

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2010

	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	17,181,501	19,500,176
Deposits and placements with financial institutions	7,698,751	5,726,818
Securities held at fair value through profit or loss	9,308,836	7,092,273
Securities available-for-sale	8,096,680	7,079,776
Securities held-to-maturity	6,866,864	6,566,779
Loans, advances and financing	38,522,242	35,498,266
Clients' and brokers' balances	155,623	220,152
Other receivables	2,648,069	1,858,589
Assets classified as held for sale and discontinued operations	346,939	-
Statutory deposits with Bank Negara Malaysia	398,666	368,564
Tax recoverable	6,119	12,056
Investment in associates	1,172,175	1,045,285
Investment in jointly controlled company	76,023	-
Prepaid land lease payments	17,260	10,123
Deferred tax asset	176,138	215,179
Property and equipment	641,659	602,362
Intangible assets	628,823	612,725
Total Assets	93,942,368	86,409,123
<u>Liabilities</u>		
Deposits from customers	69,480,896	67,262,086
Deposits and placements of banks and other financial institutions	4,477,393	2,413,979
Bills and acceptances payable	304,140	251,386
Clients' and brokers' balances	262,415	279,029
Payables and other liabilities	4,942,138	3,268,607
Liabilities included in assets classified as held for sale and discontinued operations	320,102	-
Provision for claims	52,727	201,424
Provision for taxation	105,306	73,704
Bank loans	522,751	177,900
Subordinated obligations	650,454	729,566
Capital market borrowing	219,507	419,228
Insurance funds	5,175,709	4,577,892
Total Liabilities	86,513,538	79,654,801
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	1,464,230	1,435,615
Retained profits	2,703,870	2,106,634
Fair value reserves	17,854	(19,429)
Treasury shares held for ESOS	(78,171)	(78,171)
Total shareholders' equity	5,160,551	4,497,417
Minority interest	2,268,279	2,256,905
Total Equity	7,428,830	6,754,322
Total Liabilities and Equity	93,942,368	86,409,123
Commitment and Contingencies	102,891,118	78,596,910
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	4.98	4.34

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2010 RM '000	quarter ended 30/06/2009 RM '000	ended 30/06/2010 RM '000	ended 30/06/2009 RM '000
THE GROUP				
Interest income	664,953	630,549	2,587,017	2,955,612
Interest expense	(297,377)	(326,979)	(1,192,973)	(1,591,042)
Net interest income	367,576	303,570	1,394,044	1,364,570
Income from Islamic banking business	46,804	60,076	184,837	176,341
Non interest income	356,870	211,100	851,577	729,032
Net income	771,250	574,746	2,430,458	2,269,943
Overhead expenses	(262,446)	(229,272)	(1,050,137)	(973,414)
Operating profit before allowances	508,804	345,474	1,380,321	1,296,529
Allowance for losses on loans, advances and financing and other losses	(4,320)	(90,939)	(107,967)	(155,250)
Impairment of goodwill	-	(57,236)	-	(57,236)
Writeback of/(allowance for) impairment loss	858	(92)	7,447	(33,301)
	505,342	197,207	1,279,801	1,050,742
Share of results of associated company	58,851	28,917	143,575	99,462
Share of results of joint venture company	(688)	-	(688)	-
Profit before taxation and zakat	563,505	226,124	1,422,688	1,150,204
Taxation	(75,853)	39,563	(236,881)	(187,823)
Zakat	(92)	(13)	(498)	(54)
Net profit for the year	487,560	265,674	1,185,309	962,327
Attributable to :				
Equity holders of the company	400,947	191,416	846,848	632,020
Minority interests	86,613	74,258	338,461	330,307
Net profit for the year	487,560	265,674	1,185,309	962,327
Basic earnings per ordinary share (sen)	38.7	18.5	81.8	61.0
Diluted earnings per ordinary share (sen)	38.7	18.5	81.8	61.0

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 30 JUNE 2010

	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	12,041	2,791
Securities held at fair value through profit or loss	23,014	18,950
Other receivables	288,513	63,753
Tax recoverable	4,700	11,390
Investment in subsidiaries	2,278,996	2,048,249
Property and equipment	1,954	2,888
Intangible assets	124	230
Total Assets	2,609,342	2,148,251
<u>Liabilities</u>		
Payables and other liabilities	5,252	6,391
Bank loans	500,751	31,000
Capital market borrowing	219,507	419,228
Total Liabilities	725,510	456,619
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	383,047	145,921
Retained profits	513,767	558,693
Treasury shares held for ESOS	(65,750)	(65,750)
Total Equity	1,883,832	1,691,632
Total Liabilities and Equity	2,609,342	2,148,251
Commitment and Contingencies	368,030	250,000

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
THE COMPANY				
Interest income	(780)	387	1,275	1,769
Interest expense	(1,923)	(4,488)	(14,567)	(17,016)
Net interest expense	(2,703)	(4,101)	(13,292)	(15,247)
Non interest income	(238,824)	51,458	229,591	285,204
Net income	(241,527)	47,357	216,299	269,957
Overhead expenses	(2,170)	(4,454)	(14,773)	(17,465)
Impairment on investment	(1,365)	-	(1,365)	-
Profit before taxation and zakat	(245,062)	42,903	200,161	252,492
Taxation	4,700	5,229	(50,404)	(52,814)
Net profit for the year	(240,362)	48,132	149,757	199,678
Basic earnings per ordinary share (sen)	(23.1)	4.6	14.4	19.2
Diluted earnings per ordinary share (sen)	(23.1)	4.6	14.4	19.2

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2010

	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	Total Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
Opening balance as at 1 July 2009	1,052,768	117,229	1,141,486	133,258	23,229	(19,429)	20,413	2,179,261	(78,171)	4,570,044	2,256,905	6,826,949
Prior year adjustments/ changes in accounting policies	-	-	-	-	-	-	-	(80,996)	-	(80,996)	-	(80,996)
Restated opening balance as at 1 July 2009	1,052,768	117,229	1,141,486	133,258	23,229	(19,429)	20,413	2,098,265	(78,171)	4,489,048	2,256,905	6,745,953
Exchanges fluctuation differences	-	-	-	-	-	-	(23,587)	-	-	(23,587)	-	(23,587)
Net fair value changes in available-for-sale securities	-	-	-	-	-	37,283	-	-	-	37,283	-	37,283
Net income/(expense) recognised directly in equity	-	-	-	-	-	37,283	(23,587)	-	-	13,696	-	13,696
Net profit for the financial year	-	-	-	-	-	-	-	846,848	-	846,848	338,461	1,185,309
Total recognised income/(expense) for the period	-	-	-	-	-	37,283	(23,587)	846,848	-	860,544	338,461	1,199,005
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(327,087)	(327,087)
Transfer to statutory reserves	-	-	48,776	-	-	-	-	(48,776)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	(70,086)	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-	(124,597)	-	(124,597)	-	(124,597)
- 2nd interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	-	5,068	-	-	-	-	5,068	-	5,068
Exercise of ESOS	-	-	-	-	(1,642)	-	-	2,716	-	1,074	-	1,074
Expenses on rights issue	-	-	-	-	-	-	(3,174)	(500)	-	(500)	-	(500)
AT 30 JUNE 2010	1,052,768	117,229	1,190,262	133,258	26,655	17,854	(3,174)	2,703,870	(78,171)	5,160,551	2,268,279	7,428,830

