

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

<b>THE GROUP</b>	<b>As at 31/12/08 RM '000</b>	<b>As at 30/06/08 RM '000</b>
<b><u>Assets</u></b>		
Cash and short term funds	21,696,540	23,456,160
Deposits and placements with financial institutions	7,258,051	2,292,806
Securities purchased under resale agreements	-	972,742
Securities held at fair value through profit or loss	5,804,522	4,877,785
Securities available-for-sale	5,395,966	8,439,846
Securities held-to-maturity	4,836,039	3,161,818
Loans, advances and financing	35,169,346	35,090,636
Trade receivables	176,746	202,187
Other receivables	1,786,679	2,499,901
Statutory deposits with Bank Negara Malaysia	1,068,764	1,315,464
Tax recoverable	5,956	13,024
Investment in associates	992,974	-
Prepaid land lease payments	9,054	9,117
Deferred tax asset	188,599	172,671
Property, plant and equipment	606,055	508,466
Intangible assets	606,959	588,560
<b>Total Assets</b>	<b>85,602,250</b>	<b>83,601,183</b>
<b><u>Liabilities</u></b>		
Deposits from customers	65,243,851	62,061,525
Deposits and placements of banks and other financial institutions	2,982,341	6,372,576
Obligations on securities sold under repurchase agreements	-	-
Bills and acceptances payable	1,625,389	411,183
Payables and other liabilities	3,463,624	3,015,458
Provision for claims	205,027	199,086
Provision for taxation	87,427	91,078
Bank loans	109,900	25,600
Subordinated Bonds	727,766	671,750
Capital market borrowing	430,000	425,000
Insurance funds	4,262,074	4,180,524
<b>Total Liabilities</b>	<b>79,137,399</b>	<b>77,453,780</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	1,403,680	1,371,637
Retained profits	1,987,474	1,767,888
Fair value reserves	(39,524)	(11,257)
Treasury shares held for ESOS	(77,212)	(73,176)
<b>Total shareholders' equity</b>	<b>4,327,186</b>	<b>4,107,860</b>
Minority interest	2,137,665	2,039,543
<b>Total Equity</b>	<b>6,464,851</b>	<b>6,147,403</b>
<b>Total Liabilities and Equity</b>	<b>85,602,250</b>	<b>83,601,183</b>
<b>Commitment and Contingencies</b>	<b>74,816,647</b>	<b>81,675,737</b>

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

	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
<b>THE GROUP</b>				
Interest income	796,054	758,616	1,615,081	1,513,962
Interest expense	(430,844)	(403,432)	(889,956)	(827,324)
Net interest income	365,210	355,184	725,125	686,638
Income from Islamic banking business	38,338	40,412	81,795	79,640
Non interest income	195,203	178,423	362,523	322,881
Net income	598,751	574,019	1,169,443	1,089,159
Overhead expenses	(249,849)	(240,251)	(493,517)	(463,533)
Operating profit before allowances	348,902	333,768	675,926	625,626
Allowance for losses on loans, advances and financing	(25,631)	(25,051)	(36,864)	(44,536)
Impairment loss	-	-	(33,209)	(1,009)
	323,271	308,717	605,853	580,081
Share of results of associated companies	18,917	-	46,414	-
Profit before taxation and zakat	342,188	308,717	652,267	580,081
Taxation	(87,832)	(84,485)	(162,258)	(158,023)
Zakat	(29)	-	(29)	-
Net profit for the period	254,327	224,232	489,980	422,058
Attributable to :				
Equity holders of the company	161,357	144,291	308,610	270,889
Minority interests	92,970	79,941	181,370	151,169
Net profit for the period	254,327	224,232	489,980	422,058
Basic earnings per ordinary share (sen)	15.6	13.9	29.8	26.1
Diluted earnings per ordinary share (sen)	15.6	13.9	29.8	26.1

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

<b>THE COMPANY</b>	<b>As at 31/12/08 RM '000</b>	<b>As at 30/06/08 RM '000</b>
<b><u>Assets</u></b>		
Cash and short term funds	13,021	11,699
Securities held at fair value through profit or loss	16,000	-
Other receivables	41,691	20,186
Tax recoverable	5,373	12,988
Investment in subsidiaries	2,048,249	2,048,349
Property, plant and equipment	3,148	3,525
Intangible assets	293	352
<b>Total Assets</b>	<b>2,127,775</b>	<b>2,097,099</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	14,619	9,993
Bank loans	-	1,000
Capital market borrowing	430,000	425,000
<b>Total Liabilities</b>	<b>444,619</b>	<b>435,993</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	143,780	141,475
Retained profits	561,904	538,123
Treasury shares held for ESOS	(75,296)	(71,260)
<b>Total Equity</b>	<b>1,683,156</b>	<b>1,661,106</b>
<b>Total Liabilities and Equity</b>	<b>2,127,775</b>	<b>2,097,099</b>
<b>Commitment and Contingencies</b>	<b>250,000</b>	<b>-</b>

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

THE COMPANY	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Interest income	88	108	136	336
Interest expense	(4,973)	(4,761)	(9,952)	(9,894)
Net interest expense	(4,885)	(4,653)	(9,816)	(9,558)
Non interest income	148,245	149,264	149,611	150,538
Net income	143,360	144,611	139,795	140,980
Overhead expenses	(4,749)	(4,058)	(9,296)	(8,452)
Profit before taxation and zakat	138,611	140,553	130,499	132,528
Taxation	(36,632)	(38,315)	(36,632)	(38,315)
Net profit for the period	101,979	102,238	93,867	94,213
Basic earnings per ordinary share (sen)	9.8	9.8	9.1	9.1
Diluted earnings per ordinary share (sen)	9.8	9.8	9.1	9.1

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

	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 Fluctuation 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 2008	1,052,768	117,229	1,099,947	133,258	8,481	(11,256)	12,721	1,767,888	(73,176)	4,107,860	2,039,543	6,147,403
Exchange fluctuation differences	-	-	-	-	-	-	5,650	-	-	5,650	-	5,650
Net fair value changes in available-for-sale securities	-	-	-	-	-	(28,268)	-	-	-	(28,268)	-	(28,268)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(28,268)	5,650	-	-	(22,618)	-	(22,618)
Net profit for financial period	-	-	-	-	-	-	308,610	308,610	-	308,610	181,370	489,980
Total recognised income/(expense) for the period	-	-	-	-	-	(28,268)	5,650	308,610	-	285,992	181,370	467,362
Issue of shares arising from the exercise of Warrants 1997/2007	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(83,248)	(83,248)
Transfer to statutory reserves	-	-	18,938	-	-	-	-	(18,938)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(70,086)	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	7,456	-	-	-	-	7,456	-	7,456
Option reserves arising from ESOS	-	-	-	-	-	-	-	-	(4,036)	(4,036)	-	(4,036)
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	(77,212)	(77,212)	-	(77,212)
<b>AT 31 DECEMBER 2008</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,118,885</b>	<b>133,258</b>	<b>15,937</b>	<b>(39,524)</b>	<b>18,371</b>	<b>1,987,474</b>	<b>(77,212)</b>	<b>4,327,186</b>	<b>2,137,665</b>	<b>6,464,851</b>

