

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
 CONDENSED FINANCIAL STATEMENTS
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 AS AT 31 MARCH 2008

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	As at 31/03/08 RM '000	As at 30/06/07 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	20,095,980	16,767,686
Deposits and placements with financial institutions	2,020,205	9,290,759
Securities purchased under resale agreements	1,780,274	3,495,309
Securities held at fair value through profit or loss	5,906,322	3,525,932
Securities available-for-sale	6,066,612	5,423,563
Securities held-to-maturity	1,296,051	2,622,790
Loans, advances and financing	34,354,695	32,150,940
Trade receivables	257,212	407,396
Other receivables	2,019,727	1,048,415
Statutory deposits with Bank Negara Malaysia	1,206,964	1,206,939
Tax recoverable	6,863	14,648
Prepaid land lease payments	9,648	8,809
Deferred tax asset	170,705	162,140
Property, plant and equipment	501,021	472,536
Intangible assets	588,341	588,967
Total Assets	76,280,620	77,186,829
<u>Liabilities</u>		
Deposits from customers	57,957,370	56,095,966
Deposits and placements of banks and other financial institutions	3,433,447	5,113,620
Obligations on securities sold under repurchase agreements	-	1,129,521
Bills and acceptances payable	512,526	566,251
Payables and other liabilities	2,721,072	2,713,181
Provision for claims	181,822	169,711
Provision for taxation	130,397	106,402
Bank loans	6,600	125,700
Subordinated Bonds	671,659	671,657
Syndicated loan facility	-	509,850
CP/MTN	330,000	300,000
Insurance funds	4,262,051	4,043,762
Total Liabilities	70,206,944	71,545,621
<u>Equity</u>		
Share capital	1,052,768	1,052,451
Capital reserves	1,358,789	1,337,795
Retained profits	1,739,392	1,428,148
Fair value reserves	(2,817)	15,394
Treasury shares held for ESOS	(67,666)	(67,666)
Total shareholders' equity	4,080,466	3,766,122
Minority interest	1,993,210	1,875,086
Total Equity	6,073,676	5,641,208
Total Liabilities and Equity	76,280,620	77,186,829
Commitment and Contingencies	88,391,234	76,700,752

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HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

THE GROUP	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Interest income	772,079	740,858	2,286,041	2,116,794
Interest expense	(420,147)	(444,815)	(1,247,471)	(1,242,718)
Net interest income	351,932	296,043	1,038,570	874,076
Income from Islamic banking business	40,194	36,369	119,834	103,156
Non interest income	183,270	163,072	506,151	457,871
Net income	575,396	495,484	1,664,555	1,435,103
Overhead expenses	(249,824)	(223,846)	(713,357)	(617,206)
Operating profit before allowances	325,572	271,638	951,198	817,897
Allowance for losses on loans, advances and financing	(41,690)	(52,824)	(86,226)	(155,173)
Impairment loss	-	-	(1,009)	-
Profit before taxation and zakat	283,882	218,814	863,963	662,724
Taxation	(75,283)	(59,981)	(233,306)	(182,104)
Zakat	-	(12)	-	(30)
Net profit for the period	<u>208,599</u>	<u>158,821</u>	<u>630,657</u>	<u>480,590</u>
Attributable to :				
Equity holders of the company	133,344	102,194	404,233	311,465
Minority interests	75,255	56,627	226,424	169,125
Net profit for the period	<u>208,599</u>	<u>158,821</u>	<u>630,657</u>	<u>480,590</u>
Basic earnings per ordinary share (sen)	<u>12.8</u>	<u>10.0</u>	<u>39.0</u>	<u>30.4</u>
Diluted earnings per ordinary share (sen)	<u>12.8</u>	<u>9.8</u>	<u>39.0</u>	<u>30.0</u>

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HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 31 MARCH 2008

THE COMPANY	As at 31/03/08 RM '000	As at 30/06/07 RM '000
<u>Assets</u>		
Cash and short term funds	5,589	16,476
Securities held at fair value through profit or loss	5,026	7
Other receivables	15,033	8,970
Tax recoverable	6,827	13,823
Investment in subsidiaries	2,048,349	2,048,349
Property, plant and equipment	2,766	4,136
Intangible assets	11	20
Total Assets	2,083,601	2,091,781
<u>Liabilities</u>		
Payables and other liabilities	9,088	22,815
Bank loans	1,000	111,000
CP/MTN	330,000	300,000
Total Liabilities	340,088	433,815
<u>Financed by:</u>		
Share capital	1,052,768	1,052,451
Capital reserves	140,322	135,653
Retained profits	616,173	535,612
Treasury shares held for ESOS	(65,750)	(65,750)
Total Equity	1,743,513	1,657,966
Total Liabilities and Equity	2,083,601	2,091,781
Commitment and Contingencies	-	-

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HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
THE COMPANY				
Interest income	48	45	384	196
Interest expense	(4,340)	(5,629)	(14,234)	(17,298)
Net interest expense	(4,292)	(5,584)	(13,850)	(17,102)
Non interest income	86,635	87,069	237,173	235,953
Net income	82,343	81,485	223,323	218,851
Overhead expenses	(4,613)	(3,128)	(13,065)	(8,059)
Profit before taxation and zakat	77,730	78,357	210,258	210,792
Taxation	(22,267)	(23,123)	(60,582)	(62,662)
Net profit for the period	55,463	55,234	149,676	148,130
Basic earnings per ordinary share (sen)	5.3	5.4	14.4	14.4
Diluted earnings per ordinary share (sen)	5.3	5.3	14.4	14.3