FOR THE FINANCIAL YEAR ENDED
30 JUNE 2009

	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	Total 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
Prior year adjustments/ changes in accounting policies	-	-	-	-	-	-	-	(72,627)	-	(72,627)	-	(72,627)
Restated opening balance as at 1 July 2008	1,052,768	117,229	1,099,947	133,258	8,481	(11,256)	12,721	1,695,261	(73,176)	4,035,233	2,039,543	6,074,776
Exchanges fluctuation differences	-	-	-	-	-	-	7,692	-	-	7,692	-	7,692
Net fair value changes in available-for-sale securities	-	-	-	-	-	(8,173)	-	-	-	(8,173)	-	(8,173)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(8,173)	7,692	-	-	(481)	-	(481)
Net profit for the financial year	-	-	-	-	-	-	-	632,020	-	632,020	330,307	962,327
Total recognised income/(expense) for the period	-	-	-	-	-	(8,173)	7,692	632,020	-	631,539	330,307	961,846
Transfer to statutory reserves	-	-	41,539	-	-	-	-	(41,539)	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(112,945)	(112,945)
Dividend paid	-	-	-	-	-	-	-	(70,086)	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-	(109,022)	-	(109,022)	-	(109,022)
- 2nd interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Option reserve arising from ESOS	-	-	-	-	14,748	-	-	-	-	14,748	-	14,748
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	(4,995)	(4,995)	-	(4,995)
AT 30 JUNE 2009	1,052,768	117,229	1,141,486	133,258	23,229	(19,429)	20,413	2,106,634	(78,171)	4,497,417	2,256,905	6,754,322

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	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 2009	1,052,768	117,229	18,484	10,208	558,693	(65,750)	1,691,632
Net profit for the financial year	-	-	-	-	149,757	-	149,757
Total recognised income/(expense) for the period	-	-	-	-	149,757	-	149,757
Disposal of subsidiary	-	-	236,507	-	-	-	236,507
Dividend paid	-	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	(70,086)	-	(70,086)
- 2nd interim dividend	-	-	-	-	(124,597)	-	(124,597)
Option reserves arising from ESOS	-	-	-	619	-	-	619
Treasury Shares held for ESOS	-	-	-	-	-	-	-
AT 30 JUNE 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832

	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 year	-	-	-	-	199,678	-	199,678
Total recognised income/(expense) for the period	-	-	-	-	199,678	-	199,678
Dividend paid	-	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	(70,086)	-	(70,086)
- 2nd interim dividend	-	-	-	-	(109,022)	-	(109,022)
Option reserves arising from ESOS	-	-	-	4,446	-	-	4,446
Treasury Shares held for ESOS	-	-	-	-	-	5,510	5,510
AT 30 JUNE 2009	1,052,768	117,229	18,484	10,208	558,693	(65,750)	1,691,632

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	The Group		The Company	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	1,422,688	1,150,204	200,161	252,492
Adjustment for non-cash items and others	130,213	277,310	(445,462)	(257,547)
Operating profit before working capital changes	1,552,901	1,427,514	(245,301)	(5,055)
Income tax recovered/(paid)	(238,738)	(269,862)	-	7,615
Interest paid	-	-	-	-
Interest received	960	234	1,275	234
Net changes in working capital	(2,377,763)	(2,228,731)	1,288	(67,402)
Net cash flow from operating activities	(1,062,640)	(1,070,845)	(242,738)	(64,608)
Net cash flow from investing activities	(978,752)	(2,770,956)	176,641	227,846
Net cash flow from financing activities	(175,798)	(178,606)	75,347	(172,146)
Changes in cash and cash equivalents	(2,217,190)	(4,020,407)	9,250	(8,908)
Effect of change in foreign exchange rate	(101,485)	64,423	-	-
Cash and cash equivalents as at 1 July	19,500,176	23,456,160	2,791	11,699
Cash and cash equivalents as at 30 June	17,181,501	19,500,176	12,041	2,791

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

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 (“BNM”) 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’ and the implementation of the Risk-Based Capital Framework (“RBC Framework”).

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.

RBC Framework – This new framework requires all insurers licensed under the Insurance Act 1996 to classify and value the investment securities into three categories: securities held-for-trading, securities available-for-sale and securities held-to-maturity as well as to change the valuation basis of insurance liabilities. The RBC Framework had also introduced new features in the estimation of General insurance liabilities such as allowing discounting and diversification as well as requiring the actuary to take into account inflation. In addition, claims handling costs are included in the computation of the outstanding claims provision. For Life insurance liabilities, the RBC Framework had also introduced a new measurement basis, requiring insurers to assess insurance liabilities based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. This includes the consideration of all cash flows, including estimates of future expenses.

The impact to the Group on the adoption of the RBC framework is only on the General insurance liabilities, as the Group already classifies its investments into 3 classes in accordance with Revised BNM/GP8, prior to 1 July 2009. There will be no direct impact of the new measurement of the Life insurance liabilities to the Group.

These changes in the accounting policies have been recognised as adjustments to the opening balances of the Group as disclosed in Note 29.

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

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 year.

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 year.

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 30 June 2010 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 14,461,408 at an average price of RM4.45 per share and the total consideration paid, including transaction costs was RM65,749,757.

The Company granted 12,000,000 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.

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.

Repayment of RM 300 million 7 years Commercial Papers/Medium Term Notes

The Company's 7 years RM300 million Commercial Papers ("CP") and Medium Term Notes ("MTN") Programme has expired on 9 July 2009. The Company has fully repaid the outstanding principal and accrued interest.

7. Dividends paid

- (i) A first interim dividend of 9 sen per share less income tax of 25% amounted to RM70,085,680 was paid on 21 December 2009.
- (ii) A second interim dividend of 8 sen per share less income tax of 25% and 6 sen per share tax exempt amounted to RM124,596,767 was paid on 29 June 2010.
- (iii) Total dividend paid for the financial year ended 30 June 2010 : 17 sen per share less income tax of 25% and 6 sen per share tax exempt (FYE 30 June 2009 : 23 sen per share less income tax of 25%)

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 30 JUNE 2010	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue for the year ended						
External sales	2,038,651	82,456	334,685	(25,334)	-	2,430,458
Intersegment sales	18,278	2,651	3,328	8,132	(32,389)	-
	<u>2,056,929</u>	<u>85,107</u>	<u>338,013</u>	<u>(17,202)</u>	<u>(32,389)</u>	<u>2,430,458</u>
Results for the year ended						
Segment results	1,042,371	20,446	249,107	(32,123)	-	1,279,801
Share of results of associated company						143,575
Share of results of joint venture company						(688)
Profit before taxation and zakat						<u>1,422,688</u>
Taxation and zakat						<u>(237,379)</u>
Profit after taxation						<u>1,185,309</u>
Minority interest						<u>(338,461)</u>
Net profit for the year						<u>846,848</u>
Other information						
Segment assets	84,565,436	1,448,185	7,639,887	326,067	(252,960)	93,726,615
Other corporate assets						215,753
Total consolidated assets						<u>93,942,368</u>
Segment liabilities	78,281,550	1,230,616	6,850,094	49,749	(618,728)	85,793,281
Other corporate liabilities						720,257
Total consolidated liabilities						<u>86,513,538</u>
Capital expenditure	116,859	4,116	62,301	65	-	183,341
Depreciation of property and equipments	48,715	1,875	3,957	756	-	55,303
Amortisation of intangible assets	14,068	678	3,189	123	-	18,058
Amortisation of prepaid lease payment	560	1	42	-	-	603
Loan loss and other allowances	105,030	1,041	1,896	-	-	107,967
Impairment losses	(6,939)	-	(508)	-	-	(7,447)

GROUP 30 JUNE 2009	Commercial Banking		Investment Banking		Insurance		Others		Eliminations		Consolidated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue for the year ended												
External sales	2,095,995	58,080	164,661	(48,793)	-	-	-	-	-	-	-	2,269,943
Intersegment sales	2,977	1,743	2,417	9,983	(17,120)	-	-	-	-	-	-	-
	<u>2,098,972</u>	<u>59,823</u>	<u>167,078</u>	<u>(38,810)</u>	<u>(17,120)</u>							<u>2,269,943</u>
Results for the year ended												
Segment results	1,032,769	(43,604)	91,563	(29,986)	-	-	-	-	-	-	-	1,050,742
Share of results of associated company												99,462
Profit before taxation and zakat												1,150,204
Taxation and zakat												(187,877)
Profit after taxation												962,327
Minority interest												(330,307)
Net profit for the year												<u>632,020</u>
Other information												
Segment assets	79,178,302	575,171	6,113,106	95,466	173,407							86,135,452
Other corporate assets												273,671
Total consolidated assets												<u>86,409,123</u>
Segment liabilities	73,627,690	490,984	5,465,718	92,831	(432,650)							79,244,573
Other corporate liabilities												410,228
Total consolidated liabilities												<u>79,654,801</u>
Capital expenditure	79,767	1,931	79,279	351	-							161,328
Depreciation of property and equipments	45,795	1,534	3,286	845	-							51,460
Amortisation of intangible assets	13,302	372	4,316	126	-							18,116
Amortisation of prepaid lease payment	84	1	42	-	-							127
Allowances for losses on loans, advances and financing and other losses	156,714	(1,464)	-	-	-							155,250
Impairment losses	32,934	57,236	367	-	-							90,537