	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 Fluctuation 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	-	-	-	-	-	-	(5,575)	-	-	(5,575)	-	(5,575)
Net fair value changes in available-for-sale securities	-	-	-	-	-	(4,071)	-	-	-	(4,071)	-	(4,071)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(4,071)	(5,575)	-	-	(9,646)	-	(9,646)
Net profit for financial period	-	-	-	-	-	-	270,889	270,889	-	270,889	151,169	422,058
Total recognised income/(expense) for the period	-	-	-	-	-	(4,071)	(5,575)	270,889	-	261,243	151,169	412,412
Transfer to statutory reserves	-	-	15,479	-	-	-	-	(15,479)	-	-	-	-
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	-	-	-	-	-	-	-	1,529	-	1,529
Dividend paid	-	-	-	-	-	-	-	(69,115)	-	(69,115)	-	(69,115)
- 1st interim dividend	-	-	-	-	2,862	-	-	-	-	2,862	-	2,862
Option reserve arising from ESOS	-	-	-	-	-	-	-	-	-	-	-	-
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(62,714)	(62,714)
<b>AT 31 DECEMBER 2007</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,083,348</b>	<b>133,258</b>	<b>4,014</b>	<b>11,323</b>	<b>13,924</b>	<b>1,614,443</b>	<b>(67,666)</b>	<b>3,962,641</b>	<b>1,963,541</b>	<b>5,926,182</b>

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

	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 2008	1,052,768	117,229	18,484	5,762	538,123	(71,260)	1,661,106
Net profit for the financial period	-	-	-	-	93,867	-	93,867
Total recognised income/(expense) for the period	-	-	-	-	93,867	-	93,867
Dividend paid - 1st interim dividend	-	-	-	-	(70,086)	-	(70,086)
Option reserves arising from ESOS	-	-	-	2,305	-	-	2,305
Treasury Shares held for ESOS	-	-	-	-	-	(4,036)	(4,036)
<b>AT 31 DECEMBER 2008</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>8,067</b>	<b>561,904</b>	<b>(75,296)</b>	<b>1,683,156</b>

	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
Treasury Shares held for ESOS	-	-	-	-	-	-	-
<b>AT 31 DECEMBER 2007</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>3,457</b>	<b>560,710</b>	<b>(65,750)</b>	<b>1,686,898</b>

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

	The Group		The Company	
	31/12/08	31/12/07	31/12/08	31/12/07
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	652,267	580,081	130,499	132,528
Adjustment for non-cash items and others	(54,672)	137,496	(132,822)	(137,462)
Operating profit before working capital changes	597,595	717,577	(2,323)	(4,934)
Income tax recovered/(paid)	(173,264)	(158,423)	7,615	6,996
Interest received	2,071	2,251	136	336
Net changes in working capital	(2,452,515)	2,298,322	(48,305)	2,121
Net cash flow from operating activities	(2,026,113)	2,859,727	(42,877)	4,519
Net cash flow from investing activities	358,760	(68,689)	110,285	82,567
Net cash flow from financing activities	(92,252)	(185,531)	(66,086)	(97,480)
Changes in cash and cash equivalents	(1,759,605)	2,605,507	1,322	(10,394)
Effect of change in foreign exchange rate	(15)	613	-	-
Cash and cash equivalents as at 1 July	23,456,160	16,767,686	11,699	16,476
Cash and cash equivalents as at 31 December	21,696,540	19,373,806	13,021	6,082

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 year 30 June 2008.

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 for the year ended 30 June 2008 except for the first time adoption of FRS108; Investment in Associates.

**2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2008 of HLFG**

There was no qualified report issued by the auditors in the annual financial statements for the financial period ended 30 June 2008.

**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 financial period.

**5. Variation from financial estimates reported in preceding financial year**

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



## 6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial year ended 31 December 2008 other than as mentioned below.

### Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFG and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet. Pursuant to the scheme, the number of shares bought by the appointed trustee was 16,478,108 at an average price of RM4.57 and the total consideration paid, including transaction costs was RM75,296,000. Of the 16,478,108 shares held pursuant to ESOS, 2,016,700 shares has been earmarked for Hong Leong Assurance Berhad ("HLA") for their intended ESOS scheme.

Pursuant to the insurance subsidiary company's ESOS scheme, the insurance subsidiary company also held 538,592 units of the Company's shares at an average price of RM3.56 per share with total consideration paid, including transaction costs of RM1,916,000, which have been classified as treasury shares held for ESOS at the Group level.

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

## 7. Dividends paid

An interim dividend of 9 sen per share less income tax of 25% amounted to RM70,085,680 was paid on 18 December 2008.

## 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	Securities & Asset						Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000		
<b>31 DECEMBER 2008</b>							
<b>Revenue for the year ended</b>							
External sales	1,113,140	22,129	50,280	(16,106)	-	-	1,169,443
Intersegment sales	1,198	1,502	4,351	5,070	(12,121)	-	-
	<u>1,114,338</u>	<u>23,631</u>	<u>54,631</u>	<u>(11,036)</u>	<u>(12,121)</u>		<u>1,169,443</u>
<b>Results for the year ended</b>							
Segment results	655,976	2,869	15,617	(22,195)	-	-	652,267
Profit before taxation and zakat							<u>652,267</u>
Taxation and zakat							<u>(162,287)</u>
Profit after taxation							<u>489,980</u>
Minority interest							<u>(181,370)</u>
Net profit for the year							<u>308,610</u>
<b>Other information</b>							
Segment assets	79,108,702	462,900	5,701,180	81,327	14,017		85,368,126
Other corporate assets							<u>234,124</u>
<b>Total consolidated assets</b>							<u>85,602,250</u>
Segment liabilities	73,849,460	324,496	5,077,437	196,026	(600,020)		78,847,399
Other corporate liabilities							<u>290,000</u>
<b>Total consolidated liabilities</b>							<u>79,137,399</u>
Capital expenditure	21,276	264	77,596	59	-	-	99,195
Depreciation of property and equipments	23,255	726	1,894	419	-	-	26,294
Amortisation of intangible assets	6,996	150	2,117	64	-	-	9,327
Amortisation of prepaid lease payment	42	-	-	-	-	-	42
Loan loss and other allowances	36,864	-	-	-	-	-	36,864

GROUP	Securities & Asset						Consolidated
	Banking	Management	Insurance	Others	Eliminations	RM'000	
31 DECEMBER 2007	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue for the year ended</b>							
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>	
<b>Results for the year ended</b>							
Segment results	548,790	20,763	22,472	(11,944)	-	-	580,081
Profit before taxation and zakat							580,081
Taxation and zakat							(158,023)
Profit after taxation							422,058
Minority interest							(151,169)
Net profit for the year							<u>270,889</u>
<b>Other information</b>							
Segment assets	67,629,205	388,222	5,431,577	54,292	105,158	73,608,454	
Other corporate assets						188,709	
<b>Total consolidated assets</b>						<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	
<b>Total consolidated liabilities</b>						<u>67,870,981</u>	
Capital expenditure	67,982	1,420	963	5	-	70,370	
Depreciation of property and equipments	21,381	661	1,664	495	-	24,201	
Amortisation of intangible assets	6,240	60	2,715	21	-	9,036	
Amortisation of prepaid lease payment	52	-	162	-	-	214	
Loan loss and other allowances	44,536	-	-	-	-	44,536	

