

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2009

	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	15,647,307	19,500,176
Deposits and placements with financial institutions	5,961,381	5,726,818
Securities held at fair value through profit or loss	7,326,870	7,092,273
Securities available-for-sale	8,862,528	7,079,776
Securities held-to-maturity	9,068,349	6,566,779
Loans, advances and financing	36,103,067	35,498,266
Clients' and brokers' balances	150,048	220,152
Other receivables	2,065,867	1,931,216
Statutory deposits with Bank Negara Malaysia	329,426	368,564
Tax recoverable	6,051	12,056
Investment in associates	1,103,004	1,045,285
Prepaid land lease payments	10,042	10,123
Deferred tax asset	187,569	215,179
Property and equipment	637,114	602,362
Intangible assets	618,136	612,725
Total Assets	88,076,759	86,481,750
<u>Liabilities</u>		
Deposits from customers	66,043,667	67,262,086
Deposits and placements of banks and other financial institutions	4,326,065	2,413,979
Bills and acceptances payable	256,649	251,386
Clients' and brokers' balances	217,744	279,029
Payables and other liabilities	3,115,186	3,268,607
Provision for claims	176,262	201,424
Provision for taxation	114,802	73,704
Bank loans	58,500	177,900
Subordinated obligations	698,949	729,566
Capital market borrowing	609,569	419,228
Insurance funds	5,224,571	4,577,892
Total Liabilities	80,841,964	79,654,801
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	1,459,135	1,435,615
Retained profits	2,388,771	2,179,261
Fair value reserves	14,001	(19,429)
Treasury shares held for ESOS	(78,171)	(78,171)
Total shareholders' equity	4,836,504	4,570,044
Minority interest	2,398,291	2,256,905
Total Equity	7,234,795	6,826,949
Total Liabilities and Equity	88,076,759	86,481,750
Commitment and Contingencies	90,824,919	78,596,910
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	4.67	4.41

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
THE GROUP				
Interest income	639,364	796,054	1,273,088	1,615,081
Interest expense	(292,239)	(430,844)	(588,103)	(889,956)
Net interest income	347,125	365,210	684,985	725,125
Income from Islamic banking business	47,889	38,338	95,969	81,795
Non interest income	159,242	195,203	335,889	362,523
Net income	554,256	598,751	1,116,843	1,169,443
Overhead expenses	(261,369)	(249,849)	(508,338)	(493,517)
Operating profit before allowances	292,887	348,902	608,505	675,926
Allowance for losses on loans, advances and financing and other losses	(24,781)	(25,631)	(68,291)	(36,864)
Impairment of goodwill	-	-	-	-
Impairment loss	6,022	-	6,213	(33,209)
	274,128	323,271	546,427	605,853
Share of results of associated companies	27,194	18,917	57,719	46,414
Profit before taxation and zakat	301,322	342,188	604,146	652,267
Taxation	(71,605)	(87,832)	(130,818)	(162,258)
Zakat	(380)	(29)	(393)	(29)
Net profit for the year	229,337	254,327	472,935	489,980
Attributable to :				
Equity holders of the company	146,381	161,357	303,976	308,610
Minority interests	82,956	92,970	168,959	181,370
Net profit for the year	229,337	254,327	472,935	489,980
Basic earnings per ordinary share (sen)	14.1	15.6	29.4	29.8
Diluted earnings per ordinary share (sen)	14.1	15.6	29.4	29.8

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2009

	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	6,182	2,791
Securities held at fair value through profit or loss	10,950	18,950
Other receivables	49,090	63,753
Tax recoverable	5,200	11,390
Investment in subsidiaries	2,290,322	2,048,249
Property and equipment	2,361	2,888
Intangible assets	181	230
Total Assets	2,364,286	2,148,251
<u>Liabilities</u>		
Payables and other liabilities	6,675	6,391
Bank loans	31,000	31,000
Capital market borrowing	609,569	419,228
Total Liabilities	647,244	456,619
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	147,232	145,921
Retained profits	582,792	558,693
Treasury shares held for ESOS	(65,750)	(65,750)
Total Equity	1,717,042	1,691,632
Total Liabilities and Equity	2,364,286	2,148,251
Commitment and Contingencies	250,000	250,000

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
THE COMPANY				
Interest income	343	88	632	136
Interest expense	(4,480)	(4,973)	(7,937)	(9,952)
Net interest expense	(4,137)	(4,885)	(7,305)	(9,816)
Non interest income	145,632	148,245	146,105	149,611
Net income	141,495	143,360	138,800	139,795
Overhead expenses	(3,893)	(4,749)	(7,955)	(9,296)
Profit before taxation and zakat	137,602	138,611	130,845	130,499
Taxation	(35,684)	(36,632)	(35,684)	(36,632)
Net profit for the year	101,918	101,979	95,161	93,867
Basic earnings per ordinary share (sen)	9.8	9.8	9.2	9.1
Diluted earnings per ordinary share (sen)	9.8	9.8	9.2	9.1

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009

	Share Capital		Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Share Options Reserves	Fair Value Reserves	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	
	RM '000	RM '000									RM '000	RM '000
Opening balance as at 1 July 2009	1,052,768	1,141,486	117,229	1,141,486	133,258	23,229	(19,429)	20,413	2,179,261	(78,171)	4,570,044	6,826,949
Exchange fluctuation differences	-	-	-	-	-	-	(6,344)	(6,344)	-	-	(6,344)	(6,344)
Net fair value changes in available-for-sale securities	-	-	-	-	-	-	33,430	-	-	-	33,430	33,430
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	33,430	(6,344)	-	-	27,086	27,086
Net profit for the financial year	-	-	-	-	-	-	-	303,976	303,976	-	303,976	472,935
Total recognised income/(expense) for the period	-	-	-	-	-	-	33,430	(6,344)	303,976	-	331,062	500,021
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	(23,404)	-	-	(27,573)
Transfer to statutory reserves	-	-	-	23,404	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(71,062)	-	(71,062)	(71,062)
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	-	-	6,460	-	-	-	-	6,460	6,460
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-
AT 31 DECEMBER 2009	1,052,768	1,164,890	117,229	1,164,890	133,258	29,689	14,001	14,069	2,388,771	(78,171)	4,836,504	7,234,795

	Share Capital		Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Share Options Reserves	Fair Value Reserves	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	
	RM '000	RM '000									RM '000	RM '000
Opening balance as at 1 July 2008	1,052,768	1,099,947	117,229	1,099,947	133,258	8,481	(11,256)	12,721	1,767,888	(73,176)	4,107,860	6,147,403
Exchange fluctuation differences	-	-	-	-	-	-	-	4,947	-	-	4,947	4,947
Net fair value changes in available-for-sale securities	-	-	-	-	-	-	(13,807)	-	-	-	(13,807)	(13,807)
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	(13,807)	4,947	-	-	(8,860)	(8,860)
Net profit for the financial year	-	-	-	-	-	-	-	147,253	147,253	-	147,253	235,653
Total recognised income/(expense) for the period	-	-	-	-	-	-	(13,807)	4,947	147,253	-	138,393	226,793
Transfer to statutory reserves	-	-	-	10,491	-	-	-	-	(10,491)	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	(19,940)
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Option reserve arising from ESOS	-	-	-	-	-	3,727	-	-	-	-	3,727	3,727
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	(4,036)	(4,036)	(4,036)
AT 31 DECEMBER 2008	1,052,768	1,110,438	117,229	1,110,438	133,258	12,208	(25,063)	17,668	1,904,650	(77,212)	4,245,944	6,353,947