9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	30/06/2010	30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	251,599	458,307
Malaysian Government Securities	1,107,934	838,842
Negotiable instruments of deposit	784,708	887,971
Bankers' acceptances and Islamic accepted bills	2,771,744	2,983,607
Bank Negara Malaysia bills	2,606,431	1,738,604
Malaysian Government Investment Certificates	1,116,703	136,143
Khazanah bonds	-	14,922
Cagamas bonds/notes	254,998	-
Private debts securities	190,544	-
	9,084,661	7,058,396
Quoted securities :		
Shares/Loan stocks/Unit Trust	45,013	25,094
Foreign currency bonds	118,292	8,783
Unquoted securities :		
Private debt securities	60,870	-
Total securities held at fair value through profit and loss	9,308,836	7,092,273
	Company	
	As at	As at
	30/06/2010	30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	23,014	18,950

10. Securities available-for-sale

	Group	
	As at	As at
	30/06/2010	30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	533,551	379,600
Malaysian Government Securities	1,571,027	2,074,034
Malaysian Government Investment Certificates	2,123,648	728,237
Khazanah bonds	-	9,948
Cagamas bonds	129,476	162,084
Singapore government securities	-	24,601
Other Government securities	51,910	94,384
	4,409,612	3,472,888
Quoted securities :		
Shares/Loan stocks/Unit Trust	632,254	499,460
Foreign Currency Bonds	513,672	979,272
Unquoted securities :		
Shares/foreign currency bonds	12,347	-
Private debt securities/shares/reits	2,528,795	2,128,156
Total securities available-for-sale	8,096,680	7,079,776

11. Securities held-to-maturity

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	4,144,712	1,670,241
Malaysian Government Investment Certificates	1,312,548	105,514
Negotiable instruments of deposit	690,588	4,073,323
Cagamas bonds	279,872	279,873
	<u>6,427,720</u>	<u>6,128,951</u>
Quoted securities :		
Foreign Currency Bonds	3,374	-
Unquoted securities :		
Private debt securities/shares/loan stocks	435,770	437,828
Total securities held-to-maturity	<u>6,866,864</u>	<u>6,566,779</u>

12. Loans, advances and financing

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Overdrafts	2,036,810	2,091,226
Term loans :		
- Housing loans/financing	22,534,948	20,496,440
- Syndicated term loan/financing	2,270,838	1,685,228
- Hire purchase receivables	5,650,823	5,829,968
- Lease receivables	11,866	16,418
- Other term loans/financing	2,263,522	1,775,639
Credit/charge card receivables	2,210,438	2,017,519
Bills receivables	268,725	211,019
Trust receipts	98,419	92,982
Claims on customers under acceptance credits	3,619,054	3,230,902
Block discounting	8,244	8,218
Revolving credits	1,393,605	1,250,892
Policy and premium loans	655,246	620,281
Staff loans	99,531	96,686
Other loans/financing	87,416	100,014
	<u>43,209,485</u>	<u>39,523,432</u>
Unearned interest and income	<u>(3,876,159)</u>	<u>(3,219,240)</u>
	39,333,326	36,304,192
Fair value changes arising from fair value hedges	-	56,892
Unamortised fair value changes arising from terminated fair value hedges	46,725	13,381
Allowance for bad and doubtful debts and financing :		
- general	(579,618)	(546,080)
- specific	<u>(278,191)</u>	<u>(330,119)</u>
Net loans, advances and financing	<u>38,522,242</u>	<u>35,498,266</u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Domestic non-bank financial institutions	178,501	86,327
Domestic business enterprises		
- Small and medium enterprises	3,349,519	3,250,429
- Others	8,347,349	7,131,299
Government and statutory bodies	278	369
Individuals	26,220,188	24,721,865
Other domestic entities	14,395	16,185
Foreign entities	1,223,096	1,097,718
Gross loans, advances and financing	<u>39,333,326</u>	<u>36,304,192</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Fixed rate		
- Housing loans/financing	530,012	673,204
- Hire purchase receivables	4,924,898	5,087,484
- Other fixed rate loan/financing	3,981,846	3,720,728
Variable rate		
- Base lending rate plus	25,141,613	23,240,974
- Cost plus	4,682,310	3,531,706
- Other variables rates	72,647	50,096
Gross loans, advances and financing	<u>39,333,326</u>	<u>36,304,192</u>

(c) By economic purpose

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Purchase of securities	476,082	486,955
Purchase of transport vehicles	4,834,160	4,848,428
Purchase of landed properties		
- residential	14,930,332	13,922,382
- non-residential	4,436,355	4,257,268
Personal use	2,994,401	2,710,071
Credit card	2,210,438	2,017,519
Purchase of consumer durables	62	54
Construction	298,512	448,043
Working capital	8,449,753	6,989,520
Others	703,231	623,952
Gross loans, advances and financing	<u>39,333,326</u>	<u>36,304,192</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Purchase of securities	12,952	13,285
Purchase of transport vehicles	40,252	48,996
Purchase of landed properties		
- residential	201,359	235,867
- non-residential	55,633	62,761
Personal use	53,792	56,872
Credit card	27,859	36,446
Construction	15,907	32,662
Working capital	321,667	315,553
Others	2	2
Gross loans, advances and financing	<u>729,423</u>	<u>802,444</u>

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

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
At beginning	802,444	840,402
Non-performing during the period/year	2,910,248	2,793,986
Reclassified as performing	(2,482,001)	(2,314,165)
Amount written back in respect of recoveries	(287,549)	(257,924)
Amount written off	(211,708)	(261,211)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	(2,011)	242
Closing balance	<u>729,423</u>	<u>802,444</u>
Specific allowance	(278,191)	(330,119)
Net non-performing loans, advances and financing	<u>451,232</u>	<u>472,325</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.2%</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 30/06/2010 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	34,135	17,892
Amount arising from acquisition of SIBB	-	524
Allowances arising from loans and advances acquired from SBBS	-	178
Exchange differences	(597)	529
Closing balance	<u>579,618</u>	<u>546,080</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	330,119	345,781
Allowance made during the period/year	289,510	317,495
Amount written back in respect of recoveries	(128,463)	(73,641)
Amount written off	(211,708)	(260,857)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	(1,267)	227
Closing balance	<u>278,191</u>	<u>330,119</u>

13. Other receivables

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Interest/Income receivable	215,058	130,742
Investment properties	1,680	1,600
Other debtors, deposits and prepayments	2,430,054	1,724,372
Foreclosed properties	1,277	1,875
	<u>2,648,069</u>	<u>1,858,589</u>
<u>Company</u>		
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Amount due from subsidiary companies	282,039	55,259
Amount due from related companies	10	9
Other debtors, deposits and prepayments	6,464	8,485
	<u>288,513</u>	<u>63,753</u>

14. Deposits from customers

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Fixed deposits	38,528,523	36,852,359
Negotiable instruments of deposit	2,580,634	3,526,455
Demand deposits	7,964,808	6,761,540
Savings deposits	8,392,327	7,841,769
Short term corporate placement	11,759,585	11,638,034
Other	255,019	641,929
	<u>69,480,896</u>	<u>67,262,086</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
One year or less (short term)	40,011,949	39,683,232
More than one year (medium/long term)	1,097,208	695,582
	<u>41,109,157</u>	<u>40,378,814</u>

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

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Government and statutory bodies	856,715	714,312
Business enterprises	34,229,890	32,943,191
Individuals	33,353,132	32,608,117
Others	1,041,159	996,466
	<u>69,480,896</u>	<u>67,262,086</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Licensed banks	3,644,826	2,202,304
Other financial institutions	832,567	211,675
	<u>4,477,393</u>	<u>2,413,979</u>