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

	Group	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	309,626	129,937
Malaysian Government Securities	99,211	195,689
Negotiable instruments of deposit	1,242,188	306,353
Bankers' acceptances and Islamic accepted bills	2,981,055	2,862,379
Bank Negara Malaysia bills	1,078,790	1,170,850
Malaysian Government Investment Certificates	22,553	55,188
Khazanah bonds	50,819	47,334
Cagamas bonds/notes	-	-
	5,784,242	4,767,730
Quoted securities :		
Shares/Loan stocks/Unit Trust	15,954	93,501
Foreign currency bonds	1,777	1,691
Unquoted securities :		
Syndicated bond	-	-
Private debt securities	2,549	14,863
<b><u>Others designated at fair value through P&amp;L</u></b>		
Loan stock quoted in Malaysia	-	-
Total securities held at fair value through profit and loss	5,804,522	4,877,785

	Company	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	16,000	-

## 10. Securities available-for-sale

	Group	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	321,913	432,902
Malaysian Government Securities	670,039	2,208,381
Malaysian Government Investment Certificates	178,906	1,505,134
Negotiable instruments of deposit	-	16,760
Khazanah bonds	9,789	9,531
Cagamas bonds	348,338	989,995
Singapore government securities	24,482	-
Other Government Securities	94,813	115,502
	1,648,280	5,278,205
Quoted securities :		
Shares/Loan stocks/Unit Trust	426,296	450,074
Foreign Currency Bonds	1,173,537	769,054
Unquoted securities :		
Private debt securities/shares/reits	2,147,853	1,942,513
Total securities available-for-sale	5,395,966	8,439,846

## 11. Securities held-to-maturity

	Group	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	1,938,265	752,186
Malaysian Government Investment Certificates	105,647	60,305
Negotiable instruments of deposit	2,029,364	1,718,179
Cagamas bonds	309,939	230,314
	4,383,215	2,760,984
Quoted securities :		
Foreign Currency Bonds	-	-
Unquoted securities :		
Private debt securities/shares/loan stocks	452,824	400,834
Total securities held-to-maturity	4,836,039	3,161,818

## 12. Loans, advances and financing

	Group	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
Overdrafts	2,236,761	2,435,782
Term loans :		
- Housing loans/financing	20,117,292	19,445,381
- Syndicated term loan/financing	1,495,044	1,422,294
- Hire purchase receivables	6,121,428	6,167,037
- Lease receivables	20,055	22,602
- Other term loans/financing	1,963,713	2,512,094
Credit/charge card receivables	2,041,951	1,925,986
Bills receivables	308,668	357,255
Trust receipts	125,224	139,725
Claims on customers under acceptance credits	2,910,272	3,057,364
Block discounting	8,416	8,422
Revolving credits	1,126,672	799,314
Policy and premium loans	591,535	556,612
Staff loans	99,150	102,020
Other loans/financing	49,591	48,339
	39,215,772	39,000,227
Unearned interest and income	(3,219,112)	(3,001,136)
	35,996,660	35,999,091
Fair value changes arising from fair value hedges	62,270	(35,717)
Allowance for bad and doubtful debts and financing :		
- general	(526,112)	(526,957)
- specific	(363,472)	(345,781)
Net loans, advances and financing	35,169,346	35,090,636

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

### (a) By type of customer

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Domestic banking institutions	-	-
Domestic non-bank financial institutions	125,770	122,659
Domestic business enterprises		
- Small and medium enterprises	3,317,970	3,505,565
- Others	6,895,175	7,200,936
Government and statutory bodies	418	1,592
Individuals	24,601,450	24,034,103
Other domestic entities	19,351	25,976
Foreign entities	1,036,526	1,108,260
Gross loans, advances and financing	35,996,660	35,999,091

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

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Fixed rate		
- Housing loans/financing	890,725	1,634,343
- Hire purchase receivables	5,323,946	5,395,285
- Other fixed rate loan/financing	3,677,283	3,581,813
Variable rate		
- Base lending rate plus	23,369,492	22,468,590
- Cost plus	2,723,102	2,800,269
- Other variables rates	12,112	118,791
Gross loans, advances and financing	35,996,660	35,999,091

### (c) By economic purpose

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Purchase of securities	336,932	517,205
Purchase of transport vehicles	5,018,601	5,017,181
Purchase of landed properties		
- residential	13,756,773	13,275,941
- non-residential	4,332,568	4,232,178
Personal use	2,547,044	2,363,560
Credit card	2,037,865	1,925,986
Purchase of consumer durables	61	128
Construction	450,130	541,258
Working capital	6,921,591	7,564,139
Others	595,095	561,515
Gross loans, advances and financing	35,996,660	35,999,091

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Purchase of securities	11,222	13,793
Purchase of transport vehicles	65,329	56,043
Purchase of landed properties		
- residential	234,906	229,221
- non-residential	71,037	79,537
Personal use	42,554	40,969
Credit card	35,361	28,751
Construction	33,237	38,592
Working capital	339,926	353,493
Others	3	3
Gross loans, advances and financing	<u>833,575</u>	<u>840,402</u>

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

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
At beginning	840,402	1,033,380
Non-performing during the period/year	1,276,671	2,594,538
Reclassified as performing	(1,065,872)	(2,195,316)
Amount written back in respect of recoveries	(131,312)	(332,256)
Amount written off	(86,294)	(261,664)
Exchange differences	(20)	1,720
Closing balance	<u>833,575</u>	<u>840,402</u>
Specific allowance	<u>(363,472)</u>	<u>(345,781)</u>
Net non-performing loans, advances and financing	<u>470,103</u>	<u>494,621</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.3%</u>	<u>1.4%</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 31/12/08 RM '000	As at 30/06/08 RM '000
<u>General Allowance</u>		
At beginning	526,957	481,746
Net allowance made during the period/year	(825)	44,443
Exchange differences	(20)	768
Closing balance	<u>526,112</u>	<u>526,957</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	345,781	412,760
Allowance made during the period/year	142,878	298,603
Amount written back in respect of recoveries	(38,873)	(105,139)
Amount written off	(86,294)	(261,663)
Exchange differences	(20)	1,220
Closing balance	<u>363,472</u>	<u>345,781</u>

## 13. Other receivables

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Interest/Income receivable	148,809	166,203
Investment properties	1,600	1,600
Other debtors, deposits and prepayments *	1,633,615	2,329,443
Assets held for sale	60	60
Foreclosed properties	2,595	2,595
	<u>1,786,679</u>	<u>2,499,901</u>

\* During the period, the partial payment for the subscription of shares in Chengdu Bank of RM738M in June 08 was reclassified to Investment in associate upon completion of the Proposed subscription of 20% Equity Interest in Chengdu on 21 July 2008

	Company	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Amount due from subsidiary companies	40,277	18,251
Amount due from related companies	4	50
Other debtors, deposits and prepayments	1,410	1,885
	<u>41,691</u>	<u>20,186</u>



#### 14. Deposits from customers

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Fixed deposits	35,041,206	33,979,359
Negotiable instruments of deposit	3,004,148	1,697,204
Demand deposits	6,262,838	5,950,840
Savings deposits	7,537,394	7,491,714
Short term corporate placement	13,248,790	12,727,011
Other	149,475	215,397
	<u>65,243,851</u>	<u>62,061,525</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
One year or less (short term)	36,889,142	34,732,418
More than one year (medium/long term)	1,156,212	944,145
	<u>38,045,354</u>	<u>35,676,563</u>

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

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Government and statutory bodies	1,906,317	985,187
Business enterprises	30,270,486	29,601,029
Individuals	32,009,174	30,877,001
Others	1,057,874	598,308
	<u>65,243,851</u>	<u>62,061,525</u>