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share		Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
				Options Reserves RM '000	Options Reserves RM '000			
Operating balance as at 1 July 2008	1,052,768	117,229	18,484	10,208	-	558,693	(65,750)	1,691,632
Net profit for the financial year	-	-	-	-	95,161	-	-	95,161
Total recognised income/(expense) for the period	-	-	-	-	95,161	-	-	95,161
Dividend paid	-	-	-	-	-	(71,062)	-	(71,062)
- 1st interim dividend	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	1,311	-	-	-	1,311
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-
AT 31 DECEMBER 2009	1,052,768	117,229	18,484	11,519	582,792	(65,750)	-	1,717,042

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share		Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
				Options Reserves RM '000	Options Reserves RM '000			
Operating 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 year	-	-	-	-	93,867	-	-	93,867
Total recognised income/(expense) for the period	-	-	-	-	93,867	-	-	93,867
Issue of shares arising from the exercise of Warrants 1997/2007	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	2,305	-	-	-	2,305
Treasury Shares held for ESOS	-	-	-	-	-	-	(4,036)	(4,036)
AT 31 DECEMBER 2008	1,052,768	117,229	18,484	8,067	561,904	(75,296)	-	1,683,156

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009

	The Group		The Company	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	604,146	652,267	130,845	130,499
Adjustment for non-cash items and others	426,682	(54,672)	(133,050)	(132,822)
Operating profit before working capital changes	1,030,828	597,595	(2,205)	(2,323)
Income tax recovered/(paid)	(66,023)	(173,264)	6,190	7,615
Interest received	724	2,071	632	136
Net changes in working capital	(717,678)	(2,452,515)	14,065	(48,305)
Net cash flow from operating activities	247,852	(2,026,113)	18,682	(42,877)
Net cash flow from investing activities	(4,036,966)	358,760	(134,570)	110,285
Net cash flow from financing activities	(57,410)	(92,252)	119,279	(66,086)
Changes in cash and cash equivalents	(3,846,525)	(1,759,605)	3,391	1,322
Effect of change in foreign exchange rate	(6,344)	(15)	-	-
Cash and cash equivalents as at 1 July	19,500,176	23,456,160	2,791	11,699
Cash and cash equivalents as at 31 December	15,647,307	21,696,540	6,182	13,021

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2009**

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 2009.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2009 except for the first time adoption of FRS 8, ‘Operating Segments’.

FRS 8: Operating Segments – This new standard replaces FRS 114 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments disclosure in the financial statements. The application of this standard would not have any impact to the financial statements of the Group.

2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2009 of HLFGB

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2009.

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 financial period.

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFM for the financial year ended 31 December 2009 other than as mentioned below.

Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFM and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet. Pursuant to the scheme, the number of shares bought by the appointed trustee was 14,461,408 at an average price of RM4.45 per share and the total consideration paid, including transaction costs was RM65,749,757.

Pursuant to the insurance subsidiary company's ESOS scheme, the insurance subsidiary company also held 2,768,992 units of the Company's shares at an average price of RM4.49 per share with total consideration paid, including transaction costs of RM12,420,243, which have been classified as treasury shares held for ESOS at the Group level.

The Company granted 12,000,000 conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFM 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 RM70,085,690 was paid on 21 December 2009.

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:

Commercial banking	Commercial banking business
Investment banking	Investment banking and fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding and provision of management services

GROUP 31 DECEMBER 2009	Commercial	Investment	Others	Eliminations	Consolidated
	Banking RM'000	Banking RM'000		Insurance RM'000	RM'000
Revenue for the year ended					
External sales	1,024,402	39,876	66,856	-	1,118,760
Intersegment sales	6,679	513	2,465	(15,624)	(1,917)
	<u>1,031,081</u>	<u>40,389</u>	<u>69,321</u>	<u>(15,624)</u>	<u>1,116,843</u>
Results for the year ended					
Segment results	522,393	11,929	29,801	-	546,427
Share of results of associated company			(17,696)		57,719
Profit before taxation and zakat					<u>604,146</u>
Taxation and zakat					<u>(131,211)</u>
Profit after taxation					<u>472,935</u>
Minority interest					<u>(168,959)</u>
Net profit for the year					<u>303,976</u>
Other information					
Segment assets	79,933,076	704,056	6,471,051	203,618	87,381,013
Other corporate assets					695,746
Total consolidated assets					<u>88,076,759</u>
Segment liabilities	74,004,196	488,906	6,084,415	(427,289)	80,201,395
Other corporate liabilities					640,569
Total consolidated liabilities					<u>80,841,964</u>
Capital expenditure	79,767	1,931	79,279	351	161,328
Depreciation of property and equipments	22,780	1,175	3,365	381	27,701
Amortisation of intangible assets	6,005	-	-	61	6,066
Amortisation of prepaid lease payment	42	-	-	-	42
Loan loss and other allowances	68,291	-	-	-	68,291

GROUP 31 DECEMBER 2008	Commercial	Investment	Others	Eliminations	Consolidated
	Banking RM'000	Banking RM'000		Insurance RM'000	RM'000
Revenue for the year ended					
External sales	1,113,140	22,129	50,280	-	1,169,443
Intersegment sales	1,198	1,502	4,351	(12,121)	-
	<u>1,114,338</u>	<u>23,631</u>	<u>54,631</u>	<u>(12,121)</u>	<u>1,169,443</u>
Results for the year ended					
Segment results	609,562	2,869	15,617	-	605,853
Share of results of associated company			(22,195)		46,414
Profit before taxation and zakat					<u>652,267</u>
Taxation and zakat					<u>(162,287)</u>
Profit after taxation					489,980
Minority interest					<u>(181,370)</u>
Net profit for the year					<u>308,610</u>
Other information					
Segment assets	79,108,702	462,900	5,701,180	14,017	85,368,126
Other corporate assets					234,124
Total consolidated assets					<u>85,602,250</u>
Segment liabilities	73,849,460	324,496	5,077,437	(600,020)	78,847,399
Other corporate liabilities					290,000
Total consolidated liabilities					<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
Net interest income suspended					-
Loan loss and other allowances	36,864	-	-	-	36,864

9. Securities held at fair value through profit or loss

	Group	
	As at 31/12/2009	As at 30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	630,305	458,307
Malaysian Government Securities	1,094,666	838,842
Negotiable instruments of deposit	516,442	887,971
Bankers' acceptances and Islamic accepted bills	2,638,411	2,983,607
Bank Negara Malaysia bills	902,979	1,738,604
Malaysian Government Investment Certificates	1,349,094	136,143
Khazanah bonds	32,975	14,922
Sukuk bonds	40,008	-
Cagamas bonds/notes	75,064	-
	7,279,944	7,058,396
Quoted securities :		
Shares/Loan stocks/Unit Trust	37,464	25,094
Foreign currency bonds	9,462	8,783
Unquoted securities :		
Private debt securities	-	-
Total securities held at fair value through profit and loss	7,326,870	7,092,273

	Company	
	As at 31/12/2009	As at 30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	10,950	18,950

10. Securities available-for-sale

	Group	
	As at 31/12/2009	As at 30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	608,176	379,600
Malaysian Government Securities	1,994,558	2,074,034
Malaysian Government Investment Certificates	2,106,334	728,237
Negotiable instruments of deposit	-	-
Khazanah bonds	-	9,948
Cagamas bonds	130,245	162,084
Singapore government securities	-	24,601
Other Government securities	54,758	94,384
	4,894,071	3,472,888
Quoted securities :		
Shares/Loan stocks/Unit Trust	584,055	499,460
Foreign Currency Bonds	942,606	979,272
Unquoted securities :		
Private debt securities/shares/reits	2,441,796	2,128,156
Total securities available-for-sale	8,862,528	7,079,776

11. Securities held-to-maturity

	Group	
	As at 31/12/2009	As at 30/06/2009
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	4,462,538	1,670,241
Malaysian Government Investment Certificates	1,313,225	105,514
Negotiable instruments of deposit	2,572,943	4,073,323
Cagamas bonds	279,873	279,873
	<u>8,628,579</u>	<u>6,128,951</u>
Quoted securities :		
Foreign Currency Bonds	-	-
Unquoted securities :		
Private debt securities/shares/loan stocks	439,770	437,828
Total securities held-to-maturity	<u>9,068,349</u>	<u>6,566,779</u>