The maturity structure :

One year or less (short term)	4,477,393	2,413,979
More than one year (medium/long term)	-	-
	<u>4,477,393</u>	<u>2,413,979</u>

16. Payables and other liabilities

	Group	
	As at	As at
	30/06/2010	30/06/2009
	RM '000	RM '000
Trade payables	521,257	460,349
Amount due to related companies	3,940	4,451
Other payables and accrued liabilities	3,051,056	1,732,464
Loan advance payment	982,043	802,123
Interest payable	378,423	263,238
Post employment benefits obligations - defined contribution plan	5,419	5,982
	<u>4,942,138</u>	<u>3,268,607</u>

	Company	
	As at	As at
	30/06/2010	30/06/2009
	RM '000	RM '000
Amount due to subsidiary companies	22	100
Other payables and accrued liabilities	4,645	4,394
Interest payable	570	1,821
Post employment benefits obligations - defined contribution plan	15	76
	<u>5,252</u>	<u>6,391</u>

17. Interest income

	Group		Group	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	393,921	384,592	1,536,778	1,704,732
- recoveries from NPLs	30,207	28,816	111,695	111,659
Money at call and deposit placements with financial institutions	105,912	110,487	361,026	676,498
Securities purchased under resale agreement	-	-	166	1,088
Securities held at fair value through profit and loss	15,548	7,316	61,242	22,078
Securities available-for-sale	27,575	25,041	146,978	103,132
Securities held-to-maturity	55,265	36,439	223,945	145,010
Others	5,651	484	8,237	2,845
	<u>634,079</u>	<u>593,175</u>	<u>2,450,067</u>	<u>2,767,042</u>
Amortisation of premium less accretion of discount	38,402	40,482	153,614	203,473
Interest suspended	(7,528)	(3,108)	(16,664)	(14,903)
	<u>664,953</u>	<u>630,549</u>	<u>2,587,017</u>	<u>2,955,612</u>
	Company		Company	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year to date 30/06/2010 RM '000	Last year to date 30/06/2009 RM '000
Money at call and deposit placements with financial institutions	44	28	179	233
Others	(824)	359	1,096	1,536
	<u>(780)</u>	<u>387</u>	<u>1,275</u>	<u>1,769</u>

18. Interest expense

	Group		Group	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Deposits and placements of banks and other financial institutions	11,574	14,456	34,296	71,274
Deposits from customers	208,409	247,111	878,756	1,120,990
Borrowings	4,665	4,800	17,855	21,212
Subordinated bonds	8,389	9,168	35,089	36,631
Short term corporate placements	65,092	50,191	225,145	339,039
Others	(752)	1,253	1,832	1,896
	<u>297,377</u>	<u>326,979</u>	<u>1,192,973</u>	<u>1,591,042</u>
	Company		Company	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year to date 30/06/2010 RM '000	Last year to date 30/06/2009 RM '000
Borrowings	3,424	3,924	14,564	17,010
Others	(1,501)	564	3	6
	<u>1,923</u>	<u>4,488</u>	<u>14,567</u>	<u>17,016</u>

19. Non Interest Income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2010 RM '000	quarter ended 30/06/2009 RM '000	ended 30/06/2010 RM '000	ended 30/06/2009 RM '000
Net income from Insurance Business	194,995	73,577	261,014	147,325
Net brokerage and commissions from Stockbroking Business	12,437	17,764	51,431	34,692
Net unit trust and asset management income	6,098	5,742	19,478	19,501
Fee income:				
Management fees	-	-	-	-
Commissions	17,056	15,393	70,364	55,566
Service charges and fees	4,258	3,654	17,119	20,448
Guarantee fees	1,317	1,188	6,171	5,217
Other fee income	44,351	29,444	191,961	183,556
	66,982	49,679	285,615	264,787
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(9,556)	28,888	29,850	2,961
Net gain from sale of securities available-for-sale	6,063	3,626	13,242	28,505
Net gain/(loss) from redemption of securities held-to-maturity	7	-	1,318	316
	(3,486)	32,514	44,410	31,782
Gross dividend income from:				
Securities held at fair value through profit and loss	183	(718)	596	2,663
Securities available-for-sale	12,503	2,264	17,730	5,738
Securities held-to-maturity	999	125	7,113	3,593
	13,685	1,671	25,439	11,994
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	2,852	(14,128)	(10,130)	15,210
Net realised gains/(losses) on fair value changes arising from fair value hedge	13,100	(10,794)	513	(14,851)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(18,031)	7,652	3,472	15,858
Other income:				
Foreign exchange gain/(loss)	21,016	33,695	105,466	171,181
Rental income	481	166	1,149	456
Gain/(loss) on disposal of property and equipment	35,067	289	36,005	1,428
Gain/(loss) on liquidation	3,847	-	1,171	-
Profit from Takaful investments	-	2,768	1,758	7,636
Others	7,827	10,505	24,786	22,033
	68,238	47,423	170,335	202,734
Total non interest income	356,870	211,100	851,577	729,032

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Fee income:				
Management fees	1,759	1,675	7,036	6,703
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(1,849)	35	(1,841)	(9,411)
Gross dividend income from:				
Securities held at fair value through profit and loss	89	225	419	686
Subsidiary companies	-	43,500	228,378	278,822
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(1,115)	5,888	(2,230)	6,317
Other income:				
Gain on disposal of subsidiary company	(236,068)	-	(1,188)	1,720
Others	(1,640)	135	(983)	367
Total non interest income	(238,824)	51,458	229,591	285,204

20. Overhead expenses

	Group		Group	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	129,666	118,605	502,435	462,202
- Others	5,335	15,872	46,269	52,038
<u>Establishment costs</u>				
- Depreciation of property and equipments	11,844	12,487	55,303	51,460
- Amortisation of intangible assets	7,771	3,958	18,058	18,116
- Amortisation of prepaid lease payment	540	32	603	127
- Rental	13,297	12,810	52,866	49,718
- Information technology expenses	11,887	10,747	53,995	52,516
- Others	15,902	12,495	54,357	47,352
<u>Marketing expenses</u>				
- Advertisement and publicity	17,304	11,589	67,773	66,023
- Handling fees	943	2,169	1,861	11,250
- Others	14,663	12,317	56,497	52,188
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,911	3,137	10,027	10,829
- Stationery & printing	3,661	3,326	11,287	13,994
- Others	25,722	9,728	118,806	85,601
	262,446	229,272	1,050,137	973,414

20. Overhead expenses (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2010 RM '000	quarter ended 30/06/2009 RM '000	ended 30/06/2010 RM '000	ended 30/06/2009 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,242	2,073	9,535	7,999
- Others	(1,246)	1,154	929	4,876
<u>Establishment costs</u>				
- Depreciation of property and equipments	185	211	756	845
- Amortisation of intangible assets	31	31	123	126
- Rental	160	170	680	675
- Others	(24)	182	219	449
<u>Administration and general expenses</u>				
- Teletransmission expenses	6	7	34	41
- Stationery & printing	9	22	56	45
- Others	807	604	2,441	2,409
	<u>2,170</u>	<u>4,454</u>	<u>14,773</u>	<u>17,465</u>

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

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2010 RM '000	quarter ended 30/06/2009 RM '000	ended 30/06/2010 RM '000	ended 30/06/2009 RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	59,853	96,747	289,510	317,495
- written back	(51,394)	(16,400)	(128,463)	(73,641)
(b) General allowance				
- made during the financial year	18,179	29,702	34,135	17,892
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	831	-	831	-
- written back	(669)	(869)	(417)	(2,600)
(b) General allowance				
- made during the financial year	1,885	(113)	1,855	(74)
Bad debts and financing written off	3,200	2,830	8,799	9,015
Bad debts and financing recovered	(27,565)	(20,958)	(98,283)	(112,837)
	<u>4,320</u>	<u>90,939</u>	<u>107,967</u>	<u>155,250</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 June 2010 and 30 June 2009 met the minimum requirement.