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

	Group	
	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Licensed banks	2,513,499	5,891,409
Other financial institutions	468,842	481,167
	<u>2,982,341</u>	<u>6,372,576</u>

The maturity structure :

One year or less (short term)	2,982,341	6,372,576
More than one year (medium/long term)	-	-
	<u>2,982,341</u>	<u>6,372,576</u>

## 16. Payables and other liabilities

	Group	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
Trade payables	553,201	561,746
Amount due to related companies	3,992	623
Other payables and accrued liabilities	2,576,663	2,240,883
Interest payable	323,800	206,169
Post employment benefits obligations - defined contribution plan	5,968	6,037
	<u>3,463,624</u>	<u>3,015,458</u>

  

	Company	
	As at 31/12/08	As at 30/06/08
	RM '000	RM '000
Amount due to subsidiary companies	665	665
Other payables and accrued liabilities	11,850	5,483
Interest payable	2,031	3,769
Post employment benefits obligations - defined contribution plan	73	76
	<u>14,619</u>	<u>9,993</u>

## 17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/08 RM '000	quarter ended 31/12/07 RM '000	ended 31/12/08 RM '000	ended 31/12/07 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	456,167	433,239	905,634	839,478
- recoveries from NPLs	25,892	14,885	53,119	46,312
Money at call and deposit placements with financial institutions	193,915	188,303	408,508	396,799
Securities purchased under resale agreement	-	19,146	1,088	36,573
Securities held at fair value through profit and loss	58,997	61,858	112,920	116,597
Securities available-for-sale	24,135	32,317	58,728	60,657
Securities held-to-maturity	36,580	8,473	73,172	17,735
Others	507	2,013	1,182	4,274
	<u>796,193</u>	<u>760,234</u>	<u>1,614,351</u>	<u>1,518,425</u>
Amortisation of premium less accretion of discount	4,439	1,241	8,440	650
Interest suspended	(4,578)	(2,859)	(7,710)	(5,113)
	<u>796,054</u>	<u>758,616</u>	<u>1,615,081</u>	<u>1,513,962</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/08 RM '000	quarter ended 31/12/07 RM '000	to date 31/12/08 RM '000	to date 31/12/07 RM '000
Money at call and deposit placements with financial institutions	88	108	136	336
Others	-	-	-	-
	<u>88</u>	<u>108</u>	<u>136</u>	<u>336</u>

## 18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/08 RM '000	quarter ended 31/12/07 RM '000	ended 31/12/08 RM '000	ended 31/12/07 RM '000
Deposits and placements of banks and other financial institutions	17,401	19,971	49,937	52,458
Deposits from customers	303,593	266,998	597,061	530,032
Borrowings	5,680	4,780	11,015	10,012
Subordinated bonds	9,464	8,681	18,052	17,553
Short term corporate placements	93,644	97,945	212,440	203,915
Others	1,062	5,057	1,451	13,354
	<u>430,844</u>	<u>403,432</u>	<u>889,956</u>	<u>827,324</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/08 RM '000	quarter ended 31/12/07 RM '000	to date 31/12/08 RM '000	to date 31/12/07 RM '000
Borrowings	4,973	4,761	9,952	9,894

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Net income from Insurance Business	30,171	25,665	47,879	40,560
Net brokerage and commissions from Stockbroking Business	6,188	11,694	11,430	29,671
Net unit trust and asset management income	4,317	5,190	10,034	11,441
Fee income:				
Management fees	-	(92)	-	165
Commissions	15,184	20,301	34,691	41,958
Service charges and fees	5,393	10,424	11,616	19,719
Guarantee fees	1,370	1,449	2,826	2,992
Other fee income	46,097	57,044	88,721	98,710
	68,044	89,126	137,854	163,544
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(11,509)	(9,031)	(2,097)	8,704
Net gain from sale of securities available-for-sale	8,906	3,291	26,643	9,208
Net gain/(loss) from redemption of securities held-to-maturity	52	-	130	2
	(2,551)	(5,740)	24,676	17,914
Gross dividend income from:				
Securities held at fair value through profit and loss	800	1,297	2,080	3,503
Securities available-for-sale	909	1,553	2,045	2,935
Securities held-to-maturity	240	313	3,423	2,653
	1,949	3,163	7,548	9,091
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	9,112	6,062	12,128	4,460
Net realised gains/(losses) on fair value changes arising from fair value hedge	(3,509)	(6,268)	(2,279)	(15,222)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	8,675	581	(4,286)	(5,645)
Other income:				
Foreign exchange gain/(loss)	67,125	40,386	106,045	52,838
Rental income	106	105	169	316
Gain/(loss) on disposal of property and equipment	114	457	584	1,034
Profit from Takaful investments	1,253	4,426	2,636	5,704
Others	4,209	3,576	8,105	7,175
	72,807	48,950	117,539	67,067
Total non interest income	195,203	178,423	362,523	322,881

## 19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Fee income:				
Management fees	1,675	1,183	3,352	2,366
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	29	21	10	21
Gross dividend income from:				
Securities held at fair value through profit and loss	222	140	300	140
Subsidiary companies	149,680	147,366	149,680	147,366
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(4,121)	-	(6,258)	-
Other income:				
Gain on disposal of subsidiary company	-	-	1,720	-
Others	760	554	807	645
Total non interest income	<u>148,245</u>	<u>149,264</u>	<u>149,611</u>	<u>150,538</u>

## 20. Overhead expenses

	Group		Group	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	114,251	102,352	227,271	210,933
- Others	13,706	18,272	26,298	26,705
<u>Establishment costs</u>				
- Depreciation of property and equipments	12,847	11,329	26,294	24,201
- Amortisation of intangible assets	4,964	3,312	9,327	9,036
- Amortisation of prepaid lease payment	14	178	42	214
- Rental	12,834	11,843	24,917	23,994
- Information technology expenses	15,486	13,491	27,712	23,721
- Others	11,647	13,753	22,829	24,116
<u>Marketing expenses</u>				
- Advertisement and publicity	13,774	13,508	31,295	24,931
- Handling fees	2,857	4,658	6,661	8,577
- Others	13,291	11,360	27,781	23,477
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,522	2,912	5,451	5,280
- Stationery & printing	4,243	4,168	7,935	8,419
- Others	27,413	29,115	49,704	49,929
	<u>249,849</u>	<u>240,251</u>	<u>493,517</u>	<u>463,533</u>

## 20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,357	1,984	4,717	4,055
- Others	1,243	1,235	2,454	2,468
<u>Establishment costs</u>				
- Depreciation	210	206	419	480
- Rental	169	188	338	349
- Others	147	61	240	92
<u>Administration and general expenses</u>				
- Teletransmission expenses	12	8	23	18
- Stationery & printing	17	10	20	22
- Others	594	366	1,085	968
	4,749	4,058	9,296	8,452

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

	Group		Group	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	(5,803)	14,837	(825)	20,565
- specific allowance	72,939	64,727	142,878	124,712
- specific allowance written back	(19,313)	(28,645)	(38,873)	(54,848)
Bad debts and financing written off	2,100	2,242	4,504	3,631
Bad debts and financing recovered	(24,292)	(28,110)	(70,820)	(49,524)
	25,631	25,051	36,864	44,536