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

	FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008		FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007											
	Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Exchange Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity 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	-	-	-	-	-	-	(8,256)	-	-	(8,256)	-	(8,256)		
Net fair value changes in available-for-sale securities	-	-	-	-	-	(18,211)	-	-	-	(18,211)	-	(18,211)		
Net income/(expense) recognised directly in equity	-	-	-	-	-	(18,211)	(8,256)	404,233	-	(26,467)	-	(26,467)		
Net profit for financial period	-	-	-	-	-	-	-	404,233	-	404,233	226,424	630,657		
Total recognised income/(expense) for the period	-	-	-	-	-	(18,211)	(8,256)	404,233	-	377,766	226,424	604,190		
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	-	-	-	-	-	-	-	(23,874)	-	-	(108,300)	(108,300)		
Transfer to statutory reserves	-	-	23,874	-	-	-	-	-	-	-	-	-		
Dividend paid	-	-	-	-	-	-	-	(69,115)	-	(69,115)	-	(69,115)		
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-		
Option reserves arising from ESOS	-	-	-	-	4,164	-	-	-	-	4,164	-	4,164		
AT 31 MARCH 2008	1,052,768	117,229	1,091,743	133,258	5,316	(2,817)	11,243	1,739,392	(67,666)	4,080,466	1,993,210	6,073,676		
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007	Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Exchange Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity 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	-	-	-	-	-	-	(2,529)	-	-	(2,529)	-	(2,529)		
Net fair value changes in available-for-sale securities	-	-	-	-	-	50,910	-	-	-	50,910	-	50,910		
Net income/(expense) recognised directly in equity	-	-	-	-	-	50,910	(2,529)	-	-	48,381	-	48,381		
Net profit for financial period	-	-	-	-	-	-	-	311,465	-	311,465	169,125	480,590		
Total recognised income/(expense) for the period	-	-	-	-	-	50,910	(2,529)	311,465	-	359,846	169,125	528,971		
Transfer to statutory reserves	-	-	30,091	-	-	-	-	(30,091)	-	-	-	-		
Issue of shares arising from the exercise of Warrants 1997/2007	108	411	-	-	-	-	-	-	-	519	-	519		
Dividend paid	-	-	-	-	-	-	-	(68,375)	-	(68,375)	-	(68,375)		
- 1st interim dividend	-	-	-	-	-	-	-	-	(52,428)	(52,428)	-	(52,428)		
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-		
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	-		
AT 31 MARCH 2007	1,040,830	71,627	993,257	133,258	-	8,439	19,782	1,430,672	(67,666)	3,630,199	1,813,790	5,443,989		

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HONG LEONG FINANCIAL GROUP BERHAD (8024-V)
 UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

	FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008		FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007		Share						
	Share Capital RM '000	Share Premium RM '000	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	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	1,040,722	71,216	18,484	-	561,536	(13,322)	1,678,636		
Net profit for the financial period	-	-	-	-	-	-	148,130	-	148,130		
Total recognised income/(expense) for the period	-	-	-	-	-	-	148,130	-	148,130		
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	1,040,722	71,216	18,484	-	561,536	(13,322)	1,678,636		
Dividend paid	-	-	-	-	-	-	-	-	-		
- 1st interim dividend	-	-	-	-	-	-	-	-	-		
Option reserves arising from ESOS	-	-	-	-	-	3,457	-	-	3,457		
AT 31 MARCH 2008	1,052,768	117,229	1,040,722	71,216	18,484	4,609	616,173	(65,750)	1,743,513		
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007											
Opening balance as at 1 July 2006	-	-	-	-	-	-	-	-	-		
Net profit for the financial period	-	-	-	-	-	-	148,130	-	148,130		
Total recognised income/(expense) for the period	-	-	-	-	-	-	148,130	-	148,130		
Issue of shares arising from the exercise of Warrants 1997/2007	108	411	-	-	-	-	-	-	519		
Dividend paid	-	-	-	-	-	-	(68,375)	-	(68,375)		
- 1st interim dividend	-	-	-	-	-	-	-	(52,428)	(52,428)		
Treasury Shares held for ESOS	-	-	-	-	-	-	-	(65,750)	(65,750)		
AT 31 MARCH 2007	1,040,830	71,627	1,040,722	71,216	18,484	-	641,291	(65,750)	1,706,482		

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HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008

	The Group		The Company	
	31/03/08	31/03/07	31/03/08	31/03/07
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	863,963	662,724	210,258	210,792
Adjustment for non-cash items and others	136,737	468,539	(218,641)	(197,272)
Operating profit before working capital changes	1,000,700	1,131,263	(8,383)	13,520
Income tax recovered/(paid)	(220,453)	(196,517)	6,996	-
Interest paid	(14,653)	(17,298)	(14,234)	(17,298)
Interest received	3,277	3,433	384	196
Net changes in working capital	2,078,427	2,698,485	(21,549)	(61,363)
Net cash flow from operating activities	2,847,298	3,619,366	(36,786)	(64,945)
Net cash flow from investing activities	686,137	162,931	173,485	115,208
Net cash flow from financing activities	(206,003)	212,423	(147,586)	(72,156)
Changes in cash and cash equivalents	3,327,432	3,994,720	(10,887)	(21,893)
Effect of change in foreign exchange rate	862	(4,623)	-	-
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 March	20,095,980	18,753,096	5,589	25,082

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG" or "the Company")
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**

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.

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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 HFLG for the financial period ended 31 March 2008 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 of 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

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GROUP 31 MARCH 2008	Securities & Asset					Eliminations	Consolidated
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	RM'000		
Revenue for the year ended							
External sales	1,533,321	56,252	85,417	(10,435)	-	1,664,555	
Intersegment sales	(1,356)	1,718	6,931	5,534	(12,827)	-	
	1,531,965	57,970	92,348	(4,901)	(12,827)	1,664,555	
Results for the year ended							
Segment results	825,730	25,260	32,307	(19,334)	-	863,963	
Profit before taxation and zakat						863,963	
Taxation and zakat						(233,306)	
Profit after taxation						630,657	
Minority interest						(226,424)	
Net profit for the year						404,233	
Other information							
Segment assets	70,228,220	380,339	5,449,480	38,460	(11,723)	76,084,776	
Other corporate assets						195,844	
Total consolidated assets						76,280,620	
Segment liabilities	65,399,814	224,130	4,844,396	24,255	(616,651)	69,875,944	
Other corporate liabilities						331,000	
Total consolidated liabilities						70,206,944	
Capital expenditure	67,982	1,420	963	5	-	70,370	
Depreciation	42,712	1,133	6,766	836	-	51,447	
Loan loss and other allowances	86,226	-	-	-	-	86,226	