	Hong Leong Bank Berhad		Hong Leong Islamic Bank Berhad #		Hong Leong Investment Bank Berhad	
	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000	As at 30/06/2010 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	265,535	123,500
Share premium	539,664	539,664	-	-	-	-
Retained profit	2,573,041	2,063,433	156,726	-	10,644	3,963
As previously stated	-	2,136,060	-	119,207	-	-
Prior year adjustments	-	(72,627)	-	-	-	-
Other Reserves	1,792,970	1,790,163	161,303	119,209	11,044	4,362
Less : Treasury Shares	(687,908)	(699,052)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,236)	(30,000)
Less : Deferred Tax	(122,544)	(134,681)	(17,593)	(18,932)	(52,597)	(58,192)
Add : Minority interest	-	-	-	-	-	-
Total tier 1 capital	5,675,330	5,139,634	800,436	719,484	204,390	43,633
Tier - 2 capital						
General provision	511,615	471,305	66,175	73,486	1,805	1,304
Subordinated obligations	647,500	703,800	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	-	142,035
Total tier 2 capital	1,159,115	1,175,105	66,175	73,486	3,436	144,970
Total eligible tier-2 capital	1,159,115	1,175,105	66,175	73,486	3,436	43,633
Total capital	6,834,445	6,314,739	866,611	792,970	207,826	87,266
Less : Investment in associated company	(946,505)	(946,505)	-	-	-	-
Less : Investment in subsidiary companies	(714,092)	(575,746)	-	-	(588)	(588)
Less : Investment in jointly controlled company	(76,711)	-	-	-	-	-
Total capital base	5,097,137	4,792,488	866,611	792,970	207,238	86,678
Before deducting proposed dividends						
Core Capital Ratio	13.34% *	14.99%	19.74%	20.86%	33.06%	17.59%
Risk-weighted Capital Ratio	13.34%	14.99%	21.37%	22.99%	33.52%	34.94%
After deducting proposed dividends						
Core Capital Ratio	12.90% *	14.46%	19.15%	20.72%	33.06%	17.59%
Risk-weighted Capital Ratio	12.90%	14.46%	20.78%	22.85%	33.52%	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 Bank 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 22 April 2010, HLGC announced that two of its wholly owned subsidiaries, namely Hong Leong Investment Bank Berhad ("HLIB") and HLG Futures Sdn Bhd ("HLG Futures") had, on 22 April 2010, entered into a Business Transfer Agreement, whereby HLG Futures will transfer all its assets, liabilities, activity, business and the undertaking of the business carried on by HLG Futures as a going concern ("HLG Futures Business") to HLIB ("Proposed Integration") with effect from 31 July 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLG Futures Business will be based on the value of the net assets of HLG Futures as at the Transfer Date, and will be satisfied by HLIB in cash.

The Proposed Integration is subject to, inter alia, the following:

- (i) obtaining the order of the High Court for the vesting of HLG Futures Business in HLIB;
- (ii) the approval of the Minister of Finance through the Securities Commission ("SC"); and
- (iii) the approval of the SC for the application for a Capital Market Service licence to carry on the business of trading in futures contracts by HLIB.

Securities Commission had, vide its letter dated 18 June 2010, informed that the transfer of HLG Futures's business to HLIB has been approved pursuant to Section 139 of the Capital Markets and Services Act 2007.

On 12 July 2010, HLIB and HLG Futures entered into a Supplemental Business Transfer Agreement to revise the Transfer Date to 2 October 2010.

On 28 July 2010, the High Court has granted its approval for the Proposed Integration.

- b. On 16 July 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had received a letter dated 12 July 2010 from EON Cap requesting certain amendments to the terms of the offer by HLB to acquire the entire assets and liabilities of EON Cap ("Offer") and the timelines as indicated in HLBB's letters dated 18 June 2010 and 19 June 2010.

HLB had, in its letter dated 15 July 2010 to EON Cap, noted the amendments and timelines proposed by EON Cap and advised EON Cap as follows:

- (i) HLB agrees to EON Cap's proposal that EON Cap may only accept the Offer by delivering to HLBB the acceptance as set out in HLB's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the approvals for the Offer
- (ii) HLB agrees that the extraordinary general meeting of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,743.60 shall be held by 20 August 2010, and all the approvals from BNM/MoF, SC and shareholders of EON Cap and HLB, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
- (iii) the Offer is subject to all the timelines mentioned in (i) and/or (ii) above being met, unless extended by HLB.

23. Events after Balance Sheet date (continued)

- c. On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the Minister of Finance ("MoF") through Bank Negara Malaysia ("BNM") for, inter alia, the following:
- (i) Approval under Section 45(1)(a) of the Banking and Financial Institutions Act, 1989 ("BAFIA") for HLB to acquire interest in shares of more than 5% of the shares in EON Bank Berhad ("EON Bank") and MIMB Investment Bank Berhad ("MIMB");
 - (ii) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Cap which would result in a change in control of EON Bank and MIMB to HLB as provided under Section 49(1)(a) of BAFIA;
 - (iii) Approval under Section 22(2) of the Islamic Banking Act, 1993 ("IBA") for HLB to enter into an agreement or arrangement with EON Cap which would result in a disposal of EONCAP Islamic Bank Berhad ("EONCAP Islamic") shares to HLB as provided under Section 22(1)(a)(i) of IBA;
 - (iv) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Bank which would result in the transfer of the banking operations of EON Bank to HLB as provided under Section 49(1)(b) of BAFIA; and
 - (v) Approval under Section 22(2) of IBA for Hong Leong Islamic Bank Berhad ("HLISB") to enter into an agreement or arrangement with EONCAP Islamic which would result in the transfer of the banking operations of EONCAP Islamic to HLISB as provided under Section 22(1)(a)(i) of IBA.

BNM had also given its approval, amongst others, for HLB to acquire the subsidiaries of EON Cap, including EON Bank, EONCAP Islamic and MIMB pursuant to Section 29 of BAFIA. HLB is also required to finalise the position of MIMB by 31 December 2010 in line with BNM's policy which prohibits a domestic banking group from holding 2 investment bank licenses.

- d. On 18 June 2010, Hong Leong Investment Bank Berhad, on behalf of HLAH Holdings Sdn Bhd ("HLAH") and Hong Leong Assurance Berhad ("HLA"), a wholly-owned subsidiary of HLAH, announced that HLAH and HLA had entered into various agreements with Mitsui Sumitomo Insurance Company, Limited ("MSIJ") and its subsidiary, MSIG Insurance (Malaysia) Bhd ("MSIM"), in relation to the insurance businesses of HLA and MSIM ("Proposed Strategic Partnership").

The Proposed Strategic Partnership involves the following:

- (i) Proposed merger of both Non-Life Businesses of HLA and MSIM via a transfer of the Non-Life Business of HLA (except for certain excluded assets and liabilities) to MSIM for a consideration of RM618,646,291 to be satisfied via the issuance of such number of new shares as shall represent 30% of the ordinary issued and paid-up capital of MSIM, in accordance with the terms of the conditional business transfer agreement dated 18 June 2010; and
- (ii) Upon completion of the Proposed Non-Life Business Merger, HLAH will dispose 60,000,000 ordinary shares of RM1.00 each (representing a 30% equity interest) in HLA to MSIJ for a cash consideration of RM940 million in accordance with the terms of the conditional sale and purchase agreement dated 18 June 2010.
- (iii) Upon completion of the Proposed Strategic Partnership, HLFG (through its subsidiaries) will effectively hold a 30% equity interest in the enlarged MSIM entity (i.e. the combined Non-Life Business of HLA and MSIM) and a 70% equity interest in HLA (which will only be involved in Life Business). MSIJ will hold the remaining 30% equity interest in HLA.

The shareholders of HLFG has at the EGM convened on 15 July 2010 approved the Proposed Strategic Partnership.

- e. On 3 August 2010, HLB announced that it had on 3 August 2010 fully redeemed its US\$200,000,000 Subordinated Callable Bonds Due 2015 ("Bonds"). The Bonds had been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

The redemption of the Bonds was funded via HLB's internally generated funds pending the issuance of its Ringgit Tier 2 Subordinated Debt of RM700 million.