## 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 2008 and 30 June 2008 met the minimum requirement.

	As at 31/12/08 RM '000	As at 30/06/08 RM '000
<b><u>Components of Tier - 1 and Tier - 2 Capital</u></b>		
<b>Tier -1 capital</b>		
Paid up share capital	1,580,107	1,580,107
Share premium	539,664	539,664
Retained profit	2,139,136	1,821,618
Other Reserves	1,885,907	1,861,893
Less : Treasury Shares	(699,046)	(699,041)
Less : Deferred Tax	(184,292)	(173,153)
Add : Minority interest	43,342	43,698
<b>Total tier 1 capital</b>	<b>5,304,818</b>	<b>4,974,786</b>
<b>Tier - 2 capital</b>		
General provision	526,112	526,957
Subordinated obligations	690,500	653,500
<b>Total tier 2 capital</b>	<b>1,216,612</b>	<b>1,180,457</b>
<b>Total capital</b>	<b>6,521,430</b>	<b>6,155,243</b>
Less : Investment in associated company	(992,974)	-
Less : Holdings of other banking institution's capital instrument	(95,462)	(31,858)
<b>Total capital base</b>	<b>5,432,994</b>	<b>6,123,385</b>
<b><u>Before deducting proposed dividends</u></b>		
Core Capital Ratio	13.74%	13.30%
Risk-weighted Capital Ratio	14.07%	16.36%
<b><u>After deducting proposed dividends</u></b>		
Core Capital Ratio	13.47%	12.86%
Risk-weighted Capital Ratio	13.81%	15.93%

The profit after tax of the banking subsidiaries for the half year ended 31 December 2008, had been subjected to a limited review by the banking subsidiaries external auditors. As such the banking subsidiaries profit after tax for the half year ended 31 December 2008 have been included in the capital base used in the computation of Capital Adequacy Ratios.

## 23. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 31 December 2008 other than as per disclosed in Note 9 appearing on page 30.

## 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 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 CGLN(A) were dissolved on 9 August 2007. On 10 December 2008, HLB announced that the liquidator of WTP had convened a final meeting to conclude the members voluntary liquidation of WTP and a return by the liquidator relating to the final meeting was lodged on 10 December 2008 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, WTP will be dissolved.

- b. On 28 August 2008, Hong Leong Bank Berhad ("HLB") announced that it will be carrying out an internal reorganisation of certain of its direct and indirect wholly-owned subsidiaries to streamline the corporate structure of HLB for better efficiency ("Internal Reorganisation").

Pursuant to the Internal Reorganisation, HLF Credit (Perak) Bhd ("HLF Credit"), currently an indirect wholly-owned subsidiary of HLB, will be transferred to become a direct wholly-owned subsidiary of HLB. Thereafter, certain wholly-owned subsidiaries of HLB, namely Gensource Sdn Bhd, Hong Leong Leasing Sdn Bhd, HLB Realty Sdn Bhd, HL Leasing Sdn Bhd and WTB Corporation Sdn Bhd will be transferred to become direct wholly owned subsidiaries of HLF Credit. In addition, Chew Geok Lin Finance Sdn Bhd, a direct wholly-owned subsidiary of WTB Corporation Sdn Bhd, will be transferred to also become a direct wholly-owned subsidiary of HLF Credit. The considerations for the transfer of all the companies concerned will be calculated based on the net assets of the companies as at 30 June 2008 and satisfied by way of intercompany loans.

- c. On 8 September 2008, HLFPG announced that the liquidation of Heritage Vest Sdn Bhd ("HV"), a wholly-owned subsidiary of HLFPG had convened a Final Meeting to conclude the member's voluntary liquidation of HV and a Return by the Liquidator Relating to the Final Meeting was lodged on 8 September with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, HV will be dissolved. Hence, HV was dissolved on 8 December 2008.
- d. On 18 September 2008, HLFPG announced that its wholly-owned subsidiary, HLFPG Assets Sdn Bhd, had placed its own wholly-owned subsidiary, Autoweb Sdn Bhd ("Autoweb") under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 and that Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co has been appointed as liquidator of Autoweb.



## 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 31/12/08			As at 30/06/08		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk- Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk- Weighted Amount RM'000
<b>The Banking Group</b>						
Direct credit substitutes	213,174	213,174	198,910	207,396	207,396	193,849
Transaction-related contingent items	294,162	147,081	132,662	287,933	143,966	129,875
Short-term self liquidating trade-related contingencies	383,733	76,746	71,776	741,691	148,338	142,375
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,211,783	2,105,892	1,774,848	4,279,447	2,139,724	1,743,385
-maturity less than 1 year	14,267,924	2,853,584	2,350,790	13,458,683	2,691,736	2,189,391
Foreign exchange related contracts	21,336,134	1,076,196	635,714	24,024,375	1,016,617	601,625
Interest rate related contracts	33,640,496	974,315	494,801	38,339,797	411,764	165,943
Equity related contracts	190,407	13,806	13,151	302,223	22,243	12,583
Miscellaneous	-	-	-	-	-	-
<b>Total</b>	<b>74,537,813</b>	<b>7,460,794</b>	<b>5,672,652</b>	<b>81,641,545</b>	<b>6,781,784</b>	<b>5,179,026</b>

- 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 December 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

	The Group 31/12/08							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	Trading book RM'000		
<b>Assets</b>									
Cash and short-term funds	20,891,703	-	-	-	-	804,837	-	21,696,540	3.2
Deposits and placements with banks and other financial institution	-	6,902,209	166,080	129,762	60,000	-	-	7,258,051	3.2
Securities held at fair value through profit or loss	-	-	-	-	-	-	5,804,522	5,804,522	3.7
Securities available-for-sale	277,949	504,010	557,047	2,290,450	1,345,429	421,081	-	5,395,966	4.5
Securities held-for-maturity	299,799	1,904,542	459,215	1,976,211	166,140	30,132	-	4,836,039	3.8
Loans, advances and financing									
- performing	24,145,363	1,124,860	671,008	3,732,185	5,551,939	(519,060)	-	34,706,295	6.7
- non performing	-	-	-	-	-	463,051	-	463,051	-
Trade receivables	-	-	-	-	-	176,746	-	176,746	-
Other receivables	-	-	-	-	-	1,786,679	-	1,786,679	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,068,764	-	1,068,764	-
Tax recoverable	-	-	-	-	-	5,956	-	5,956	-
Investment in associates	-	-	-	-	-	992,974	-	992,974	-
Prepaid land lease payments	-	-	-	-	-	9,054	-	9,054	-
Deferred tax assets	-	-	-	-	-	188,599	-	188,599	-
Property and equipment	-	-	-	-	-	606,055	-	606,055	-
Intangible assets	-	-	-	-	-	606,959	-	606,959	-
<b>Total assets</b>	<b>45,614,814</b>	<b>10,435,621</b>	<b>1,853,350</b>	<b>8,128,608</b>	<b>7,123,508</b>	<b>6,641,827</b>	<b>5,804,522</b>	<b>85,602,250</b>	
<b>Liabilities</b>									
Deposits from customers	36,929,227	5,448,368	15,851,669	1,204,883	-	5,809,704	-	65,243,851	2.7
Deposits and placements of banks and other financial institution	2,902,545	69,088	9,534	-	-	1,174	-	2,982,341	3.2
Bills and acceptance payable	18,585	64,379	41,627	-	-	1,500,798	-	1,625,389	3.5
Payables and other liabilities	-	-	-	-	-	3,463,624	-	3,463,624	-
Provision for claims	-	-	-	-	-	205,027	-	205,027	-
Provision for taxation	-	-	-	-	-	87,427	-	87,427	-
Bank loans	40,000	-	69,900	-	-	-	-	109,900	4.2
Subordinated Bonds	-	-	-	727,766	-	-	-	727,766	5.2
Capital market borrowing									
- Commercial paper	290,000	-	-	-	-	-	-	290,000	4.0
- Medium Term Notes	-	100,000	40,000	-	-	-	-	140,000	4.9
Insurance funds	-	-	-	-	-	4,262,074	-	4,262,074	-
<b>Total liabilities</b>	<b>40,180,357</b>	<b>5,681,835</b>	<b>16,012,730</b>	<b>1,932,649</b>	<b>-</b>	<b>15,329,828</b>	<b>-</b>	<b>79,137,399</b>	
Shareholder's equity	-	-	-	-	-	4,327,186	-	4,327,186	
Minority interest	-	-	-	-	-	2,137,665	-	2,137,665	
<b>Total liabilities and shareholder's equity</b>	<b>40,180,357</b>	<b>5,681,835</b>	<b>16,012,730</b>	<b>1,932,649</b>	<b>-</b>	<b>21,794,679</b>	<b>-</b>	<b>85,602,250</b>	
On-balance sheet interest sensitivity gap	5,434,457	4,753,786	(14,159,380)	6,195,959	7,123,508				