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

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9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	159,169	102,211
Malaysian Government Securities	61,773	125,232
Negotiable instruments of deposit	354,751	111,395
Bankers' acceptances and Islamic accepted bills	3,223,954	1,132,891
Bank Negara Malaysia bills	1,499,440	1,506,638
Malaysian Government Investment Certificates	-	55,066
Cagamas bonds/notes	140,160	79,045
	<u>5,439,247</u>	<u>3,112,478</u>
Quoted securities :		
Shares/Loan stocks/Unit Trust	99,924	166,968
Foreign currency bonds	161,160	1,790
Unquoted securities :		
Syndicated bond	40,921	38,619
Private debt securities	165,070	200,825
<u>Others designated at fair value through P&L</u>		
Loan stock quoted in Malaysia	-	5,252
	<u>-</u>	<u>5,252</u>
Total securities held at fair value through profit and loss	<u>5,906,322</u>	<u>3,525,932</u>

	Company	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	5,026	7

10. Securities available-for-sale

	Group	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	560,449	388,695
Malaysian Government Securities	1,714,065	1,877,862
Malaysian Government Investment Certificates	-	-
Negotiable instruments of deposit	-	20,000
Cagamas bonds	944,599	854,177
Other Government Securities	116,337	8,715
	<u>3,335,450</u>	<u>3,149,449</u>
Quoted securities :		
Shares/Loan stocks/Unit Trust	480,585	584,698
Foreign Currency Bonds	273,445	63,857
Unquoted securities :		
Private debt securities/shares/reits	1,977,132	1,625,559
Total securities available-for-sale	<u>6,066,612</u>	<u>5,423,563</u>

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11. Securities held-to-maturity

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	503	107,353
Malaysian Government Investment Certificates	34,993	171,059
Negotiable instruments of deposit	727,474	1,781,273
Cagamas bonds	230,343	275,033
	<u>993,313</u>	<u>2,334,718</u>
Quoted securities :		
Foreign Currency Bonds	-	10,242
Unquoted securities :		
Private debt securities/shares/loan stocks	302,738	277,830
Total securities held-to-maturity	<u>1,296,051</u>	<u>2,622,790</u>

12. Loans, advances and financing

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Overdrafts	2,472,427	2,624,460
Term loans :		
- Housing loans/financing	18,765,622	16,559,484
- Syndicated term loan/financing	1,430,531	1,526,094
- Hire purchase receivables	6,054,454	5,695,681
- Lease receivables	25,522	29,374
- Other term loans/financing	2,130,442	1,721,550
Credit/charge card receivables	1,851,457	1,667,901
Bills receivables	439,770	310,842
Trust receipts	136,365	150,249
Claims on customers under acceptance credits	3,180,817	3,023,892
Block discounting	9,621	18,480
Revolving credits	791,447	783,949
Policy and premium loans	538,156	496,151
Staff loans	105,999	112,360
Other loans/financing	49,379	53,354
	<u>37,982,009</u>	<u>34,773,821</u>
Unearned interest and income	<u>(2,682,091)</u>	<u>(1,760,915)</u>
	35,299,918	33,012,906
Fair value changes arising from fair value hedges	18,527	32,540
Allowance for bad and doubtful debts and financing :		
- general	(515,034)	(481,746)
- specific	(448,716)	(412,760)
Net loans, advances and financing	<u>34,354,695</u>	<u>32,150,940</u>

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12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Domestic banking institutions	-	320
Domestic non-bank financial institutions	558,925	159,547
Domestic business enterprises		
- Small and medium enterprises	3,341,214	3,351,870
- Others	6,389,969	6,172,934
Government and statutory bodies	41,630	91,102
Individuals	23,877,270	21,998,311
Other domestic entities	28,163	41,907
Foreign entities	1,062,747	1,196,915
Gross loans, advances and financing	<u>35,299,918</u>	<u>33,012,906</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Fixed rate		
- Housing loans/financing	2,147,550	3,512,263
- Hire purchase receivables	5,243,819	4,942,068
- Other fixed rate loan/financing	3,446,844	3,084,586
Variable rate		
- Base lending rate plus	20,631,041	17,829,234
- Cost plus	3,642,020	3,582,814
- Other variables rates	188,644	61,941
Gross loans, advances and financing	<u>35,299,918</u>	<u>33,012,906</u>

(c) By economic purpose

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Purchase of securities	528,787	582,681
Purchase of transport vehicles	4,880,838	4,469,163
Purchase of landed properties		
- residential	12,983,498	12,136,525
- non-residential	4,228,122	3,926,088
Personal use	2,622,017	2,114,929
Credit card	1,851,457	1,667,901
Purchase of consumer durables	162	157
Construction	561,761	565,931
Working capital	7,060,128	6,961,765
Others	583,148	587,766
Gross loans, advances and financing	<u>35,299,918</u>	<u>33,012,906</u>

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12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
Purchase of securities	17,711	21,229
Purchase of transport vehicles	93,968	86,393
Purchase of landed properties		
- residential	273,046	289,258
- non-residential	94,559	102,970
Personal use	46,109	44,580
Credit card	33,342	26,674
Purchase of consumer durables	1	154
Construction	48,260	55,039
Working capital	361,887	407,083
Others	4	-
Gross loans, advances and financing	<u>968,887</u>	<u>1,033,380</u>

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

	Group	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
At beginning	1,033,380	1,381,983
Non-performing during the period/year	1,926,764	3,008,575
Reclassified as performing	(1,649,448)	(2,640,341)
Amount written back in respect of recoveries	(262,121)	(465,517)
Amount written off	(80,542)	(249,843)
Exchange differences	854	(1,477)
Closing balance	968,887	1,033,380
Specific allowance	(448,716)	(412,760)
Net non-performing loans, advances and financing	<u>520,171</u>	<u>620,620</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.5%</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 31/03/08 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	33,015	45,805
Exchange differences	273	(292)
Closing balance	<u>515,034</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	194,378	296,243
Amount written back in respect of recoveries	(78,340)	(106,256)
Amount written off	(80,645)	(250,137)
Exchange differences	563	(907)
Closing balance	<u>448,716</u>	<u>412,760</u>