- f. On 10 August 2010, HLB announced that it had completed its inaugural Ringgit issuance of RM700 million Tier 2 Subordinated Debt ("Sub Debt"). The Sub Debt formed part of the Tier 2 Subordinated Notes Programme of up to RM1.7 billion, as approved by the Securities Commission vide its letter dated 27 July 2010.

The Sub Debt, rated AA2 by RAM Rating Services Berhad, has a maturity of 10 years. Subject to BNM's approval, HLB has the option to redeem the Sub Debt early at the end of year 5 and on each subsequent coupon payment dates thereafter.

24. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial year 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 had commenced operations on 8 October 2009.

- b. On 8 April 2009, HLFPG 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 HLFPG.

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 HLFPG 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 HLFPG via HLAH on the same date.

- c. On 16 December 2009, HLFPG announced that it had entered into a SPA with HLAH for the transfer of 100% equity interest in HLA from HLFPG 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 HLFPG via HLAH on even date.

- d. On 20 October 2009, HLFPG announced that the liquidator of Autoweb Sdn Bhd ("Autoweb"), a wholly-owned subsidiary of HLFPG Assets Sdn Bhd which was in turn a wholly-owned subsidiary of HLFPG, 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.

24. Changes in composition of the Group (continued)

- 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 was 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 was dissolved on 7 April 2010.
- f. The Rights Issue of HLGC 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 HLGC.
- g. HLFG had on 25 March 2010 disposed 4,400,000 ordinary shares of RM1.00 each in HLGC (“the Disposal”) and the shareholding of HLFG in HLGC after the Disposal had decreased to 195,263,227 ordinary shares of RM1.00 each, representing 79.09% of the issued and paid-up share capital of HLGC.
- h. On 23 February 2010, HLFG announced that HLA, a wholly-owned subsidiary of HLAH which is in turn a wholly-owned subsidiary of HLFG, had placed its wholly-owned subsidiary Allstate Health Benefits Sdn Bhd under Member’s Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.
- i. On 2 November 2009, HLB announced that it had 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, Sichuan Jincheng Consumer Finance Limited Company, had been incorporated on 26 February 2010. The approved registered capital of the JV Co is RMB320 million. The shareholding structure and investment composition of the JV Co are BOCD at 51% (a contribution of RMB163.2 million) and HLB at 49% (a contribution of RMB156.8 million).

- j. On 16 June 2010, HLAH had acquired 2 ordinary shares of RM1.00 each fully paid, representing the entire equity interest in HLAH Assets Sdn Bhd (“HLAH Assets”), for a total cash consideration of RM2.00.
- k. On 2 July 2010, HLB had acquired 2 ordinary shares of RM1.00 each fully paid, representing the entire equity interest in Prominic Sdn Bhd (“Prominic”), for a total cash consideration of RM2.00.

Prominic was incorporated on 25 March 2010 in Malaysia. The authorised capital of Prominic is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

Prominic is currently dormant and its intended business activity is to issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to HLB, the issuer of the Capital Securities.

Prominic was converted into a public company on 12 July 2010 and is now known as Prominic 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 30/06/10			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
The Group						
Direct credit substitutes	175,141	175,141	164,268	217,061	217,061	200,263
Transaction-related contingent items	257,429	128,715	117,040	247,102	123,551	110,598
Short-term self liquidating trade-related contingencies	533,384	106,677	104,316	578,754	115,750	113,434
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting obligations	-	-	-	-	-	-
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	21,415,746	-	-	19,134,149	-	-
Foreign exchange related contracts	38,854,571	1,508,811	955,252	20,674,995	897,994	497,304
Interest rate related contracts	41,466,597	1,404,961	706,729	37,497,746	1,223,825	618,039
Equity related contracts	188,250	12,159	3,388	247,103	17,830	6,726
Total	102,891,118	3,336,464	2,050,993	78,596,910	2,596,011	1,546,364

- b. Hong Leong Asset Management Berhad (fka HLG Unit Trust Bhd), a wholly-owned subsidiary company of the stockbroking division, HLG Capital Berhad, is the Manager of HLG Sectoral Fund ("Funds"), which comprises five sector funds. HLG Capital Berhad has provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds fall below the minimum fund size of RM1 million, HLG Capital Berhad would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2010.

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 30/06/2010								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	Total RM'000	%
Assets									
Cash and short-term funds	16,366,214	-	-	-	-	815,287	-	17,181,501	2.3
Deposits and placements with banks and other financial institution	-	5,801,949	1,695,492	143,758	57,482	70	-	7,698,751	2.3
Securities held at fair value through profit or loss	-	-	-	-	-	-	9,308,836	9,308,836	3.6
Securities available-for-sale	139,216	422,083	292,034	4,922,251	1,681,510	639,586	-	8,096,680	4.4
Securities held-for-maturity	594,875	735,699	484,542	4,904,880	118,521	28,347	-	6,866,864	3.4
Loans, advances and financing									
- performing	32,198,018	72,047	324,176	3,171,795	2,884,592	(572,850)	-	38,077,778	5.8
- non performing	-	-	-	-	-	444,464	-	444,464	-
Clients' and brokers' balances	-	-	-	-	-	155,623	-	155,623	-
Other receivables	-	-	-	-	-	2,648,069	-	2,648,069	-
Assets held for sale	-	-	-	-	-	346,939	-	346,939	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	398,666	-	398,666	-
Tax recoverable	-	-	-	-	-	6,119	-	6,119	-
Investment in associates	-	-	-	-	-	1,172,175	-	1,172,175	-
Investment in jointly controlled comp	-	-	-	-	-	76,023	-	76,023	-
Prepaid land lease payments	-	-	-	-	-	17,260	-	17,260	-
Deferred tax assets	-	-	-	-	-	176,138	-	176,138	-
Property and equipment	-	-	-	-	-	641,659	-	641,659	-
Intangible assets	-	-	-	-	-	628,823	-	628,823	-
Total assets	49,298,323	7,031,778	2,796,244	13,142,684	4,742,105	7,622,398	9,308,836	93,942,368	
Liabilities									
Deposits from customers	35,616,326	8,716,843	15,951,132	1,659,228	-	7,537,367	-	69,480,896	2.0
Deposits and placements of banks and other financial institution	2,676,793	1,722,634	71,213	-	-	6,753	-	4,477,393	1.7
Bills and acceptance payable	2,510	15,592	7,112	-	-	278,926	-	304,140	2.7
Clients' and brokers' balances	-	-	-	-	-	262,415	-	262,415	-
Payables and other liabilities	-	-	-	-	-	4,942,138	-	4,942,138	-
Liabilities held for sale	-	-	-	-	-	320,102	-	320,102	-
Provision for claims	-	-	-	-	-	52,727	-	52,727	-
Provision for taxation	-	-	-	-	-	105,306	-	105,306	-
Bank loans	53,000	-	350,000	119,751	-	-	-	522,751	3.3
Subordinated obligations	-	-	-	650,454	-	-	-	650,454	5.3
Capital market borrowing									
- Medium Term Notes	-	-	-	-	-	-	-	-	-
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
Insurance funds	-	-	-	-	-	5,175,709	-	5,175,709	-
Total liabilities	38,458,495	10,564,710	16,379,457	2,429,433	-	18,681,443	-	86,513,538	
Shareholder's equity	-	-	-	-	-	5,160,551	-	5,160,551	
Minority interest	-	-	-	-	-	2,268,279	-	2,268,279	
Total liabilities and shareholder's equity	38,458,495	10,564,710	16,379,457	2,429,433	-	26,110,273	-	93,942,368	
On-balance sheet interest sensitivity gap	10,839,828	(3,532,932)	(13,583,213)	10,713,251	4,742,105	-	-	-	