12. Loans, advances and financing

	Group	
	As at 31/12/2009	As at 30/06/2009
	RM '000	RM '000
Overdrafts	2,031,085	2,091,226
Term loans :		
- Housing loans/financing	21,477,907	20,496,440
- Syndicated term loan/financing	1,944,366	1,685,228
- Hire purchase receivables	5,675,000	5,829,968
- Lease receivables	14,142	16,418
- Other term loans/financing	1,927,876	1,775,639
Credit/charge card receivables	2,138,933	2,017,519
Bills receivables	195,567	211,019
Trust receipts	104,892	92,982
Claims on customers under acceptance credits	2,891,503	3,230,902
Block discounting	8,224	8,218
Revolving credits	1,186,986	1,250,892
Policy and premium loans	634,446	620,281
Staff loans	94,653	96,686
Other loans/financing	94,274	100,014
	<u>40,419,854</u>	<u>39,523,432</u>
Unearned interest and income	(3,473,059)	(3,219,240)
	<u>36,946,795</u>	<u>36,304,192</u>
Fair value changes arising from fair value hedges	-	56,892
Unamortised fair value changes arising from terminated fair value hedges	60,045	13,381
Allowance for bad and doubtful debts and financing :		
- general	(548,425)	(546,080)
- specific	(355,348)	(330,119)
Net loans, advances and financing	<u>36,103,067</u>	<u>35,498,266</u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Domestic banking institutions	-	-
Domestic non-bank financial institutions	56,201	86,327
Domestic business enterprises		
- Small and medium enterprises	3,089,509	3,250,429
- Others	7,164,113	7,131,299
Government and statutory bodies	268	369
Individuals	25,452,938	24,721,865
Other domestic entities	19,653	16,185
Foreign entities	1,164,113	1,097,718
Gross loans, advances and financing	<u>36,946,795</u>	<u>36,304,192</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Fixed rate		
- Housing loans/financing	573,711	673,204
- Hire purchase receivables	4,939,383	5,087,484
- Other fixed rate loan/financing	3,844,205	3,720,728
Variable rate		
- Base lending rate plus	23,756,095	23,240,974
- Cost plus	3,802,845	3,531,706
- Other variables rates	30,556	50,096
Gross loans, advances and financing	<u>36,946,795</u>	<u>36,304,192</u>

(c) By economic purpose

	Group	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Purchase of securities	529,282	486,955
Purchase of transport vehicles	4,716,627	4,848,428
Purchase of landed properties		
- residential	14,356,497	13,922,382
- non-residential	4,224,025	4,257,268
Personal use	2,844,077	2,710,071
Credit card	2,138,933	2,017,519
Purchase of consumer durables	68	54
Construction	354,130	448,043
Working capital	7,138,309	6,989,520
Others	644,847	623,952
Gross loans, advances and financing	<u>36,946,795</u>	<u>36,304,192</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Purchase of securities	13,393	13,285
Purchase of transport vehicles	55,294	48,996
Purchase of landed properties		
- residential	210,501	235,867
- non-residential	58,923	62,761
Personal use	51,966	56,872
Credit card	30,698	36,446
Construction	27,866	32,662
Working capital	282,359	315,553
Others	2	2
Gross loans, advances and financing	<u>731,002</u>	<u>802,444</u>

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

	Group	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
At beginning	802,444	840,402
Non-performing during the period/year	1,328,574	2,793,986
Reclassified as performing	(1,179,487)	(2,314,165)
Amount written back in respect of recoveries	(138,115)	(257,924)
Amount written off	(82,530)	(261,211)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	116	242
Closing balance	<u>731,002</u>	<u>802,444</u>
Specific allowance	<u>(355,348)</u>	<u>(330,119)</u>
Net non-performing loans, advances and financing	<u>375,654</u>	<u>472,325</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.0%</u>	<u>1.3%</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 31/12/2009 RM '000	As at 30/06/2009 RM '000
<u>General Allowance</u>		
At beginning	546,080	526,957
Net allowance made during the period/year	2,465	17,892
Amount written back in respect of recoveries	(170)	-
Amount arising from acquisition of SIBB	-	524
Allowances arising from loans and advances acquired from SBBS	-	178
Exchange differences	50	529
Closing balance	548,425	546,080
As % of gross loans, advances and financing less specific allowance	1.5%	1.5%

Specific Allowance

At beginning	330,119	345,781
Allowance made during the period/year	157,112	317,495
Amount written back in respect of recoveries	(51,024)	(73,641)
Amount written off	(80,958)	(260,857)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	99	227
Closing balance	355,348	330,119

13. Other receivables

	Group	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Interest/Income receivable	229,273	130,742
Investment properties	1,600	1,600
Other debtors, deposits and prepayments	1,833,119	1,796,999
Assets held for sale	-	-
Foreclosed properties	1,875	1,875
	2,065,867	1,931,216

	Company	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Amount due from subsidiary companies	42,859	55,259
Amount due from related companies	264	9
Other debtors, deposits and prepayments	5,967	8,485
	49,090	63,753

14. Deposits from customers

	Group	
	As at	As at
	31/12/2009	30/06/2009
	RM '000	RM '000
Fixed deposits	37,731,301	36,852,359
Negotiable instruments of deposit	1,827,662	3,526,455
Demand deposits	7,147,166	6,761,540
Savings deposits	8,336,721	7,841,769
Short term corporate placement	10,804,999	11,638,034
Other	195,818	641,929
	<u>66,043,667</u>	<u>67,262,086</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	31/12/2009	30/06/2009
	RM '000	RM '000
One year or less (short term)	38,270,411	39,683,232
More than one year (medium/long term)	1,288,552	695,582
	<u>39,558,963</u>	<u>40,378,814</u>

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

	Group	
	As at	As at
	31/12/2009	30/06/2009
	RM '000	RM '000
Government and statutory bodies	615,605	714,312
Business enterprises	31,739,313	32,943,191
Individuals	32,510,237	32,608,117
Others	1,178,512	996,466
	<u>66,043,667</u>	<u>67,262,086</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	31/12/2009	30/06/2009
	RM '000	RM '000
Licensed banks	3,951,905	2,202,304
Other financial institutions	374,160	211,675
	<u>4,326,065</u>	<u>2,413,979</u>

The maturity structure :

One year or less (short term)	4,326,065	2,413,979
More than one year (medium/long term)	-	-
	<u>4,326,065</u>	<u>2,413,979</u>

16. Payables and other liabilities

	Group	
	As at	As at
	31/12/2009	30/06/2009
	RM '000	RM '000
Trade payables	510,695	460,349
Amount due to related companies	337	4,451
Other payables and accrued liabilities	1,457,853	1,732,464
Loan advance payment	898,077	802,123
Interest payable	242,769	263,238
Post employment benefits obligations - defined contribution plan	5,455	5,982
	<u>3,115,186</u>	<u>3,268,607</u>