13. Other receivables

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Interest/Income receivable	149,839	217,315
Investment properties	1,272	1,280
Other debtors, deposits and prepayments *	1,865,961	826,001
Assets held for sale	60	810
Foreclosed properties	2,595	3,009
	<u>2,019,727</u>	<u>1,048,415</u>

* Included in the other debtors, deposits and prepayments is amount of RM581M for the partial payment for the subscription of shares in Chengdu Bank pending issuance of shares

	Company	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Amount due from subsidiary companies	13,386	6,117
Amount due from related companies	413	267
Other debtors, deposits and prepayments	1,234	2,586
	<u>15,033</u>	<u>8,970</u>

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14. Deposits from customers

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Fixed deposits	31,464,443	29,279,540
Negotiable instruments of deposit	1,193,592	3,247,184
Demand deposits	5,774,670	4,947,287
Savings deposits	7,364,691	7,117,265
Short term corporate placement	11,963,516	11,293,502
Other	196,458	211,188
	<u>57,957,370</u>	<u>56,095,966</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
One year or less (short term)	31,625,612	31,694,339
More than one year (medium/long term)	1,032,423	832,385
	<u>32,658,035</u>	<u>32,526,724</u>

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

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Government and statutory bodies	464,832	362,135
Business enterprises	26,475,448	24,050,312
Individuals	30,445,824	30,054,518
Others	571,266	1,629,001
	<u>57,957,370</u>	<u>56,095,966</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Licensed banks	2,768,991	5,038,620
Other financial institutions	664,456	75,000
	<u>3,433,447</u>	<u>5,113,620</u>

The maturity structure :

One year or less (short term)	3,433,447	5,113,620
More than one year (medium/long term)	-	-
	<u>3,433,447</u>	<u>5,113,620</u>

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16. Payables and other liabilities

	Group	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
Trade payables	463,214	537,852
Amount due to related companies	1,524	2,853
Other payables and accrued liabilities	1,996,870	1,772,207
Interest payable	253,491	394,444
Post employment benefits obligations - defined contribution plan	5,973	5,825
	<u>2,721,072</u>	<u>2,713,181</u>

	Company	
	As at	As at
	31/03/08	30/06/07
	RM '000	RM '000
Amount due to subsidiary companies	996	10,228
Other payables and accrued liabilities	4,865	5,425
Interest payable	3,151	7,091
Post employment benefits obligations - defined contribution plan	76	71
	<u>9,088</u>	<u>22,815</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/08 RM '000	quarter ended 31/03/07 RM '000	to date 31/03/08 RM '000	to date 31/03/07 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	403,680	366,912	1,243,158	1,068,089
- recoveries from NPLs	44,885	37,010	91,197	113,142
Money at call and deposit placements with financial institutions	194,484	224,973	591,283	539,420
Securities purchased under resale agreement	18,927	20,352	55,500	80,996
Securities held at fair value through profit and loss	68,979	33,038	185,576	132,662
Securities available-for-sale	26,800	32,795	87,457	132,788
Securities held-to-maturity	8,602	30,332	26,337	65,203
Others	1,887	2,134	6,161	7,513
	<u>768,244</u>	<u>747,546</u>	<u>2,286,669</u>	<u>2,139,813</u>
Amortisation of premium less accretion of discount	4,377	(4,280)	5,027	(16,302)
Interest suspended	(542)	(2,408)	(5,655)	(6,717)
	<u>772,079</u>	<u>740,858</u>	<u>2,286,041</u>	<u>2,116,794</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/08 RM '000	quarter ended 31/03/07 RM '000	to date 31/03/08 RM '000	to date 31/03/07 RM '000
Money at call and deposit placements with financial institutions	48	45	384	196
Others	-	-	-	-
	<u>48</u>	<u>45</u>	<u>384</u>	<u>196</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/08 RM '000	quarter ended 31/03/07 RM '000	to date 31/03/08 RM '000	to date 31/03/07 RM '000
Deposits and placements of banks and other financial institutions	32,172	70,841	84,630	244,868
Deposits from customers	273,403	327,418	803,435	916,848
Borrowings	4,358	5,880	14,370	18,167
Subordinated bonds	8,345	8,542	25,898	27,004
Short term corporate placements	100,943	24,242	304,858	24,242
Others	926	7,892	14,280	11,589
	<u>420,147</u>	<u>444,815</u>	<u>1,247,471</u>	<u>1,242,718</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/08 RM '000	quarter ended 31/03/07 RM '000	to date 31/03/08 RM '000	to date 31/03/07 RM '000
Borrowings	4,340	5,629	14,234	17,298

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19. Non Interest Income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/08 RM '000	quarter ended 31/03/07 RM '000	to date 31/03/08 RM '000	to date 31/03/07 RM '000
Net income from Insurance Business	24,678	11,560	65,238	54,073
Net brokerage and commissions from Stockbroking Business	9,192	15,729	38,863	28,882
Net unit trust and asset management income	4,670	5,092	16,111	15,267
Fee income:				
Management fees	82	294	247	925
Commissions	15,729	21,237	57,687	67,914
Service charges and fees	7,324	10,601	27,043	36,421
Guarantee fees	1,316	1,136	4,308	4,053
Other fee income	40,646	40,970	139,356	110,121
	65,097	74,238	228,641	219,434
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	2,769	9,342	11,473	26,446
Net gain from sale of securities available-for-sale	4,901	11,079	14,109	45,161
Net gain/(loss) from redemption of securities held-to-maturity	(354)	-	(352)	947
	7,316	20,421	25,230	72,554
Gross dividend income from:				
Securities held at fair value through profit and loss	2,395	832	5,898	2,611
Securities available-for-sale	937	793	3,872	4,025
Securities held-to-maturity	70	-	2,723	324
	3,402	1,625	12,493	6,960
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	12,666	6,143	17,126	(5,540)
Net realised gains/(losses) on fair value changes arising from fair value hedge	3,988	(8,139)	(11,234)	(12,457)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(385)	15,202	(6,030)	(1,705)
Other income:				
Foreign exchange gain/(loss)	46,972	15,812	99,810	63,632
Rental income	82	78	398	371
Gain/(loss) on disposal of property and equipment	514	(9)	1,548	418
Profit from Takaful investments	1,939	108	7,643	108
Others	3,139	5,212	10,314	15,874
	52,646	21,201	119,713	80,403
Total non interest income	183,270	163,072	506,151	457,871