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	273,899	29,678	-	6,566,779	3.6
Loans, advances and financing									
- performing	28,688,518	93,937	262,267	3,277,428	3,249,872	(538,996)	-	35,033,026	6.4
- non performing	-	-	-	-	-	465,240	-	465,240	-
Clients' and brokers' balances	-	-	-	-	-	220,152	-	220,152	-
Other receivables	-	-	-	-	-	1,858,589	-	1,858,589	-
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	5,159,348	6,164,570	7,092,273	86,409,123	
Liabilities									
Deposits from customers	36,973,828	9,445,529	13,612,035	744,253	-	6,486,441	-	67,262,086	2.7
Deposits and placements of banks and other financial institution	2,002,751	407,394	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	39,413,812	9,986,760	13,651,988	1,473,819	-	15,128,422	-	79,654,801	
Shareholder's equity	-	-	-	-	-	4,497,417	-	4,497,417	
Minority interest	-	-	-	-	-	2,256,905	-	2,256,905	
Total liabilities and shareholder's equity	39,413,812	9,986,760	13,651,988	1,473,819	-	21,882,744	-	86,409,123	
On-balance sheet interest sensitivity gap	12,091,066	(4,410,565)	(11,890,751)	7,676,803	5,159,348	-	-	-	

27. Interest/Profit rate risk (continued)

The Company
30/06/2010

	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	11,990	-	-	-	-	51	-	12,041	2.6
Securities held at fair value through profit or loss	-	-	-	-	-	-	23,014	23,014	-
Other receivables	-	-	-	-	-	288,513	-	288,513	-
Investment in subsidiaries	-	-	-	-	-	2,278,996	-	2,278,996	-
Tax recoverable	-	-	-	-	-	4,700	-	4,700	-
Property and equipment	-	-	-	-	-	1,954	-	1,954	-
Intangible assets	-	-	-	-	-	124	-	124	-
Total assets	11,990	-	-	-	-	2,574,338	23,014	2,609,342	
Liabilities									
Payables and other liabilities	-	-	-	-	-	5,252	-	5,252	-
Bank loans	31,000	-	350,000	119,751	-	-	-	500,751	3.3
Capital market borrowing									
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
- Medium Term Notes	-	-	-	-	-	-	-	-	-
Total liabilities	140,866	109,641	350,000	119,751	-	5,252	-	725,510	
Shareholder's equity	-	-	-	-	-	1,883,832	-	1,883,832	
Total liabilities and shareholder's equity	140,866	109,641	350,000	119,751	-	1,889,084	-	2,609,342	
On-balance sheet interest sensitivity gap	(128,876)	(109,641)	(350,000)	(119,751)	-	-	-	-	

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 30 June 2010

	Group	
	As at 30/06/2010 RM'000	As at 30/06/2009 RM'000
ASSETS		
Cash and short-term funds	2,096,269	2,511,864
Deposits and placements with banks and other financial institutions	469,178	125,167
Securities held at fair value through profit or loss	2,133,529	2,011,644
Securities available-for-sale	569,403	467,377
Securities held-for-maturity	461,739	126,623
Financing, advances and other financing	4,138,867	3,824,880
Other receivables	26,791	7,615
Statutory deposits with Bank Negara Malaysia	47,000	46,064
Property, plant and equipment	1,977	1,794
Deferred tax assets	17,593	18,932
Total Assets	9,962,346	9,141,960
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	7,731,615	7,979,898
Deposits and placements of banks and other financial institutions	865,979	30,000
Bills and acceptance payable	18,774	16,133
Payables and other liabilities	521,766	366,504
Provision for taxation	5,402	9,394
Total Liabilities	9,143,536	8,401,929
Islamic banking capital fund	500,000	500,000
Reserves	318,810	240,031
Islamic Banking Funds	818,810	740,031
Total Liabilities and Islamic Banking Funds	9,962,346	9,141,960
Commitments and Contingencies	1,468,416	1,092,217

(b) Unaudited Income Statements for the 4th Quarter and Cumulative Twelve Months Ended 30 June 2010

	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Group				
Income derived from investment of deposits' funds and others	90,729	66,720	309,105	322,130
Income derived from investment of shareholders' funds	7,174	12,014	36,464	41,412
Allowance for losses on financing	(4,912)	(17,127)	(610)	(15,052)
Profit equalisation reserve	(3,051)	17,478	(544)	(407)
Total distributable income	89,940	79,085	344,415	348,083
Income attributable to deposits	(48,048)	(36,135)	(160,189)	(186,793)
Total net income	41,892	42,950	184,226	161,290
Other operating expenses	(18,668)	(16,244)	(72,803)	(61,250)
Profit before taxation and zakat	23,224	26,706	111,423	100,040
Zakat	(40)	(13)	(77)	(54)
Taxation	(5,073)	(7,318)	(27,158)	(25,633)
Profit after taxation and zakat	18,111	19,375	84,188	74,353
Profit attributable to shareholders	18,111	19,375	84,188	74,353
Earnings per share - basic (sen)	3.62	3.88	16.84	14.87
Earnings per share - fully diluted (sen)	3.62	3.88	16.84	14.87

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

(i) **By type**

	Group	
	As at 30/06/2010 RM'000	As at 30/06/2009 RM'000
Cash line	3,613	5,421
Term financing		
- House financing	4,334,789	3,562,624
- Hire purchase receivable	2,466,921	2,545,281
- Lease receivable	11,806	16,357
- Other term financing	560,441	348,544
Claims on customers under acceptance credits	103,135	46,206
Staff financing	3	18
Others	467	623
	<u>7,481,175</u>	<u>6,525,074</u>
Less: Unearned income	<u>(3,253,426)</u>	<u>(2,605,681)</u>
	4,227,749	3,919,393
Less: Allowance for bad and doubtful financing		
- General	(66,175)	(73,486)
- Specific	(22,707)	(21,027)
Total net financing, advances and other financing	<u>4,138,867</u>	<u>3,824,880</u>

(ii) **By contract**

	Group	
	As at 30/06/2010 RM'000	As at 30/06/2009 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,941,026	1,602,357
Ijarah (lease)	11,687	15,895
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,171,901	2,254,935
Murabahah (cost-plus)	103,135	46,206
	<u>4,227,749</u>	<u>3,919,393</u>

Non-performing financing

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

	Group	
	As at 30/06/2010 RM'000	As at 30/06/2009 RM'000
At beginning	46,260	45,754
Non-performing during the period/year	235,161	204,631
Reclassified as performing	(211,205)	(166,739)
Amount written back in respect of recoveries	(24,167)	(24,237)
Amount written off	(9,725)	(13,149)
Closing balance	<u>36,324</u>	<u>46,260</u>
Net non-performing financing, advances and other financing	<u>13,617</u>	<u>25,233</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.3%</u>	<u>0.6%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/06/2010 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	(7,311)	8,461
Closing balance	<u>66,175</u>	<u>73,486</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.6%</u>	<u>1.9%</u>
Specific allowance		
At beginning	21,027	24,734
Allowance made during the period/year	19,831	15,949
Amount written back in respect of recoveries	(8,426)	(6,507)
Amount written off	(9,725)	(13,149)
Closing balance	<u>22,707</u>	<u>21,027</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 30/06/2010 RM'000	As at 30/06/2009 RM'000
Non-Mudharabah		
Demand deposits	453,133	375,930
Savings deposits	631,211	580,875
Negotiable instruments of deposit	1,254,754	1,215,890
	<u>2,339,098</u>	<u>2,172,695</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	636,172	569,063
General investment deposits	2,287,927	1,864,865
Specific investment deposits	2,468,418	3,373,275
	<u>5,392,517</u>	<u>5,807,203</u>
	<u>7,731,615</u>	<u>7,979,898</u>

29 Prior year adjustment and effect of changes in accounting policies

During the financial year, the Bank has made a major enhancement to the general ledger system from a single currency to a multi currency general ledger. Arising from the system enhancement, the Bank noted differences in respect of revaluation of foreign currency balances. These differences arose from transactions that occurred before financial year ended 30 June 2009. Whilst the differences were not material to the current and prior financial year results, the Bank has effected a prior year adjustment in accordance with FRS 108 - Accounting Policies, Changes in Accounting Estimates and Errors.