	Company	
	As at	As at
	31/12/2009	30/06/2009
	RM '000	RM '000
Amount due to subsidiary companies	261	100
Other payables and accrued liabilities	5,462	4,394
Interest payable	945	1,821
Post employment benefits obligations - defined contribution plan	7	76
	<u>6,675</u>	<u>6,391</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2009	quarter ended 31/12/2008	ended 31/12/2009	ended 31/12/2008
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	379,463	456,167	767,906	905,634
- recoveries from NPLs	26,027	25,892	51,454	53,119
Money at call and deposit placements				
with financial institutions	79,588	193,915	153,413	408,508
Securities purchased under resale agreement	-	-	6	1,088
Securities held at fair value through				
profit and loss	15,624	58,997	31,570	112,920
Securities available-for-sale	40,180	24,135	83,798	58,728
Securities held-to-maturity	61,691	36,580	110,524	73,172
Others	376	507	725	1,182
	<u>602,949</u>	<u>796,193</u>	<u>1,199,396</u>	<u>1,614,351</u>
Amortisation of premium less				
accretion of discount	38,812	4,439	78,684	8,440
Interest suspended	(2,397)	(4,578)	(4,992)	(7,710)
	<u>639,364</u>	<u>796,054</u>	<u>1,273,088</u>	<u>1,615,081</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements				
with financial institutions	82	88	103	136
Others	261	-	529	-
	<u>343</u>	<u>88</u>	<u>632</u>	<u>136</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2009	quarter ended 31/12/2008	ended 31/12/2009	ended 31/12/2008
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks				
and other financial institutions	5,575	17,401	13,418	49,937
Deposits from customers	217,340	303,593	445,881	597,061
Borrowings	4,506	5,680	8,704	11,015
Subordinated bonds	8,865	9,464	17,969	18,052
Short term corporate placements	54,977	93,644	100,278	212,440
Others	976	1,062	1,853	1,451
	<u>292,239</u>	<u>430,844</u>	<u>588,103</u>	<u>889,956</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2009	31/12/2008	31/12/2009	31/12/2008
	RM '000	RM '000	RM '000	RM '000
Borrowings	3,952	4,973	6,936	9,952
Others	528	-	1,001	-
	<u>4,480</u>	<u>4,973</u>	<u>7,937</u>	<u>9,952</u>

19. Non Interest Income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2009 RM '000	quarter ended 31/12/2008 RM '000	ended 31/12/2009 RM '000	ended 31/12/2008 RM '000
Net income from Insurance Business	24,872	30,171	51,514	47,879
Net brokerage and commissions from Stockbroking Business	12,088	6,188	25,409	11,430
Net unit trust and asset management income	4,625	4,317	8,914	10,034
Fee income:				
Management fees	(1,759)	1,363	-	-
Commissions	17,521	15,184	35,700	34,691
Service charges and fees	4,706	5,393	9,055	11,616
Guarantee fees	1,528	1,370	2,898	2,826
Other fee income	47,040	44,734	97,042	88,721
	69,036	68,044	144,695	137,854
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	45,051	(11,509)	45,039	(2,097)
Net gain from sale of securities available-for-sale	2,228	8,906	3,576	26,643
Net gain/(loss) from redemption of securities held-to-maturity	(2,375)	52	1,021	130
	44,904	(2,551)	49,636	24,676
Gross dividend income from:				
Securities held at fair value through profit and loss	(12,739)	800	245	2,080
Securities available-for-sale	2,560	909	3,657	2,045
Securities held-to-maturity	2,422	240	3,396	3,423
	(7,757)	1,949	7,298	7,548
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	(31,812)	9,112	(30,078)	12,128
Net realised gains/(losses) on fair value changes arising from fair value hedge	(9,947)	(3,509)	(10,140)	(2,279)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	16,878	8,675	17,043	(4,286)
Other income:				
Foreign exchange gain/(loss)	30,867	67,125	58,341	106,045
Rental income	138	106	365	169
Gain/(loss) on disposal of property and equipment	602	114	808	584
Gain/(loss) on liquidation	(1,202)	-	(1,202)	-
Profit from Takaful investments	-	1,253	1,758	2,636
Others	5,950	4,209	11,528	8,105
	36,355	72,807	71,598	117,539
Total non interest income	159,242	195,203	335,889	362,523

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Fee income:				
Management fees	1,759	1,675	3,518	3,352
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	33	29	33	10
Gross dividend income from:				
Securities held at fair value through profit and loss	96	222	161	300
Subsidiary companies	142,736	149,680	142,736	149,680
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	551	(4,121)	(978)	(6,258)
Other income:				
Gain on disposal of subsidiary company	-	-	-	1,720
Others	457	760	635	807
Total non interest income	145,632	148,245	146,105	149,611

20. Overhead expenses

	Group		Group	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	121,594	114,251	240,496	227,271
- Others	15,915	13,706	26,313	26,298
<u>Establishment costs</u>				
- Depreciation of property and equipments	14,194	12,847	27,701	26,294
- Amortisation of intangible assets	3,045	4,964	6,066	9,327
- Amortisation of prepaid lease payment	21	14	42	42
- Rental	13,050	12,834	26,518	24,917
- Information technology expenses	13,136	15,486	26,449	27,712
- Others	12,302	11,647	24,179	22,829
<u>Marketing expenses</u>				
- Advertisement and publicity	18,353	13,774	33,557	31,295
- Handling fees	(733)	2,857	277	6,661
- Others	13,719	13,291	26,227	27,781
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,446	2,522	4,130	5,451
- Stationery & printing	2,756	4,243	5,940	7,935
- Others	31,571	27,413	60,443	49,704
	261,369	249,849	508,338	493,517

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,188	2,357	4,460	4,717
- Others	666	1,243	1,427	2,454
<u>Establishment costs</u>				
- Depreciation of property and equipments	190	210	380	419
- Amortisation of intangible assets	31	-	61	-
- Rental	175	169	346	338
- Others	82	147	180	240
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	12	17	23
- Stationery & printing	17	17	37	20
- Others	536	594	1,047	1,085
	<u>3,893</u>	<u>4,749</u>	<u>7,955</u>	<u>9,296</u>

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

	Group		Group	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	76,969	72,939	156,854	142,878
- written back	(28,390)	(19,313)	(51,013)	(38,873)
(b) General allowance				
- made during the financial year	(611)	(5,803)	4,321	(825)
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	-	-	-	-
- written back	-	-	-	-
(b) General allowance				
- made during the financial year	-	-	-	-
Bad debts and financing written off	1,814	2,100	3,578	4,504
Bad debts and financing recovered	(25,001)	(24,292)	(45,449)	(70,820)
	<u>24,781</u>	<u>25,631</u>	<u>68,291</u>	<u>36,864</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 31 December 2009 and 30 June 2009 met the minimum requirement.

	Hong Leong Bank Berhad		Hong Leong Islamic Bank Berhad #		Hong Leong Investment Bank Berhad	
	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Components of Tier - 1 and Tier - 2 Capital						
Tier - 1 capital						
Paid up share capital	1,580,107	1,580,107	500,000	500,000	123,500	123,500
Share premium	539,898	539,664	-	-	-	-
Retained profit	2,337,938	2,136,060	114,632	119,207	3,963	3,963
Other Reserves	1,795,312	1,790,162	119,209	119,207	4,362	4,362
Less : Treasury Shares	(695,634)	(699,051)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,236)	(30,000)
Less : Deferred Tax	(123,472)	(134,681)	(18,932)	(18,932)	(58,192)	(58,192)
Total tier 1 capital	5,434,149	5,212,261	714,909	719,482	43,397	43,633
Tier - 2 capital						
General provision	478,758	471,305	68,197	73,486	1,448	1,304
Subordinated obligations	684,800	703,800	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	142,035	142,035
Total tier 2 capital	1,163,558	1,175,105	68,197	73,486	145,114	144,970
Total eligible tier-2 capital	1,163,558	1,175,105	68,197	73,486	43,397	43,633
Total capital	6,597,707	6,387,366	783,106	792,968	86,794	87,266
Less : Investment in associated company	(946,505)	(946,505)	-	-	(588)	(588)
Less : Investment in subsidiary companies	(714,094)	(575,746)	-	-	-	-
Less : Holdings of other banking institution's capital instrument	-	-	-	-	-	-
Total capital base	4,937,108	4,865,115	783,106	792,968	86,206	86,678
Before deducting proposed dividends						
Core Capital Ratio	14.11% *	15.18%	19.85%	20.86%	14.90%	17.59%
Risk-weighted Capital Ratio	14.11%	15.18%	21.74%	22.99%	29.60%	34.94%
After deducting proposed dividends						
Core Capital Ratio	13.83% *	14.65%	19.85%	20.72%	14.90%	17.59%
Risk-weighted Capital Ratio	13.83%	14.65%	21.74%	22.85%	29.60%	34.94%

22. Capital adequacy (continued)

- * As stipulated under Bank Negara Guidelines, the Bank's Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.
- # The capital adequacy ratios of Hong Leong Islamic Berhad is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Hong Leong Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy approach requirement is 8% for the risk-weighted capital ratio.