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Fee income:				
Management fees	1,202	1,183	3,568	3,038
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss	3	-	24	-
Gross dividend income from:				
Securities held at fair value through profit and loss	133	-	273	-
Subsidiary companies	85,641	85,641	233,007	232,081
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	-	(36)	-	73
Other income:				
Others	(344)	281	301	761
Total non interest income	86,635	87,069	237,173	235,953

20. Overhead expenses

	Group		Group	
	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	122,242	103,003	333,175	288,510
- Others	1,079	9,968	27,784	29,035
<u>Establishment costs</u>				
- Depreciation	17,996	14,130	51,447	51,660
- Rental	12,448	11,026	36,442	31,457
- Information technology expenses	13,661	11,334	37,382	28,982
- Others	12,753	11,672	36,869	27,984
<u>Marketing expenses</u>				
- Advertisement and publicity	15,295	12,024	40,226	30,470
- Handling fees	4,593	2,922	13,170	9,773
- Others	15,226	10,795	38,703	33,174
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,731	2,624	8,011	7,181
- Stationery & printing	4,664	4,952	13,083	11,859
- Others	27,136	29,396	77,065	67,121
Total	249,824	223,846	713,357	617,206

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,337	2,096	6,392	5,181
- Others	82	59	245	146
<u>Establishment costs</u>				
- Depreciation	303	223	783	601
- Rental	171	163	520	480
- Others	104	66	196	200
<u>Administration and general expenses</u>				
- Teletransmission expenses	12	16	30	34
- Stationery & printing	15	15	37	21
- Others	1,589	490	4,862	1,396
	<u>4,613</u>	<u>3,128</u>	<u>13,065</u>	<u>8,059</u>

21. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	12,450	11,716	33,015	27,758
- specific allowance	69,666	80,686	194,378	254,462
- specific allowance written back	(23,492)	(21,085)	(78,340)	(71,538)
Bad debts and financing written off	1,297	1,544	4,928	5,046
Bad debts and financing recovered	(18,231)	(20,037)	(67,755)	(60,555)
	<u>41,690</u>	<u>52,824</u>	<u>86,226</u>	<u>155,173</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 March 08 and 30 June 2007 met the minimum requirement.

	As at 31/03/08 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	1,498,509	1,369,223
Other Reserves	1,846,862	1,830,677
Less : Treasury Shares	(699,034)	(695,111)
Less : Deferred Tax	(163,899)	(164,961)
Add : Minority interest	43,620	43,655
Total tier 1 capital	4,645,828	4,503,254
Tier - 2 capital		
General provision	515,034	481,746
Subordinated obligations	638,800	682,800
Total tier 2 capital	1,153,834	1,164,546
Total capital base	5,799,662	5,667,800
<u>Before deducting proposed dividends</u>		
Core Capital Ratio	12.55%	13.34%
Risk-weighted Capital Ratio	15.67%	16.79%
<u>After deducting proposed dividends</u>		
Core Capital Ratio	12.55%	12.84%
Risk-weighted Capital Ratio	15.67%	16.29%

23. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 31 March 2008 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:

- a. 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.
- b. On 29 June 2006, Hong Leong Bank Berhad ("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.

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24. Changes in composition of the Group (Continued)

- c. On 3 March 2008, HLB announced that it had incorporated a wholly-owned subsidiary in Labuan known as HLB Principal Investments (L) Limited to undertake the business of holding of or dealing in offshore securities.
- d. On 17 March 2008, HLFM announced that it had acquired the entire paid-up share capital of USD1.00 in Wing Trade Investments Limited, a company incorporated in British Virgin Islands, to undertake the business of holding or investing in offshore securities/investments.

25. Commitments and contingencies

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

The commitments and contingencies constitute the following:

	As At 31/03/08			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	198,486	198,486	198,486	168,884	168,884	168,884
Transaction-related contingent items	254,231	127,116	127,116	282,088	141,043	141,043
Short-term self liquidating trade-related contingencies	691,407	138,281	138,281	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	3,885,715	1,942,858	1,562,855	4,336,920	2,168,460	2,168,460
-maturity less than 1 year	14,602,358	-	2,416,494	13,947,338	-	-
Foreign exchange related contracts	29,628,721	1,195,096	629,003	22,717,926	558,094	70,693
Interest rate related contracts	38,735,593	202,399	99,101	34,430,038	454,567	3,051
Equity related contracts	358,614	24,331	15,143	129,340	3,796	-
Miscellaneous	-	-	-	450	-	-
Total	88,355,125	3,828,567	5,186,479	76,664,716	3,661,552	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 31 March 2008.

