to RM410.8 million in the previous corresponding period, an increase of RM138.0 million or 33.6%. This was mainly due to higher net income arising from strong growth in business volumes.

The Insurance division recorded a profit before tax of RM22.5 million for the six months ended 31 December 2007 as compared to RM34.2 million in the previous corresponding period, a decrease of RM11.7 million or 34.2%. The decrease was mainly due to lower net insurance premium and one-off change in accounting estimate for unearned premium reserves calculation of RM4.2 million.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM20.8 million for the six months ended 31 December 2007 as compared to RM12.0 million in the previous corresponding period, an increase of RM8.8 million or 73.3%. The increase was mainly due to higher brokerage income arising from higher Bursa volumes experienced during the period.

3. Review of performance of current quarter against preceding quarter

The Group recorded a profit before tax of RM308.7 million for the quarter ended 31 December 2007 as compared to RM271.4 million in the preceding quarter, an increase of RM37.3 million or 13.7%. The increase was mainly contributed by higher profits from the Banking and Insurance divisions.

The Banking division recorded a profit before tax of RM293.1 million for the quarter ended 31 December 2007 as compared to RM255.7 million in the preceding quarter, an increase of RM37.4 million or 14.6%. This was mainly due to higher net income arising from strong growth in business volumes.

The Insurance division recorded a profit before tax of RM14.1 million for the quarter ended 31 December 2007 as compared to RM8.3 million in the preceding quarter, a increase of RM5.8 million or 69.9%. The increase was mainly due to higher net insurance premium and one-off change in accounting estimate for unearned premium reserves calculation of RM4.2 million.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM6.6 million as compared to RM14.1 million in the preceding quarter, a decrease of RM7.5 million or 53.2%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes.

4. Prospects for current financial year

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

5. Variance of actual profit from forecasted profit

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

6. Taxation and zakat

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

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/07	31/12/06	31/12/07	31/12/06
	RM '000	RM '000	RM '000	RM '000
Tax and zakat expenses				
Malaysian – current	(81,976)	(65,501)	(156,903)	(128,932)
Overseas – current	-	(867)	-	(1,208)
Transfer (from) / to deferred tax	(2,509)	2,878	(969)	7,999
	<u>(84,485)</u>	<u>(63,490)</u>	<u>(157,872)</u>	<u>(122,141)</u>
Prior year over/(under) provision				
- Malaysian	-	-	(151)	-
	<u>(84,485)</u>	<u>(63,490)</u>	<u>(158,023)</u>	<u>(122,141)</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.

	Company		Company	
	Current quarter ended	Current year	Current year	Current year
	31/12/07	31/12/06	31/12/07	31/12/06
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(38,315)	(39,539)	(38,315)	(39,539)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	-	-	-	-
	<u>(38,315)</u>	<u>(39,539)</u>	<u>(38,315)</u>	<u>(39,539)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(38,315)</u>	<u>(39,539)</u>	<u>(38,315)</u>	<u>(39,539)</u>

The effective tax rate for the Company for the current quarter and the financial year is lower than the statutory rate of taxation due to higher deductible expenses.

7. Sale of properties/unquoted investments

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

8. 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.

9. 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 SSBCM:-
 - (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;
 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 ("HLB") announced that it had entered into a Share Subscription Agreement with Chengdu City Commercial Bank Co., Ltd ("Chengdu Bank") to subscribe for new shares in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million.

On 15 January 2008, HLB announced that the China Banking Regulatory Committee had approved the application by HLB to subscribe for 650 million shares in Chengdu Bank, representing 20% of the enlarged share capital of Chengdu Bank.

10. Group borrowings

The Group borrowings include:

	As at 31/12/07 RM '000	As at 30/06/07 RM '000
Short Term – unsecured	255,600	125,700
Long Term – unsecured	140,000	300,000
Total Borrowings	<u>395,600</u>	<u>425,700</u>
Syndicated facility - USD150 million	-	509,850
Subordinated Bonds - USD200 million	676,034	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.

11. 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	3,666,041	2,414,678	807,449	261,249	181,575	1,091	-
- swaps	24,690,318	10,698,071	5,888,124	4,841,063	1,492,165	1,483,305	287,591
- options	2,326,501	1,434,261	491,813	194,805	106,421	99,200	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	14,756,640	1,246,014	2,285,000	2,025,063	2,931,781	6,268,783	-
- swaps	22,227,247	7,303,565	12,362,062	170,000	579,920	1,779,500	32,200
Total	67,666,748	23,096,589	21,834,447	7,492,179	5,291,863	9,631,878	319,791

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

11. Off-Balance Sheet financial instruments (Continued)

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 RM57,572,784 (FYE June 2007: RM492,598,221) and RM14,852,012,255 (FYE June 2007: RM20,343,653,750) 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 RM116,363,757 (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.

12. 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.

13. HLFG Dividends

The Directors do not recommend the payment of any interim dividend for the current quarter.

For the financial period ended 31 December 2007, a dividend of 9 sen per share less income tax of 26% was declared (2006 : 9 sen per share less income tax of 27%) and paid on 18 December 2007.

14. 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 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,037,768	1,025,722	1,037,768	1,025,722
Net profit attributable to shareholders of the company	144,291	115,811	270,889	209,271
Basic earnings per share (Sen)	13.9	11.3	26.1	20.4

	Company		Company	
	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,038,307	1,026,261	1,038,307	1,026,261
Net profit attributable to shareholders of the company	102,237	99,751	94,213	92,896
Basic earnings per share (Sen)	9.8	9.7	9.1	9.1

14. 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 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,037,768	1,025,722	1,037,768	1,025,722
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,037,768	1,025,722	1,037,768	1,025,722
Net profit attributable to shareholders of the company	144,291	115,811	270,889	209,271
Fully diluted earnings per share (Sen)	13.9	11.3	26.1	20.4

	Company		Company	
	Current quarter ended 31/12/07 RM '000	Last year quarter ended 31/12/06 RM '000	Current year to date 31/12/07 RM '000	Last year to date 31/12/06 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,038,307	1,026,261	1,038,307	1,026,261
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,038,307	1,026,261	1,038,307	1,026,261
Net profit attributable to shareholders of the company	102,237	99,751	94,213	92,896
Fully diluted earnings per share (Sen)	9.8	9.7	9.1	9.1