23. Events after Balance Sheet date

- a. On 16 December 2009, HLFG announced that it has entered into a sale and purchase agreement ("SPA") with HLA Holdings Sdn Bhd ("HLAH") for the transfer of 100% equity interest in Hong Leong Assurance Berhad ("HLA") from HLFG to HLAH ("the Transfer").

The consideration for the Transfer would be based on the consolidated net assets of HLA as at 31 December 2009 and would be satisfied via :

- (i) an issuance of new ordinary shares and/or redeemable preference shares at an issue price of RM1.00 each;
- (ii) cash

or any combination thereof.

The Transfer was completed on 1 January 2010 and hence HLA became an indirect wholly-owned subsidiary of HLFG via HLAH on even date.

- b. On 2 November 2009, Hong Leong Bank Berhad ("HLB") announced that it has entered into a joint venture agreement with Bank of Chengdu Co., Ltd ("BOCD") to form a joint venture company to be known as Sichuan Jincheng Consumer Finance Limited Liability Company ("JV Co") to operate a licensed consumer finance company in Chengdu, Sichuan, the People's Republic of China ("PRC") ("Proposed JV"). HLB will have 49% equity interest whilst BOCD will have the balance 51% equity interest in the JV Co.

The JV Co's business will principally be in consumer financing. The registered capital of the JV Co shall be Renminbi ("RMB") 320 million (approximately RM160 million) and HLB's contribution shall be RMB156.8 million (approximately RM78.4 million).

Bank Negara Malaysia's approval for the Proposed JV was obtained on 12 October 2009 and China Banking Regulatory Commission's approval was obtained via its letter dated 6 January 2010.

- c. On 6 January 2010, HLB announced that Bank Negara Malaysia has, vide its letter dated 6 January 2010, no objection for HLB to commence negotiations with the Boards of EON Capital Berhad ("EONCAP") and EON Bank Berhad ("EON Bank") for the potential purchase of the assets and liabilities of EONCAP and EON Bank, including EONCAP's equity interest in EON Bank.

On 21 January 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had made an offer to acquire the entire assets and liabilities of EONCAP at an aggregate purchase consideration of RM4,921,781,997.20 to be satisfied fully in cash ("Offer").

On 27 January 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB and EON Cap had mutually agreed to an extension of time until 2 February 2010 for EON Cap to confirm the following:

- (i) to table the Offer for consideration and approval by the shareholders of EON Cap at a general meeting and take steps to issue and despatch within 5 weeks from 21 January 2010 ("Date of Offer") the notice of the general meeting and the shareholders' circular; and
- (ii) to finalise and make submissions to the relevant authorities within 4 weeks from the Date of Offer.

On 2 February 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had received a letter from EON Cap informing HLB that the Board of Directors of EON Cap had resolved not to table the Offer for consideration and approval by EON Cap's shareholders, and not to submit any application to the relevant authorities for approval of the Offer. Accordingly, the Offer has lapsed.

23. Events after Balance Sheet date (Continued)

- d. On 20 October 2009, HLFG announced that the liquidator of Autoweb Sdn Bhd ("Autoweb"), a wholly-owned subsidiary of HLFG Assets Sdn Bhd which is in turn a wholly-owned subsidiary of HLFG, had convened a Final Meeting on 20 October 2009 to conclude the member's voluntary liquidation of Autoweb and a Return by the Liquidator Relating to the Final Meeting was lodged on 20 October 2009 with the Companies Commission of Malaysia and the Official Receiver. On the expiration of 3 months after the said lodgement date, Autoweb will be dissolved. Hence, Autoweb was dissolved on 20 January 2010.
- e. On 7 January 2010, HLFG announced that the liquidator of Natcap Portfolio Sdn Bhd ("Natcap"), a wholly-owned subsidiary of HLFG Assets Sdn Bhd which is in turn a wholly-owned subsidiary of HLFG, had convened a Final Meeting on 4 January 2010 to conclude the member's voluntary liquidation of Natcap and a Return by the Liquidator Relating to the Final Meeting was lodged on 7 January 2010 with the Companies Commission of Malaysia and the Official Receiver. On the expiration of 3 months after the said lodgement date, Natcap will be dissolved.
- f. On 29 January 2010, HLFG announced that its wholly-owned subsidiary, HLAH proposes to issue up to RM2.0 billion in nominal value of medium term notes ("MTN") under a proposed MTN Programme ("MTN Programme") to raise funds for its working capital and investment purposes. The tenure of proposed MTN Programme will be six (6) years from the date of the first issuance of the MTN issued under the MTN Programme. CIMB Investment Bank Berhad will be assuming the role of Principal Adviser/Lead Arranger for the MTN Programme.

An application to the Securities Commission for the proposed MTN Programme shall be made in due course and the MTN Programme is subject to the approval of the Securities Commission.

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 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.

HLBVN was incorporated on 9 July 2009 and has commenced operations on 8 October 2009.

- b. On 8 April 2009, HLFG announced its proposal to undertake a rationalisation scheme to streamline and consolidate its equity holdings in its insurance company in Hong Kong and takaful operator under HLAH, an intermediate insurance holding company, wholly-owned by HLFG.

Pursuant to the Proposed Rationalisation, the relevant parties had on 8 April 2009 entered into sale and purchase agreements ("SPAs") in relation to the transfers/acquisition of the following equity interests:

- (i) Proposed transfer of 100% equity interest in Hong Leong Insurance (Asia) Limited ("HLIA") from Allstate Health Benefits Sdn Bhd, a wholly-owned subsidiary of HLA, to HLAH ("Proposed HLIA Transfer");
- (ii) Proposed transfer of 10% equity interest in Hong Leong Tokio Marine Takaful Berhad ("HLTMT") from HLA to HLAH ("Proposed Transfer of 10% in HLTMT"); and
- (iii) Proposed acquisition by HLAH of 55% equity interest in HLTMT from HLB ("Proposed Acquisition").

The considerations for the Proposed Rationalisation would be based on the net assets of the respective companies as at the last day of the calendar month on which all the conditions precedent under the SPAs have been fulfilled and/or waived or such other date as may be agreed by the parties thereto. The considerations for the Proposed Rationalisation would be paid wholly in cash.

The Proposed HLIA Transfer was completed on 31 July 2009 and hence HLIA became an indirect wholly-owned subsidiary of HLFG via HLAH on even date. The Proposed Transfer of 10% of HLTMT and Proposed Acquisition were completed on 1 September 2009 and hence, HLTMT became an indirect subsidiary of HLFG via HLAH on the same date.

24. Changes in composition of the Group (Continued)

- c. On 16 December 2009, HLFG announced that it has entered into a SPA with HLAH for the transfer of 100% equity interest in HLA from HLFG to HLAH.

The consideration for the Transfer would be based on the consolidated net assets of HLA as at 31 December 2009 and would be satisfied via :

- (i) an issuance of new ordinary shares and/or redeemable preference shares at an issue price of RM1.00 each;
(ii) cash

or any combination thereof.

The Transfer was completed on 1 January 2010 and hence HLA became an indirect wholly-owned subsidiary of HLFG via HLAH on even date.