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

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	The Group 31/03/08						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			
Assets									
Cash and short-term funds	19,780,150	-	-	-	-	315,830	-	20,095,980	3.8
Deposits and placements with banks and other financial institution	-	1,959,754	37,001	2,000	20,000	1,450	-	2,020,205	3.8
Securities purchased under resale agreements	1,780,274	-	-	-	-	-	-	1,780,274	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	5,906,322	5,906,322	3.8
Securities available-for-sale	113,434	166,647	760,652	1,208,669	1,169,193	2,648,017	-	6,066,612	4.3
Securities held-for-maturity	35,187	-	15,081	69,518	110,583	1,065,682	-	1,296,051	4.1
Loans, advances and financing									
- performing	26,005,144	426,698	1,329,349	3,431,582	3,156,785	(507,231)	-	33,842,327	6.4
- non performing	-	-	-	-	-	512,368	-	512,368	-
Trade receivables	-	-	-	-	-	257,212	-	257,212	-
Other receivables	-	-	-	-	-	2,019,727	-	2,019,727	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,206,964	-	1,206,964	-
Tax recoverable	-	-	-	-	-	6,863	-	6,863	-
Prepaid land lease payments	-	-	-	-	-	9,648	-	9,648	-
Deferred tax assets	-	-	-	-	-	170,705	-	170,705	-
Property and equipment	-	-	-	-	-	501,021	-	501,021	-
Intangible assets	-	-	-	-	-	588,341	-	588,341	-
Total assets	47,714,189	2,553,099	2,142,083	4,711,769	4,456,561	8,796,597	5,906,322	76,280,620	
Liabilities									
Deposits from customers	33,334,642	5,132,072	13,599,936	985,230	-	4,905,490	-	57,957,370	3.0
Deposits and placements of banks and other financial institution	2,573,096	790,441	68,814	-	-	1,096	-	3,433,447	3.5
Bills and acceptance payable	3,094	8,431	6,648	112	-	494,241	-	512,526	3.6
Payables and other liabilities	-	-	-	-	-	2,721,072	-	2,721,072	-
Provision for claims	-	-	-	-	-	181,822	-	181,822	-
Provision for taxation	-	-	-	-	-	130,397	-	130,397	-
Bank loans	6,600	-	-	-	-	-	-	6,600	4.1
Subordinated Bonds	-	-	-	671,659	-	-	-	671,659	5.2
Borrowings									
- Commercial paper	120,000	-	-	-	-	-	-	120,000	3.6
- Medium Term Notes	-	-	70,000	140,000	-	-	-	210,000	5.6
Insurance funds	-	-	-	-	-	4,262,051	-	4,262,051	-
Total liabilities	36,037,432	5,930,944	13,745,398	1,797,001	-	12,696,169	-	70,206,944	
Shareholder's equity	-	-	-	-	-	4,080,466	-	4,080,466	
Minority interest	-	-	-	-	-	1,993,210	-	1,993,210	
Total liabilities and shareholder's equity	36,037,432	5,930,944	13,745,398	1,797,001	-	18,769,845	-	76,280,620	
On-balance sheet interest sensitivity gap	11,676,757	(3,377,845)	(11,603,315)	2,914,768	4,456,561				
Off-balance sheet interest sensitivity gap	(1,746,225)	1,422,508	103,643	(278,878)	198,953				
Total interest sensitivity gap	9,930,532	(1,955,337)	(11,499,672)	2,635,890	4,655,514				

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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	-	-	-	-	-	8,809	-	8,809	-
Deferred tax assets	-	-	-	-	-	162,140	-	162,140	-
Property and equipment	-	-	-	-	-	472,536	-	472,536	-
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	-	90,000	-	210,000	-	-	-	300,000	5.9
Insurance funds	-	-	-	-	-	4,043,762	-	4,043,762	-
Total liabilities	35,295,357	9,087,346	13,107,534	1,910,089	-	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	9,087,346	13,107,534	1,910,089	-	17,786,503	-	77,186,829	
On-balance sheet interest sensitivity gap	8,246,864	229,249	(7,816,173)	4,808,210	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	(2,150,419)	(12,636,173)	(1,092,890)	4,054,780				

27. Interest/Profit rate risk (continued)

The Company
31/03/08

	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	589	-	-	-	-	5,000	-	5,589	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	5,026	5,026	-
Other receivables	-	-	-	-	-	15,033	-	15,033	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	6,827	-	6,827	-
Property and equipment	-	-	-	-	-	2,766	-	2,766	-
Intangible assets	-	-	-	-	-	11	-	11	-
Total assets	589	-	-	-	-	2,077,986	5,026	2,083,601	
Liabilities									
Payables and other liabilities	-	-	-	-	-	9,088	-	9,088	-
Bank loans	1,000	-	-	-	-	-	-	1,000	-
Borrowings									
- Commercial paper	120,000	-	-	-	-	-	-	120,000	-
- Medium Term Notes	-	-	70,000	140,000	-	-	-	210,000	-
Total liabilities	121,000	-	70,000	140,000	-	9,088	-	340,088	
Shareholder's equity	-	-	-	-	-	1,743,513	-	1,743,513	-
Total liabilities and shareholder's equity	121,000	-	70,000	140,000	-	1,752,601	-	2,083,601	
On-balance sheet interest sensitivity gap	(120,411)	-	(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	-	90,000	-	210,000	-	-	-	300,000	5.9
Total liabilities	111,000	90,000	-	210,000	-	22,815	-	433,815	
Shareholder's equity	-	-	-	-	-	1,657,966	-	1,657,966	-
Total liabilities and shareholder's equity	111,000	90,000	-	210,000	-	1,680,781	-	2,091,781	
On-balance sheet interest sensitivity gap	(111,000)	(90,000)	-	(210,000)	-	-	-	-	

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28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 31 March 2008

	Group	
	As at 31/03/08 RM'000	As at 30/06/07 RM'000
ASSETS		
Cash and short-term funds	2,170,525	1,355,818
Deposits and placements with banks and other financial institutions	-	100,000
Securities held at fair value through profit or loss	599,088	318,848
Securities available-for-sale	135,196	136,210
Securities held-for-maturity	60,762	432,812
Financing, advances and other financing	4,226,924	3,672,900
Other receivables	10,571	19,875
Statutory deposits with Bank Negara Malaysia	147,264	170,314
Property, plant and equipment	1,989	1,630
Deferred tax assets	18,073	15,883
Total Assets	7,370,392	6,224,290
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	5,433,700	5,250,725
Deposits and placements of banks and other financial institutions	831,350	75,000
Bills and acceptance payable	185,742	3,756
Payables and other liabilities	264,332	292,119
Provision for taxation	7,619	2,555
Total Liabilities	6,722,743	5,624,155
Islamic banking capital fund	500,000	500,000
Reserves	147,649	100,135
Islamic Banking Funds	647,649	600,135
Total Liabilities and Islamic Banking Funds	7,370,392	6,224,290
Commitments and Contingencies	1,010,975	398,025