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

The Group  
30/06/08

	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 %
<b>Assets</b>									
Cash and short-term funds	23,179,599	-	-	-	-	276,561	-	23,456,160	3.8
Deposits and placements with banks and other financial institution	-	1,494,365	696,771	81,670	20,000	-	-	2,292,806	3.8
Securities purchased under resale agreements	972,742	-	-	-	-	-	-	972,742	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	4,877,785	4,877,785	3.8
Securities available-for-sale	457,189	858,631	843,665	3,851,996	1,970,332	458,033	-	8,439,846	4.5
Securities held-for-maturity	500,511	1,150,026	83,180	1,122,264	275,939	29,898	-	3,161,818	4.1
Loans, advances and financing									
- performing	27,046,861	495,560	1,032,041	3,461,817	3,101,315	(519,506)	-	34,618,088	6.4
- non performing	-	-	-	-	-	472,548	-	472,548	-
Trade receivables	-	-	-	-	-	202,187	-	202,187	-
Other receivables	-	-	-	-	-	2,499,901	-	2,499,901	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,315,464	-	1,315,464	-
Tax recoverable	-	-	-	-	-	13,024	-	13,024	-
Prepaid land lease payments	-	-	-	-	-	9,117	-	9,117	-
Deferred tax assets	-	-	-	-	-	172,671	-	172,671	-
Property and equipment	-	-	-	-	-	508,466	-	508,466	-
Intangible assets	-	-	-	-	-	588,560	-	588,560	-
<b>Total assets</b>	<b>52,156,902</b>	<b>3,998,582</b>	<b>2,655,657</b>	<b>8,517,747</b>	<b>5,367,586</b>	<b>6,026,924</b>	<b>4,877,785</b>	<b>83,601,183</b>	
<b>Liabilities</b>									
Deposits from customers	35,833,479	6,602,222	13,749,194	939,145	-	4,937,485	-	62,061,525	3.0
Deposits and placements of banks and other financial institution	5,530,305	776,830	58,107	-	-	7,334	-	6,372,576	3.5
Obligation of securities sold under repurchase agreements	-	-	-	-	-	-	-	-	3.6
Bills and acceptance payable	17,794	61,638	39,855	-	-	291,896	-	411,183	3.6
Payables and other liabilities	-	-	-	-	-	3,015,458	-	3,015,458	-
Provision for claims	-	-	-	-	-	199,086	-	199,086	-
Provision for taxation	-	-	-	-	-	91,078	-	91,078	-
Bank loans	25,600	-	-	-	-	-	-	25,600	4.5
Subordinated Bonds	-	-	-	671,750	-	-	-	671,750	5.2
Syndicated loan facility	-	-	-	-	-	-	-	-	5.1
Capital market borrowing - Medium Term Notes	-	70,000	100,000	40,000	-	-	-	210,000	5.6
Insurance funds	-	-	-	-	-	4,180,524	-	4,180,524	-
<b>Total liabilities</b>	<b>41,622,178</b>	<b>7,510,690</b>	<b>13,947,156</b>	<b>1,650,895</b>	<b>-</b>	<b>12,722,861</b>	<b>-</b>	<b>77,453,780</b>	
Shareholder's equity	-	-	-	-	-	4,107,860	-	4,107,860	
Minority interest	-	-	-	-	-	2,039,543	-	2,039,543	
<b>Total liabilities and shareholder's equity</b>	<b>41,622,178</b>	<b>7,510,690</b>	<b>13,947,156</b>	<b>1,650,895</b>	<b>-</b>	<b>18,870,264</b>	<b>-</b>	<b>83,601,183</b>	
On-balance sheet interest sensitivity gap	10,534,724	(3,512,108)	(11,291,499)	6,866,852	5,367,586				

27. Interest/Profit rate risk (continued)

The Company 31/12/08									
	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 %
<b>Assets</b>									
Cash and short-term funds	11,100	-	-	-	-	1,921	-	13,021	3.3
Securities held at fair value through profit or loss	-	-	-	-	-	-	16,000	16,000	-
Other receivables	-	-	-	-	-	41,691	-	41,691	-
Investment in subsidiaries	-	-	-	-	-	2,048,249	-	2,048,249	-
Tax recoverable	-	-	-	-	-	5,373	-	5,373	-
Property and equipment	-	-	-	-	-	3,148	-	3,148	-
Intangible assets	-	-	-	-	-	293	-	293	-
<b>Total assets</b>	<b>11,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,100,675</b>	<b>16,000</b>	<b>2,127,775</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	14,619	-	14,619	-
Capital market borrowing									
- Commercial paper	290,000	-	-	-	-	-	-	290,000	4.0
- Medium Term Notes	-	100,000	40,000	-	-	-	-	140,000	4.9
<b>Total liabilities</b>	<b>290,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>14,619</b>	<b>-</b>	<b>444,619</b>	
Shareholder's equity	-	-	-	-	-	1,683,156	-	1,683,156	
<b>Total liabilities and shareholder's equity</b>	<b>290,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>1,697,775</b>	<b>-</b>	<b>2,127,775</b>	
On-balance sheet interest sensitivity gap	(278,900)	(100,000)	(40,000)	-	-	-	-	-	

The Company 30/06/07									
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
<b>Assets</b>									
Cash and short-term funds	11,600	-	-	-	-	99	-	11,699	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	20,186	-	20,186	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	12,988	-	12,988	-
Property and equipment	-	-	-	-	-	3,525	-	3,525	-
Intangible assets	-	-	-	-	-	352	-	352	-
<b>Total assets</b>	<b>11,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,085,499</b>	<b>-</b>	<b>2,097,099</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	9,993	-	9,993	-
Bank loans	1,000	-	-	-	-	-	-	1,000	4.2
Capital market borrowing									
- Commercial paper	215,000	-	-	-	-	-	-	215,000	3.6
- Medium Term Notes	-	70,000	100,000	40,000	-	-	-	210,000	5.6
<b>Total liabilities</b>	<b>216,000</b>	<b>70,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>9,993</b>	<b>-</b>	<b>435,993</b>	
Shareholder's equity	-	-	-	-	-	1,661,106	-	1,661,106	
<b>Total liabilities and shareholder's equity</b>	<b>216,000</b>	<b>70,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>1,671,099</b>	<b>-</b>	<b>2,097,099</b>	
On-balance sheet interest sensitivity gap	(204,400)	(70,000)	(100,000)	(40,000)	-	-	-	-	