- d. The Rights Issue of HLG Capital Berhad was completed on 22 October 2009 and the shareholdings of HLFG had increased to 199,663,227 ordinary shares of RM1.00 each, representing 80.87% of the issued and paid-up share capital of HLG Capital Berhad.

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 31/12/09			As at 30/06/09		
	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
Banking Entities						
Direct credit substitutes	170,546	170,546	160,619	217,061	217,061	200,263
Transaction-related contingent items	238,893	119,446	107,930	247,102	123,551	110,598
Short-term self liquidating trade-related contingencies	562,758	112,551	104,991	578,754	115,750	113,434
Irrevocable commitments to extend credit:						
-maturity more than 1 year	-	-	-	-	-	-
-maturity less than 1 year	-	-	-	-	-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	21,505,258	-	-	19,134,149	-	-
Foreign exchange related contracts	31,421,263	1,799,636	1,408,247	20,674,995	897,994	497,304
Interest rate related contracts	36,768,872	1,199,173	605,046	37,497,746	1,223,825	618,039
Equity related contracts	157,329	11,980	1,776	247,103	17,830	6,726
Total	90,824,919	3,413,332	2,388,609	78,596,910	2,596,011	1,546,364

- 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 2009.

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
31/12/2009

	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	14,983,189	32,985	-	-	-	631,133	-	15,647,307	1.9
Deposits and placements with banks and other financial institution	-	3,696,633	1,941,288	256,538	66,863	59	-	5,961,381	2.1
Securities held at fair value through profit or loss	-	-	-	7,510	1,952	26,560	7,290,848	7,326,870	3.4
Securities available-for-sale	20,033	528,191	738,750	5,006,066	1,979,070	590,418	-	8,862,528	4.1
Securities held-for-maturity	549,799	2,004,161	747,942	5,146,025	590,806	29,616	-	9,068,349	3.2
Loans, advances and financing									
- performing	29,603,179	117,831	209,243	3,365,272	2,980,312	(542,789)	-	35,733,048	5.6
- non performing	-	-	-	-	-	370,019	-	370,019	-
Clients' and brokers' balances	-	-	-	-	-	150,048	-	150,048	-
Other receivables	-	-	-	-	-	2,065,867	-	2,065,867	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	329,426	-	329,426	-
Tax recoverable	-	-	-	-	-	6,051	-	6,051	-
Investment in associates	-	-	-	-	-	1,103,004	-	1,103,004	-
Prepaid land lease payments	-	-	-	-	-	10,042	-	10,042	-
Deferred tax assets	-	-	-	-	-	187,569	-	187,569	-
Property and equipment	-	-	-	-	-	637,114	-	637,114	-
Intangible assets	-	-	-	-	-	618,136	-	618,136	-
Total assets	45,156,200	6,379,801	3,637,223	13,781,411	5,619,003	6,212,273	7,290,848	88,076,759	
Liabilities									
Deposits from customers	34,921,923	7,447,649	15,461,444	1,341,919	-	6,870,732	-	66,043,667	1.9
Deposits and placements of banks and other financial institution	2,856,972	1,360,190	-	105,292	-	3,611	-	4,326,065	0.9
Bills and acceptance payable	706	4,509	5,236	-	-	246,198	-	256,649	2.2
Clients' and brokers' balances	-	-	-	-	-	217,744	-	217,744	-
Payables and other liabilities	-	-	-	-	-	3,115,186	-	3,115,186	-
Provision for claims	-	-	-	-	-	176,262	-	176,262	-
Provision for taxation	-	-	-	-	-	114,802	-	114,802	-
Bank loans	27,500	-	-	31,000	-	-	-	58,500	3.4
Subordinated obligations	-	-	-	698,949	-	-	-	698,949	5.1
Capital market borrowing									
- Medium Term Notes	-	-	-	-	-	-	-	-	-
- Commercial paper	609,569	-	-	-	-	-	-	609,569	2.5
Insurance funds	-	-	-	-	-	5,224,571	-	5,224,571	-
Total liabilities	38,416,670	8,812,348	15,466,680	2,177,160	-	15,969,106	-	80,841,964	
Shareholder's equity	-	-	-	-	-	4,836,504	-	4,836,504	
Minority interest	-	-	-	-	-	2,398,291	-	2,398,291	
Total liabilities and shareholder's equity	38,416,670	8,812,348	15,466,680	2,177,160	-	23,203,901	-	88,076,759	
On-balance sheet interest sensitivity gap	6,739,530	(2,432,547)	(11,829,457)	11,604,251	5,619,003				

27. Interest/Profit rate risk (continued)

The Group
30/06/2009

	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	18,740,909	-	-	-	-	759,267	-	19,500,176	3.4
Deposits and placements with banks and other financial institution	-	4,650,864	846,035	167,870	62,000	49	-	5,726,818	3.1
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	7,092,273	7,092,273	3.7
Securities available-for-sale	185,810	367,370	388,403	4,060,319	1,573,577	504,297	-	7,079,776	4.5
Securities held-for-maturity	3,889,641	464,024	264,532	1,645,005	273,898	29,679	-	6,566,779	3.6
Loans, advances and financing									
- performing	28,688,518	93,937	262,267	3,277,428	3,249,872	(344,727)	-	35,227,295	6.4
- non performing	-	-	-	-	-	270,971	-	270,971	-
Clients' and brokers' balances	-	-	-	-	-	220,152	-	220,152	-
Other receivables	-	-	-	-	-	1,931,216	-	1,931,216	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	368,564	-	368,564	-
Tax recoverable	-	-	-	-	-	12,056	-	12,056	-
Investment in associate	-	-	-	-	-	1,045,285	-	1,045,285	-
Prepaid land lease payments	-	-	-	-	-	10,123	-	10,123	-
Deferred tax assets	-	-	-	-	-	215,179	-	215,179	-
Property and equipment	-	-	-	-	-	602,362	-	602,362	-
Intangible assets	-	-	-	-	-	612,725	-	612,725	-
Total assets	51,504,878	5,576,195	1,761,237	9,150,622	5,159,347	6,237,198	7,092,273	86,481,750	
Liabilities									
Deposits from customers	36,973,828	9,287,234	13,770,330	744,253	-	6,486,441	-	67,262,086	2.7
Deposits and placements of banks and other financial institution	2,073,131	337,014	1,477	-	-	2,357	-	2,413,979	3.0
Obligation of securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptance payable	576	4,366	7,476	-	-	238,968	-	251,386	3.5
Clients' and brokers' balances	-	-	-	-	-	279,029	-	279,029	-
Payables and other liabilities	-	-	-	-	-	3,268,607	-	3,268,607	-
Provision for claims	-	-	-	-	-	201,424	-	201,424	-
Provision for taxation	-	-	-	-	-	73,704	-	73,704	-
Bank loans	146,900	-	-	31,000	-	-	-	177,900	3.3
Subordinated obligations	-	-	-	729,566	-	-	-	729,566	5.2
Syndicated loan facility	-	-	-	-	-	-	-	-	5.1
Capital market borrowing									
- Commercial paper	249,757	129,471	-	-	-	-	-	379,228	2.7
- Medium Term Notes	40,000	-	-	-	-	-	-	40,000	7.6
Insurance funds	-	-	-	-	-	4,577,892	-	4,577,892	-
Total liabilities	39,484,192	9,758,085	13,779,283	1,504,819	-	15,128,422	-	79,654,801	
Shareholder's equity	-	-	-	-	-	4,570,044	-	4,570,044	
Minority interest	-	-	-	-	-	2,256,905	-	2,256,905	
Total liabilities and shareholder's equity	39,484,192	9,758,085	13,779,283	1,504,819	-	21,955,371	-	86,481,750	
On-balance sheet interest sensitivity gap	12,020,686	(4,181,890)	(12,018,046)	7,645,803	5,159,347				