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(b) Unaudited Income Statements for the 3rd Quarter and Cumulative Nine Months Ended 31 March 2008

	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Group				
Income derived from investment of deposits' funds and others	70,007	73,171	213,224	225,426
Income derived from investment of shareholders' funds	10,671	8,220	26,585	23,040
Allowance for losses on financing	(4,156)	(3,162)	(15,892)	(2,623)
Profit equalisation reserve	(1,939)	(400)	(1,145)	(5,011)
Total distributable income	74,583	77,829	222,772	240,832
Income attributable to deposits	(38,545)	(44,624)	(118,831)	(140,298)
Total net income	36,038	33,205	103,941	100,534
Other operating expenses	(13,387)	(12,164)	(39,446)	(43,564)
Profit before taxation and zakat	22,651	21,041	64,495	56,970
Zakat	-	(12)	-	(30)
Taxation	(5,860)	(5,681)	(16,747)	(15,382)
Profit after taxation and zakat	16,791	15,348	47,748	41,558
Profit attributable to shareholders	16,791	15,348	47,748	41,558
Earnings per share - basic (sen)	3.36	3.07	9.55	8.31
Earnings per share - fully diluted (sen)	3.36	3.07	9.55	8.31

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

(i) **By type**

	Group	
	As at 31/03/08 RM'000	As at 30/06/07 RM'000
Cash line	7,153	7,457
Term financing		
- House financing	2,778,750	1,659,400
- Hire purchase receivable	3,010,561	2,708,237
- Lease receivable	22,218	25,976
- Other term financing	408,740	510,740
Claims on customers under acceptance credits	243,604	148,583
Staff financing	48	86
Revolving credit	634	696
Others	817	1,176
	<u>6,472,525</u>	<u>5,062,351</u>
Less: Unearned income	<u>(2,142,537)</u>	<u>(1,303,602)</u>
	4,329,988	3,758,749
Less: Allowance for bad and doubtful financing		
- General	(64,387)	(55,932)
- Specific	(38,677)	(29,917)
Total net financing, advances and other financing	<u>4,226,924</u>	<u>3,672,900</u>

(ii) **By contract**

	Group	
	As at 31/03/08 RM'000	As at 30/06/07 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,402,053	1,020,885
Ijarah (lease)	20,979	24,086
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,663,352	2,407,069
Murabahah (cost-plus)	243,604	306,709
	<u>4,329,988</u>	<u>3,758,749</u>

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Non-performing financing

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

	Group	
	As at 31/03/08	As at 30/06/07
	RM'000	RM'000
At beginning	61,070	75,637
Non-performing during the year	141,896	252,574
Reclassified as performing	(116,545)	(211,495)
Amount written back in respect of recoveries	(22,828)	(46,766)
Amount written off	(191)	(8,880)
Closing balance	<u>63,402</u>	<u>61,070</u>
Net non-performing financing, advances and other financing	<u>24,725</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 31/03/08	As at 30/06/07
	RM'000	RM'000
General allowance		
At beginning	55,932	60,158
Net allowance made/(written back) during the year	8,455	(4,226)
Closing balance	<u>64,387</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	15,389	21,795
Amount written back in respect of recoveries	(6,438)	(9,848)
Amount written off	(191)	(8,938)
Closing balance	<u>38,677</u>	<u>29,917</u>

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(e) Deposits from customer

By type of deposit

	Group	
	As at 31/03/08 RM'000	As at 30/06/07 RM'000
Non-Mudharabah		
Demand deposits	334,895	299,018
Savings deposits	551,707	522,418
Negotiable instruments of deposit	365,090	198,077
	1,251,692	1,019,513
Mudharabah		
Demand deposits	-	-
Saving deposits	471,489	423,792
General investment deposits	1,345,632	2,002,058
Specific investment deposits	2,364,887	1,805,362
Others	-	-
	4,182,008	4,231,212
	5,433,700	5,250,725

29. Change in Accounting Policies

- (i) During the period ended 31 March 2008, 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	8,809	-
Property and equipment	472,536	481,345
	472,536	481,345

**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 RM283.9 million for the quarter ended 31 March 2008 as compared to RM218.8 million in the preceding year's corresponding quarter, an increase of RM65.1 million or 29.8%. This was mainly due to higher contributions from the Banking division.

The Banking division recorded a profit before tax of RM276.9 million for the quarter ended 31 March 2008 as compared to RM204.1 million in the preceding year's corresponding quarter, an increase of RM72.8 million or 35.7%. This was mainly due to higher net income of RM83.0 million and lower allowance for losses on loans, advances and financing of RM11.1 million in the current quarter as compared to the preceding year's corresponding quarter.

The General Insurance division recorded a profit before tax of RM9.8 million for the quarter ended 31 March 2008 as compared to RM7.1 million in the preceding year's corresponding quarter, an increase of RM2.7 million or 38.0%. The increase was mainly due higher net insurance premium (Note : the life insurance division result are only added to the income statement at the end of the financial year after actuarial estimates).

The Stockbroking and Asset Management divisions recorded a profit before tax of RM4.5 million for the quarter ended 31 March 2008 as compared to RM13.7 million in the preceding year's corresponding quarter, a decrease of RM9.2 million or 67.2%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes experienced during the period.

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

The Group recorded a profit before tax of RM864.0 million for the nine months ended 31 March 2008 as compared to RM662.7 million in the previous corresponding period, an increase of RM201.3 million or 30.4%. This was mainly due to higher contributions from the Banking division.

The Banking division recorded a profit before tax of RM825.7 million for the nine months ended 31 March 2008 as compared to RM614.9 million in the previous corresponding period, an increase of RM210.8 million or 34.3%. This was mainly due to higher net income of RM223.5 million arising from strong growth in business volumes.

The General Insurance division recorded a profit before tax of RM32.3 million for the nine months ended 31 March 2008 as compared to RM41.3 million in the previous corresponding period, a decrease of RM9.0 million or 21.8%. 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 and lower investment income (Note : the life insurance division result are only added to the income statement at the end of the financial year after actuarial estimates).