## 28. Operations of Islamic Banking

### (a) Unaudited Balance Sheets as at 31 December 2008

	Group	
	As at 31/12/08 RM'000	As at 30/06/08 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,792,789	1,871,430
Deposits and placements with banks and other financial institutions	34,907	-
Securities held at fair value through profit or loss	1,831,990	927,570
Securities available-for-sale	213,594	780,812
Securities held-for-maturity	176,573	126,957
Financing, advances and other financing	4,085,654	4,242,329
Other receivables	5,380	7,054
Statutory deposits with Bank Negara Malaysia	137,664	144,964
Property, plant and equipment	2,028	1,854
Deferred tax assets	18,415	17,850
<b>Total Assets</b>	<u>8,298,994</u>	<u>8,120,820</u>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	6,360,344	6,208,081
Deposits and placements of banks and other financial institutions	831,307	779,000
Bills and acceptance payable	100,417	110,480
Payables and other liabilities	291,650	351,119
Provision for taxation	9,625	7,408
<b>Total Liabilities</b>	<u>7,593,343</u>	<u>7,456,088</u>
Islamic banking capital fund	500,000	500,000
Reserves	205,651	164,732
<b>Islamic Banking Funds</b>	<u>705,651</u>	<u>664,732</u>
<b>Total Liabilities and Islamic Banking Funds</b>	<u>8,298,994</u>	<u>8,120,820</u>
<b>Commitments and Contingencies</b>	<u>881,971</u>	<u>966,378</u>

(b) Unaudited Income Statements for the 2nd Quarter and Cumulative Half Year Ended 31 December 2008

	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
<b>Group</b>				
Income derived from investment of deposits' funds and others	90,397	71,557	184,018	143,217
Income derived from investment of shareholders' funds	7,467	7,951	19,550	15,914
Allowance for losses on financing	54	(6,229)	(145)	(11,736)
Profit equalisation reserve	(7,050)	(249)	(11,227)	794
Total distributable income	90,868	73,030	192,196	148,189
Income attributable to deposits	(52,473)	(38,850)	(110,543)	(80,286)
Total net income	38,395	34,180	81,653	67,903
Other operating expenses	(15,827)	(12,967)	(31,088)	(26,059)
Profit before taxation and zakat	22,568	21,213	50,565	41,844
Zakat	(13)	-	(29)	-
Taxation	(5,660)	(5,482)	(12,660)	(10,887)
Profit after taxation and zakat	16,895	15,731	37,876	30,957
Profit attributable to shareholders	16,895	15,731	37,876	30,957
Earnings per share - basic (sen)	3.38	3.15	7.58	6.19
Earnings per share - fully diluted (sen)	3.38	3.15	7.58	6.19

(c) Financing, advances and other financing

(i) By type

	Group	
	As at 31/12/08 RM'000	As at 30/06/08 RM'000
Cash line	8,233	11,230
Term financing		
- House financing	3,492,726	3,192,524
- Hire purchase receivable	2,720,998	2,971,414
- Lease receivable	18,632	21,080
- Other term financing	337,000	356,760
Claims on customers under acceptance credits	183,430	197,898
Staff financing	29	41
Revolving credit	-	26
Others	701	778
	<u>6,761,749</u>	<u>6,751,751</u>
Less: Unearned income	<u>(2,584,817)</u>	<u>(2,419,663)</u>
	4,176,932	4,332,088
Less: Allowance for bad and doubtful financing		
- General	(62,231)	(65,025)
- Specific	(29,047)	(24,734)
Total net financing, advances and other financing	<u>4,085,654</u>	<u>4,242,329</u>

(ii) By contract

	Group	
	As at 31/12/08 RM'000	As at 30/06/08 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,565,955	1,484,449
Ijarah (lease)	17,906	20,028
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,409,641	2,629,727
Murabahah (cost-plus)	183,430	197,884
	<u>4,176,932</u>	<u>4,332,088</u>

Non-performing financing

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

	Group	
	As at 31/12/08 RM'000	As at 30/06/08 RM'000
At beginning	45,754	61,070
Non-performing during the period/year	93,841	185,715
Reclassified as performing	(75,198)	(153,442)
Amount written back in respect of recoveries	(11,435)	(29,708)
Amount written off	(7)	(17,881)
Closing balance	<u>52,955</u>	<u>45,754</u>
Net non-performing financing, advances and other financing	<u>23,908</u>	<u>21,020</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.6%</u>	<u>0.5%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/12/08 RM'000	As at 30/06/08 RM'000
General allowance		
At beginning	65,025	55,932
Net allowance made/(written back) during the year	(2,794)	9,093
Closing balance	<u>62,231</u>	<u>65,025</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	24,734	29,917
Allowance made during the period/year	7,442	21,780
Amount written back in respect of recoveries	(3,122)	(9,082)
Amount written off	(7)	(17,881)
Closing balance	<u>29,047</u>	<u>24,734</u>



(e) Deposits from customer

By type of deposit

	<b>Group</b>	
	<b>As at 31/12/08 RM'000</b>	<b>As at 30/06/08 RM'000</b>
<b>Non-Mudharabah</b>		
Demand deposits	377,646	362,557
Savings deposits	565,186	555,853
Negotiable instruments of deposit	1,003,600	529,911
	<u>1,946,432</u>	<u>1,448,321</u>
<b>Mudharabah</b>		
Demand deposits	-	-
Saving deposits	510,352	478,049
General investment deposits	1,608,503	1,635,080
Specific investment deposits	2,295,057	2,646,631
	<u>4,413,912</u>	<u>4,759,760</u>
	<u>6,360,344</u>	<u>6,208,081</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 RM342.2 million for the quarter ended 31 December 2008 as compared to RM308.7 million in the preceding year's corresponding quarter, an increase of RM33.5 million or 10.8%. This was mainly due to higher contributions from the banking division.

The Banking division recorded a profit before tax of RM340.1 million for the quarter ended 31 December 2008 as compared to RM293.1 million in the preceding year's corresponding quarter, an increase of RM47.0 million or 16.0%. This was mainly due to higher foreign exchange gains coupled with the inclusion of our share of profits from the Bank of Chengdu which was effective from 1 July 2008.

The Insurance division recorded a profit before tax of RM13.8 million for the quarter ended 31 December 2008 as compared to RM14.1 million in the preceding year's corresponding quarter, a decrease of RM0.3 million or 2.0%. The decrease was mainly due to lower net insurance premiums in the quarter.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM0.04 million for the quarter ended 31 December 2008 as compared to RM6.6 million in the preceding year's corresponding quarter, a decrease of RM6.6 million or 99.4%. 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 RM652.3 million for the six months ended 31 December 2008 as compared to RM580.1 million in the previous corresponding period, an increase of RM72.2 million or 12.4%. This was mainly due to higher contributions from the Banking division.

The Banking division recorded a profit before tax of RM656.0 million for the six months ended 31 December 2008 as compared to RM548.8 million in the previous corresponding period, an increase of RM107.2 million or 19.5%. This was mainly due to higher foreign exchange gain coupled with share of profit from the Bank of Chengdu which was effective from 1 July 2008.