27. Interest/Profit rate risk (continued)

The Company
31/12/2009

	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	4,310	-	-	-	-	1,872	-	6,182	2.0
Securities held at fair value through profit or loss	-	-	-	-	-	-	10,950	10,950	-
Other receivables	-	-	-	-	-	49,090	-	49,090	-
Investment in subsidiaries	-	-	-	-	-	2,290,322	-	2,290,322	-
Tax recoverable	-	-	-	-	-	5,200	-	5,200	-
Property and equipment	-	-	-	-	-	2,361	-	2,361	-
Intangible assets	-	-	-	-	-	181	-	181	-
Total assets	4,310	-	-	-	-	2,349,026	10,950	2,364,286	
Liabilities									
Payables and other liabilities	-	-	-	-	-	6,675	-	6,675	-
Bank loans	-	-	31,000	-	-	-	-	31,000	-
Capital market borrowing									
- Commercial paper	609,569	-	-	-	-	-	-	609,569	2.4
- Medium Term Notes	-	-	-	-	-	-	-	-	-
Total liabilities	609,569	-	31,000	-	-	6,675	-	647,244	
Shareholder's equity	-	-	-	-	-	1,717,042	-	1,717,042	-
Total liabilities and shareholder's equity	609,569	-	31,000	-	-	1,723,717	-	2,364,286	
On-balance sheet interest sensitivity gap	(605,259)	-	(31,000)	-	-	-	-	-	-

The Company
30/06/2009

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	2,500	-	-	-	-	291	-	2,791	2.0
Securities held at fair value through profit or loss	-	-	-	-	-	-	18,950	18,950	-
Other receivables	-	-	-	-	-	63,753	-	63,753	-
Investment in subsidiaries	-	-	-	-	-	2,048,249	-	2,048,249	-
Tax recoverable	-	-	-	-	-	11,390	-	11,390	-
Property and equipment	-	-	-	-	-	2,888	-	2,888	-
Intangible assets	-	-	-	-	-	230	-	230	-
Total assets	2,500	-	-	-	-	2,126,801	18,950	2,148,251	
Liabilities									
Payables and other liabilities	-	-	-	-	-	6,391	-	6,391	-
Bank loans	-	-	31,000	-	-	-	-	31,000	-
Capital market borrowing									
- Commercial paper	249,757	129,471	-	-	-	-	-	379,228	2.7
- Medium Term Notes	40,000	-	-	-	-	-	-	40,000	7.6
Total liabilities	289,757	129,471	31,000	-	-	6,391	-	456,619	
Shareholder's equity	-	-	-	-	-	1,691,632	-	1,691,632	-
Total liabilities and shareholder's equity	289,757	129,471	31,000	-	-	1,698,023	-	2,148,251	
On-balance sheet interest sensitivity gap	(287,257)	(129,471)	(31,000)	-	-	-	-	-	-

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 31 December 2009

	Group	
	As at 31/12/2009 RM'000	As at 30/06/2009 RM'000
ASSETS		
Cash and short-term funds	2,039,435	2,511,864
Deposits and placements with banks and other financial institutions	227,440	125,167
Securities held at fair value through profit or loss	1,827,991	2,011,644
Securities available-for-sale	473,261	467,377
Securities held-for-maturity	461,995	126,623
Financing, advances and other financing	3,912,058	3,824,880
Other receivables	16,088	7,615
Statutory deposits with Bank Negara Malaysia	45,700	46,046
Property, plant and equipment	1,640	1,794
Deferred tax assets	16,670	18,932
Total Assets	9,022,278	9,141,942
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	7,171,366	7,979,898
Deposits and placements of banks and other financial institutions	693,412	30,000
Bills and acceptance payable	15,772	16,133
Payables and other liabilities	347,154	366,504
Provision for taxation	12,964	9,394
Total Liabilities	8,240,668	8,401,929
Islamic banking capital fund	500,000	500,000
Reserves	281,610	240,031
Islamic Banking Funds	781,610	740,031
Total Liabilities and Islamic Banking Funds	9,022,278	9,141,960
Commitments and Contingencies	1,273,697	1,092,217

(b) Unaudited Income Statements for the 2nd Quarter and Cumulative Half Year Ended 31 December 2009

	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Group				
Income derived from investment of deposits' funds and others	73,495	90,397	146,678	184,018
Income derived from investment of shareholders' funds	10,793	7,467	20,183	19,550
Allowance for losses on financing	2,635	54	491	(145)
Profit equalisation reserve	1,540	(7,050)	4,642	(11,227)
Total distributable income	88,463	90,868	171,994	192,196
Income attributable to deposits	(37,939)	(52,473)	(75,534)	(110,543)
Total net income	50,524	38,395	96,460	81,653
Other operating expenses	(17,207)	(15,827)	(34,003)	(31,088)
Profit before taxation and zakat	33,317	22,568	62,457	50,565
Zakat	(12)	(13)	(25)	(29)
Taxation	(8,342)	(5,660)	(15,624)	(12,660)
Profit after taxation and zakat	24,963	16,895	46,808	37,876
Profit attributable to shareholders	24,963	16,895	46,808	37,876
Earnings per share - basic (sen)	4.99	3.38	9.36	7.58
Earnings per share - fully diluted (sen)	4.99	3.38	9.36	7.58

(c) Financing, advances and other financing

(i) By type

	Group	
	As at 31/12/2009 RM'000	As at 30/06/2009 RM'000
Cash line	6,261	5,421
Term financing		
- House financing	3,903,104	3,562,624
- Hire purchase receivable	2,490,219	2,545,281
- Lease receivable	14,082	16,357
- Other term financing	431,582	348,544
Claims on customers under acceptance credits	42,102	46,206
Staff financing	11	18
Revolving credit	-	-
Others	542	623
	<u>6,887,903</u>	<u>6,525,074</u>
Less: Unearned income	<u>(2,880,173)</u>	<u>(2,605,681)</u>
	4,007,730	3,919,393
Less: Allowance for bad and doubtful financing		
- General	(68,197)	(73,486)
- Specific	(27,475)	(21,027)
Total net financing, advances and other financing	<u>3,912,058</u>	<u>3,824,880</u>

(ii) By contract

	Group	
	As at 31/12/2009 RM'000	As at 30/06/2009 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,754,496	1,602,357
Ijarah (lease)	13,822	15,895
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,197,310	2,254,935
Murabahah (cost-plus)	42,102	46,206
	<u>4,007,730</u>	<u>3,919,393</u>

Non-performing financing

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

	Group	
	As at 31/12/2009 RM'000	As at 30/06/2009 RM'000
At beginning	46,260	45,754
Non-performing during the period/year	109,879	204,631
Reclassified as performing	(96,476)	(166,739)
Amount written back in respect of recoveries	(13,722)	(24,237)
Amount written off	(165)	(13,149)
Closing balance	<u>45,776</u>	<u>46,260</u>
Net non-performing financing, advances and other financing	<u>18,301</u>	<u>25,233</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.5%</u>	<u>0.6%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/12/2009 RM'000	As at 30/06/2009 RM'000
General allowance		
At beginning	73,486	65,025
Net allowance made/(written back) during the year	(5,289)	8,461
Closing balance	<u>68,197</u>	<u>73,486</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.7%</u>	<u>1.9%</u>
Specific allowance		
At beginning	21,027	24,734
Allowance made during the period/year	10,365	15,949
Amount written back in respect of recoveries	(3,752)	(6,507)
Amount written off	(165)	(13,149)
Closing balance	<u>27,475</u>	<u>21,027</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 31/12/2009 RM'000	As at 30/06/2009 RM'000
Non-Mudharabah		
Demand deposits	420,318	375,930
Savings deposits	627,466	580,875
Negotiable instruments of deposit	182,045	1,215,890
	<u>1,229,829</u>	<u>2,172,695</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	617,976	569,063
General investment deposits	2,150,742	1,864,865
Specific investment deposits	3,172,819	3,373,275
	<u>5,941,537</u>	<u>5,807,203</u>
	<u>7,171,366</u>	<u>7,979,898</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 RM301.3 million for the current financial quarter ended 31 December 2009 as compared to RM342.2 million in the preceding year's corresponding quarter, a decrease of RM40.9 million or 11.9%. This was mainly due to lower contributions from the Commercial Banking division.