The Stockbroking and Asset Management divisions recorded a profit before tax of RM25.3 million for the nine months ended 31 March 2008 as compared to RM25.8 million in the previous corresponding period, a decrease of RM0.5 million or 1.9%. The decrease was mainly due to higher operating expenditure in line with its budgeted business initiatives.

Handwritten initials

3. Review of performance of current quarter against preceding quarter

The Group recorded a profit before tax of RM283.9 million for the quarter ended 31 March 2008 as compared to RM308.7 million in the preceding quarter, a decrease of RM24.8 million or 8.0%. The decrease was mainly contributed by lower profits from all operating divisions including the effect of seasonal variation due to the reduction in the number of working days in the current quarter.

The Banking division recorded a profit before tax of RM276.9 million for the quarter ended 31 March 2008 as compared to RM293.1 million in the preceding quarter, a decrease of RM16.2 million or 5.5%. This was mainly due to higher loan loss provision.

The General Insurance division recorded a profit before tax of RM9.8 million for the quarter ended 31 March 2008 as compared to RM14.1 million in the preceding quarter, a decrease of RM4.3 million or 30.5%. The decrease was mainly due to lower net insurance premium.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM4.5 million as compared to RM6.6 million in the preceding quarter, a decrease of RM2.1 million or 31.8%. 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 March 2008.

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/03/08	31/03/07	31/03/08	31/03/07
	RM '000	RM '000	RM '000	RM '000
Tax and zakat expenses				
Malaysian – current	(78,900)	(66,435)	(235,803)	(195,367)
Overseas – current	-	(596)	-	(1,804)
Transfer (from) / to deferred tax	3,617	7,038	2,648	15,037
	<u>(75,283)</u>	<u>(59,993)</u>	<u>(233,155)</u>	<u>(182,134)</u>
Prior year over/(under) provision				
- Malaysian	-	-	(151)	-
	<u>(75,283)</u>	<u>(59,993)</u>	<u>(233,306)</u>	<u>(182,134)</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
	31/03/08	31/03/07	31/03/08	31/03/07
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(22,267)	(23,123)	(60,582)	(62,662)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	-	-	-	-
	<u>(22,267)</u>	<u>(23,123)</u>	<u>(60,582)</u>	<u>(62,662)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(22,267)</u>	<u>(23,123)</u>	<u>(60,582)</u>	<u>(62,662)</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.

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7. Sale of properties/unquoted investments

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

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 it together with its wholly-owned subsidiary HLG Credit Sdn Bhd ("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 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;
3. the order of High Court confirming the Capital Repayment of SBBS; and
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.

RM

10. Group borrowings

The Group borrowings include:

	As at 31/03/08 RM '000	As at 30/06/07 RM '000
Short Term – unsecured	196,600	125,700
Long Term – unsecured	140,000	300,000
Total Borrowings	<u>336,600</u>	<u>425,700</u>
Syndicated facility - USD150 million	-	509,850
Subordinated Bonds - USD200 million	671,659	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 has matured on 21 November 2007.

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	5,417,455	3,050,932	941,149	671,695	753,679	-	-
- swaps	22,697,007	10,650,569	5,185,867	1,946,356	1,246,101	3,069,115	598,999
- options	1,514,259	667,340	636,991	156,491	53,437	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	13,932,294	171	2,890,202	1,652,883	2,840,788	6,548,250	-
- swaps	24,803,299	8,622,872	12,677,348	1,543,689	515,622	1,411,568	32,200
Total	68,364,314	22,991,884	22,331,557	5,971,114	5,409,627	11,028,933	631,199

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 RM561,611,164 (FYE June 2007: RM492,598,221) and RM29,339,093,400 (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 RM209,373,361 (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 HILFG undertaking to give HILFG 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, HILFG was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HILFG had to abstain from voting at the extraordinary general meeting ("EGM") of HLG convened to consider the Proposed Acquisition. BSH alleged that HILFG 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. HILFG Dividends

- (i) For the financial period ended 31 March 2007, a first interim dividend of 9 sen per share less income tax of 26% was declared (2006/2007 : 9 sen per share less income tax of 27%) and paid on 18 December 2007.
- (ii) A second interim dividend of 14.0 sen per share less income tax of 26% had been proposed by the Company during the third quarter.
 - (i) Amount per share : 14 sen per share less income tax of 26%
 - (ii) Previous corresponding period : 14 sen per share less income tax of 27%
 - (iii) Entitlement date : (to be advised)
 - (iv) Payment date : (to be advised)
- (iii) Total dividend for the financial period : 23.0 sen per share less income tax at 26% (2006/2007 : 23 sen per share less income tax at 27%)

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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 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 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	133,344	102,194	404,233	311,465
Basic earnings per share (Sen)	12.8	10.0	39.0	30.4

	Company		Company	
	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,038,307	1,026,369	1,038,307	1,026,369
Net profit attributable to shareholders of the company	55,463	55,234	149,676	148,130
Basic earnings per share (Sen)	5.3	5.4	14.4	14.4

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 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,037,768	1,025,830	1,037,768	1,025,830
Effect of Warrant 1997/2007	-	12,231	-	12,231
Weighted average number of ordinary shares (Diluted)	1,037,768	1,038,061	1,037,768	1,038,061
Net profit attributable to shareholders of the company	133,344	102,194	404,233	311,465
Fully diluted earnings per share (Sen)	12.8	9.8	39.0	30.0

	Company		Company	
	Current quarter ended 31/03/08 RM '000	Last year quarter ended 31/03/07 RM '000	Current year to date 31/03/08 RM '000	Last year to date 31/03/07 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,038,307	1,026,369	1,038,307	1,026,369
Effect of Warrant 1997/2007	-	12,231	-	12,231
Weighted average number of ordinary shares (Diluted)	1,038,307	1,038,600	1,038,307	1,038,600
Net profit attributable to shareholders of the company	55,463	55,234	149,676	148,130
Fully diluted earnings per share (Sen)	5.3	5.3	14.4	14.3