The Insurance division recorded a profit before tax of RM15.6 million for the six months ended 31 December 2008 as compared to RM22.5 million in the previous corresponding period, a decrease of RM6.9 million or 30.5%. The decrease was mainly due to investment losses suffered from lower equity prices.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM2.9 million for the six months ended 31 December 2008 as compared to RM20.8 million in the previous corresponding period, a decrease of RM17.9 million or 86.2%. The decrease was mainly due to lower 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 RM342.2 million for the quarter ended 31 December 2008 as compared to RM310.1 million in the preceding quarter, an increase of RM32.1 million or 10.4%. The increase was mainly contributed by higher profits from the Banking and Insurance division.

The Banking division recorded a profit before tax of RM340.1 million for the quarter ended 31 December 2008 as compared to RM315.9 million in the preceding quarter, an increase of RM24.2 million or 7.7%. This was mainly due to higher foreign exchange gain.

The Insurance division recorded a profit before tax of RM13.8 million for the quarter ended 31 December 2008 as compared to RM1.8 million in the preceding quarter, an increase of RM12.1 million or 680.7%. The increase was mainly due to lower claims.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM0.04 million as compared to RM2.8 million in the preceding quarter, a decrease of RM2.8 million or 98.6%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes experienced during the period.

### **4. Prospects for current financial year**

Despite current financial turmoil and economic slowdown, and barring unforeseen circumstances, the Group is expected to perform satisfactorily for the current financial year. The Group will be more vigilant over its credit loan portfolios, and also prudently manage its expenses, notwithstanding pursuing longer term business projects and opportunities.

### **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 31 December 2008

	Group		Group	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Tax and zakat expenses				
Malaysian – current	(85,506)	(81,976)	(163,793)	(156,903)
Overseas – current	16	-	-	-
Transfer (from) / to deferred tax	(2,342)	(2,509)	581	(969)
	<u>(87,832)</u>	<u>(84,485)</u>	<u>(163,212)</u>	<u>(157,872)</u>
Prior year over/(under) provision				
- Malaysian	-	-	954	(151)
	<u>(87,832)</u>	<u>(84,485)</u>	<u>(162,258)</u>	<u>(158,023)</u>

The effective tax rate for the Group for the current quarter is lower than the statutory rate of taxation due to non-taxability of certain income.

	Company		Company	
	Current quarter ended 31/12/08 RM '000	31/12/07 RM '000	Current year ended 31/12/08 RM '000	31/12/07 RM '000
Tax expenses				
Malaysian – current	(36,632)	(38,315)	(36,632)	(38,315)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	-	-	-	-
	<u>(36,632)</u>	<u>(38,315)</u>	<u>(36,632)</u>	<u>(38,315)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(36,632)</u>	<u>(38,315)</u>	<u>(36,632)</u>	<u>(38,315)</u>

The effective tax rate for the Company for the current quarter is higher than the statutory rate of taxation due to non-deductability of certain expenses.

## 7. Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the 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 quarter under review other than those purchased or disposed in the ordinary course of business.

## 8. Status of corporate proposals

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

- (a) On 9 January 2009, HLB announced that The State Bank of Vietnam has granted a license to HLB to incorporate and operate a 100% wholly owned commercial bank in Vietnam. The 100% wholly owned commercial bank shall be known as Hong Leong Bank Vietnam Limited ("HLBVN"). The charter capital of HLBVN is 1,000,000,000,000 (one trillion) Vietnamese Dong which is approximately equivalent to RM205 million at the current exchange rates. HLB is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.

With the establishment of bank in Vietnam, HLB will be able to tap into the promising and expanding market of Vietnam, which has a population of over 85 million people. This is part of HLB's long term goal of establishing a bigger presence in Asia.

- (b) On 18 December 2008, HLB announced that its wholly-owned subsidiary, HLF Credit (Perak) Berhad ("HLFCP") proposed to issue up to RM1,096.326 million nominal value of unsecured and unsubordinated bonds ("Proposed Bonds Issue") to raise funds to subscribe for foreign currency denominated principal protected investments through its subsidiaries.

The tenure of the Bonds will be for four (4) years from the date of issuance. The Bonds will be issued via private placement basis. HLB will be assuming the role of Principal Adviser/Lead Arranger on the Proposed Bond Issue.

The Proposed Bonds Issue is subject to the approval of the Securities Commission.

## 10. Group borrowings

The Group borrowings include:

	As at 31/12/08 RM '000	As at 30/06/08 RM '000
Bank loans	109,900	25,600
Capital market borrowing	430,000	425,000
Total Borrowings	<u>539,900</u>	<u>450,600</u>
Subordinated Bonds - USD200 million	727,766	671,750

### 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.

## 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	14,687,368	4,610,966	4,773,676	4,026,399	1,276,327	-	-
- swaps	18,242,079	6,653,908	4,335,749	1,854,672	1,599,113	3,286,708	511,929
- options	711,048	264,396	318,606	118,990	9,056	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	8,918,249	-	-	2,759,792	2,328,319	3,830,138	-
- swaps	24,722,247	455,361	2,132,000	1,304,526	1,507,110	18,715,922	607,328
Total	67,280,991	11,984,631	11,560,031	10,064,379	6,719,925	25,832,768	1,119,257

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

## 12. 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 RM744,744,604 (FYE June 2008: RM881,960,520) and RM30,757,335,160 (FYE June 2008: RM30,084,196,890) 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 RM823,522,356 (FYE June 2008: RM640,117,890). 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.

## 13. Material litigation

- (a) 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.

- (b) On 26 November 2008, Hytex Integrated Berhad (“Hytex”) obtained a judgment in default of appearance against Hong Leong Assurance Berhad (“HLA”) in respect of a fire insurance claim amounting to about RM30 million.

HLA has filed an application to set aside the judgment in default (“JID”) and has procured a stay of execution pending final disposal of said application. HLA has been advised by its solicitors that it has good grounds to set aside the JID.

HLA will vigorously defend the case.

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

## 14. HLFG Dividends

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

For the financial period ended 31 December 2008, a dividend of 9 sen per share less income tax of 25% was declared (2007 : 9 sen per share less income tax of 26%) and paid on 18 December 2008.

## 15. 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 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,035,751	1,037,768	1,035,751	1,037,768
Net profit attributable to shareholders of the company	161,357	144,291	308,610	270,889
Basic earnings per share (Sen)	15.6	13.9	29.8	26.1

	Company		Company	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,036,290	1,038,307	1,036,290	1,038,307
Net profit attributable to shareholders of the company	101,979	102,238	93,867	94,213
Basic earnings per share (Sen)	9.8	9.8	9.1	9.1



## 15. 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 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,035,751	1,037,768	1,035,751	1,037,768
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,751	1,037,768	1,035,751	1,037,768
Net profit attributable to shareholders of the company	161,357	144,291	308,610	270,889
<b>Fully diluted earnings per share (Sen)</b>	<b>15.6</b>	<b>13.9</b>	<b>29.8</b>	<b>26.1</b>

	Company		Company	
	Current quarter ended 31/12/08 RM '000	Last year quarter ended 31/12/07 RM '000	Current year ended 31/12/08 RM '000	Last year ended 31/12/07 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,036,290	1,038,307	1,036,290	1,038,307
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,036,290	1,038,307	1,036,290	1,038,307
Net profit attributable to shareholders of the company	101,979	102,238	93,867	94,213
<b>Fully diluted earnings per share (Sen)</b>	<b>9.8</b>	<b>9.8</b>	<b>9.1</b>	<b>9.1</b>