The Commercial Banking division recorded a profit before tax of RM291.3 million for the current financial quarter ended 31 December 2009, a decrease of RM48.8 million or 14.3% as compared to preceding year's corresponding quarter. The decrease was due to lower net interest income and non interest income as well as higher other operating expenses. This is however mitigated by higher share of profit from associate, higher net income from the Islamic banking business and writeback of prior impairment provision.

The Investment Banking divisions recorded a higher profit before tax of RM4.3 million compared to a profit before tax of RM0.04 million in the previous corresponding financial quarter. This was due to better business performance from stockbroking caused by the higher Bursa Malaysia volume during the financial quarter.

The Insurance division recorded a profit before tax of RM16.3 million for the quarter ended 31 December 2009 as compared to RM13.8 million in the preceding year's corresponding quarter, an increase of RM2.5 million. The increase is mainly due to lower claims and management expenses incurred.

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

The Group recorded a profit before tax of RM604.1 million for the six months ended 31 December 2009 as compared to RM652.3 million in the preceding financial year-to-date, a decrease of RM48.2 million or 7.4%. This was mainly due to lower contributions from Commercial Banking division.

The Commercial Banking division recorded a profit before tax of RM580.1 million for the period, a decrease of RM75.9 million as compared to RM656.0 million in the previous corresponding period. The decrease was due to lower net interest income and non interest income as well as higher other operating expenses. This is however mitigated by higher share of profit from associate, higher net income from Islamic banking business and writeback of impairment.

The Investment Banking division recorded a higher profit before tax of RM11.9 million for the period compared to a profit before tax of RM2.9 million in the previous corresponding financial period. This was due to higher income from stockbroking caused by the higher Bursa Malaysia volume.

The Insurance division recorded a profit before tax of RM29.8 million for the period ended 31 December 2009 as compared to RM15.6 million in the preceding year, an increase of RM14.2 million. The increase is mainly from lower claims incurred and a writeback of provision for impairment.

3. Current quarter against preceding financial quarter

The Group recorded a profit before tax of RM301.3 million for the financial quarter ended 31 December 2009 as compared to RM302.8 million in the previous corresponding financial quarter, a decrease of RM1.5 million or 0.5%. This was mainly due to lower contributions from the Investment Banking offsetted by a higher profit from Commercial Banking and Insurance division.

The Commercial Banking division recorded a profit before tax of RM291.3 million for the financial quarter ended 31 December 2009 as compared to RM288.8 million in the previous corresponding financial quarter, an increase of RM2.5 million or 0.9%, mainly from higher net interest income.

3. Current quarter against preceding financial quarter (Continued)

The Investment Banking divisions recorded a profit before tax of RM4.3 million for the financial quarter ended 31 December 2009 as compared to profit before tax of RM7.6 million in the previous corresponding financial quarter. The decrease is due to higher personnel cost incurred to start up the Investment Banking business.

The Insurance division recorded a profit before tax of RM16.3 million for the financial quarter ended 31 December 2009 as compared to RM13.5 million in the previous corresponding financial quarter, an increase of RM2.8 million or 20.7%. The increase is mainly due to lower management expenses for the current quarter.

4. Prospects for the 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

Provision based on profits for the financial year 31 December 2009

	Group		Group	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Tax expense				
Malaysian – current	(94,100)	(85,506)	(128,668)	(163,793)
Overseas – current	-	16	-	-
Transfer (from) / to deferred tax	22,496	(2,342)	(2,469)	581
	<u>(71,604)</u>	<u>(87,832)</u>	<u>(131,137)</u>	<u>(163,212)</u>
Prior year over/(under) provision				
- Malaysian	(1)	-	319	954
	<u>(71,605)</u>	<u>(87,832)</u>	<u>(130,818)</u>	<u>(162,258)</u>

The effective tax rate for the Group for the financial year is lower than the statutory rate of taxation as certain income was not subjected to tax.

	Company		Company	
	Current quarter ended 31/12/2009 RM '000	31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	31/12/2008 RM '000
Tax expenses				
Malaysian – current	(35,684)	(36,632)	(35,684)	(36,632)
Transfer (from) / to deferred tax	-	-	-	-
	<u>(35,684)</u>	<u>(36,632)</u>	<u>(35,684)</u>	<u>(36,632)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(35,684)</u>	<u>(36,632)</u>	<u>(35,684)</u>	<u>(36,632)</u>

The effective tax rate for the Company for the financial year is higher than the statutory rate of taxation due to non-deductible expenses.

7. Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the year 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 year 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 at the latest practicable date which was not earlier than 7 days from the issue of this report.

10. Group borrowings

The Group borrowings include:

	As at 31/12/2009 RM '000	As at 30/06/2009 RM '000
Bank loans	58,500	177,900
Capital market borrowing	609,569	419,228
Total Borrowings	<u>668,069</u>	<u>597,128</u>
Subordinated obligations - USD200 million	<u>698,949</u>	<u>729,566</u>

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	16,483,676	9,112,234	3,929,558	1,978,732	1,463,152	-	-
- swaps	13,719,449	2,813,276	1,313,020	1,132,875	1,653,382	6,656,907	149,989
- options	1,218,138	544,692	656,074	17,034	338.00	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	7,716,958	-	1,280,101	1,208,819	1,975,215	3,252,823	-
- swaps	29,051,914	164,000	659,223	1,328,937	1,715,814	22,137,344	3,046,596
Total	68,190,135	12,634,202	7,837,976	5,666,397	6,807,901	32,047,074	3,196,585

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 RM148,791,238 (FYE June 2009 : RM77,554,000) and RM32,784,272,231 (FYE June 2009: RM36,134,979,496) 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 RM961,016,301 (FYE June 2009: RM739,996,514). 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

- (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.

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

13. HLFG Dividends

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

For the financial period ended 31 December 2009, a dividend of 9 sen per share less tax of 25% was declared (2008 : 9 sen per share less income tax of 25%) and paid on 21 December 2009.

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 year.

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Weighted average number of ordinary shares	1,035,538	1,035,751	1,035,538	1,035,751
Net profit attributable to shareholders of the company	146,381	161,357	303,976	308,610
Basic earnings per share (Sen)	14.1	15.6	29.4	29.8

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Weighted average number of ordinary shares	1,035,538	1,036,290	1,035,538	1,036,290
Net profit attributable to shareholders of the company	101,918	101,979	95,161	93,867
Basic earnings per share (Sen)	9.8	9.8	9.2	9.1

14. Earnings per share (Continued)

(b) Fully diluted earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (diluted) during the financial year.

	Group		Group	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,035,538	1,035,751	1,035,538	1,035,751
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,035,751	1,035,538	1,035,751
Net profit attributable to shareholders of the company	146,381	161,357	303,976	308,610
Fully diluted earnings per share (Sen)	14.1	15.6	29.4	29.8

	Company		Company	
	Current quarter ended 31/12/2009 RM '000	Last year quarter ended 31/12/2008 RM '000	Current year ended 31/12/2009 RM '000	Last year ended 31/12/2008 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,035,538	1,036,290	1,035,538	1,036,290
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,036,290	1,035,538	1,036,290
Net profit attributable to shareholders of the company	101,918	101,979	95,161	93,867
Fully diluted earnings per share (Sen)	9.8	9.8	9.2	9.1

Dated this 24 February 2010