The following discloses the prior year adjustment and changes in accounting policies on the adoption of the RBC Framework have been made to each line item in the Group's balance sheet and equity as at 30 June 2008 and 30 June 2009:

	Group				
	As previously reported RM'000	Effects from prior year adjustment RM'000	As restated as at 30 June RM'000	Effects from changes in accounting policies RM'000	Opening balance as at 1 July RM'000
2009					
Balance sheets					
Other receivables	1,931,216	(72,627)	1,858,589	-	1,858,589
Statement of changes in equity					
Retained profit	2,179,261	(72,627)	2,106,634	(8,369)	2,098,265
2008					
Statement of changes in equity					
Retained profit	1,767,888	(72,627)	1,695,261	-	1,695,261

30 Assets classified as held for sale and discontinued operations/ liabilities included in assets classified as held for sale and discontinued operations

The disposal classified as held for sale is in respect of the proposed sale of the General Insurance Business to MSIG Insurance (Malaysia) Bhd ("MSIM") following the signing of a Business Transfer Agreement ("BTA") between HLA Holdings Sdn Bhd ("HLAH") on 18 June 2010. The disposal is expected to be completed by the second half of calendar year 2010.

Accordingly, the related assets and liabilities of the General Insurance Business identified for disposal have been classified under assets and liabilities held for sale.

**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 RM563.5 million for the current financial quarter ended 30 June 2010 as compared to RM226.1 million in the preceding year's corresponding quarter, an increase of RM337.4 million. This is mainly due to better performance by all the divisions of the Group.

The Commercial Banking division recorded a profit before tax of RM345.1 million for the current financial quarter ended 30 June 2010, an increase of RM137.6 million or 66.3% as compared to preceding year's corresponding quarter of RM 207.5 million. The increase is mainly attributed by higher net interest income and higher share of results of associated company.

The Investment Banking divisions recorded a higher profit before tax of RM3.9 million compared to a pre-tax loss of RM46.6 million in the previous corresponding financial quarter. This was due to goodwill impairment loss of RM57.2 million write off in the previous financial quarter.

The Insurance division recorded a profit before tax of RM220.9 million for the quarter ended 30 June 2010 as compared to profit before tax of RM66.0 million in the preceding year's corresponding quarter. This is mainly due to higher transfer from the surplus reserves of the Life business as compared to last preceding year.

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

The Group recorded a profit before tax of RM1,422.7 million for the financial year ended 30 June 2010 as compared to RM1,150.2 million in the preceding financial year-to-date, an increase of RM272.5 million mainly due to better performance by all the divisions of the Group.

The Commercial Banking division recorded a profit before tax of RM1,185.3 million for the year, an increase of RM53.1 million as compared to RM1,132.2 million in the previous corresponding financial year. The increase is mainly contributed by higher share of results of associated company, higher contribution from the Islamic Banking business and lower impairment charge as compared to last financial year.

The Investment Banking division recorded a higher profit before tax of RM20.4 million for the year as compared to a pre-tax loss of RM43.6 million that was due to an impairment of goodwill in the previous corresponding financial year.

The Insurance division recorded a profit before tax of RM249.1 million for the financial year as compared to RM91.6 million in the preceding year, an increase of RM 157.5 million. The increase is mainly due to higher transfer from the surplus reserves of the Life business.

3. Current quarter against preceding financial quarter

The Group recorded a profit before tax of RM563.5 million for the financial quarter ended 30 June 2010 as compared to RM255.0 million in the previous preceding financial quarter, an increase of RM308.5 million. This was mainly due to higher contributions from the Commercial Banking and Insurance division.

The Commercial Banking division recorded a profit before tax of RM345.1 million for the financial quarter ended 30 June 2010 as compared to RM260.0 million in the previous preceding financial quarter, an increase of RM85.1 million mainly from higher net interest income, higher contribution from Islamic Banking business, higher contribution from associated company as well as lower allowance for losses on loans, advances and financing.

The Investment Banking divisions recorded a profit before tax of RM3.9 million for the financial quarter ended 30 June 2010 as compared to RM4.5 million in the previous preceding financial quarter. The marginally lower profits is due to lower Bursa volume for the financial quarter.

3. Current quarter against preceding financial quarter (Continued)

The Insurance division recorded a profit before tax of RM220.9 million as compared to a pre-tax loss of RM1.6 million in the previous preceding financial quarter. The higher profits for the quarter is mainly due to higher transfer from the surplus reserves of the Life business.

For the financial quarter ended 30 June 2010, HLFG company has recorded a pre-tax loss of RM245.1 million as compared to profit before tax of RM 295.0 million in the previous preceding financial quarter. This is due to a reversal of a gain on disposal of HLA to HLAH of RM237 million. Under FRS3 : Business Combinations, the disposal of HLA to HLAH is seen to satisfy the definition of a common control business combination. The accounting treatment for business combination under common control is scoped out of FRS3 hence HLFG has to seek guidance from other jurisdictions with the assistance of our auditors. It was concluded that the gain on disposal should be reversed out from HLFG's company income statement to be recognised through reserves. This treatment does not affect the recognition of profits on a consolidated Group level when the Proposed Strategic Partnership (referred to Note 23(d)) is completed.

4. Prospects for the next financial year

Barring unforeseen circumstances, the Group is expected to perform satisfactorily for the next 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 period 30 June 2010

	Group		Group	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Tax expense				
Malaysian – current	(115,681)	(45,647)	(274,611)	(276,069)
Transfer (from) / to deferred tax	(462)	34,324	(2,880)	36,407
	<u>(116,143)</u>	<u>(11,323)</u>	<u>(277,491)</u>	<u>(239,662)</u>
Prior year over/(under) provision				
- Malaysian	40,290	50,886	40,610	51,839
	<u>(75,853)</u>	<u>39,563</u>	<u>(236,881)</u>	<u>(187,823)</u>

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

	Company		Company	
	Current quarter ended 30/06/2010 RM '000	30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	30/06/2009 RM '000
Tax expenses				
Malaysian – current	2,710	4,412	(52,394)	(53,631)
Transfer (from) / to deferred tax	-	-	-	-
	<u>2,710</u>	<u>4,412</u>	<u>(52,394)</u>	<u>(53,631)</u>
Prior year over/(under) provision				
- Malaysian	1,990	817	1,990	817
	<u>4,700</u>	<u>5,229</u>	<u>(50,404)</u>	<u>(52,814)</u>

The effective tax rate for the Company for the financial period 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 other than that disclosed in Note 24(c).

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 and that disclosed in Note 24(g).

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 except that of Note 23(d) and that mentioned below:

- (a) On 30 March 2010, CIMB , on behalf of HLB, announced that HLB had made a new offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997.20 to be satisfied fully in cash.

On 1 April 2010, CIMB , on behalf of HLB, announced that HLB had made a revised offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM5,060,423,745.60 to be satisfied fully in cash. ("Offer")

On 2 April 2010, CIMB , on behalf of HLB, announced that HLB had received confirmation from EON Cap to, amongst others, table the Offer for consideration and approval by EON Cap's shareholders and submit applications to the Minister of Finance and other relevant regulatory authority for approval of the Offer, in accordance with the terms of the Offer.

On 23 April 2010, CIMB , on behalf of HLB, announced the following:

- (i) details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,743.60 to be satisfied fully in cash ("Proposed Acquisition");
 - (ii) that HLB proposed to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("Rights Shares") to the entitled shareholders of HLB to raise gross proceeds of up to RM1,600 million ("Proposed Rights Issue"); and
 - (iii) HLB had made an application to BNM on the Proposed Acquisition and Proposed Rights Issue.
- (b) On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the Minister of Finance ("MoF") through Bank Negara Malaysia ("BNM") for, inter alia, the following:
- (i) Approval under Section 45(1)(a) of the Banking and Financial Institutions Act, 1989 ("BAFIA") for HLB to acquire interest in shares of more than 5% of the shares in EON Bank Berhad ("EON Bank") and MIMB Investment Bank Berhad ("MIMB");
 - (ii) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Cap which would result in a change in control of EON Bank and MIMB to HLB as provided under Section 49(1)(a) of BAFIA;
 - (iii) Approval under Section 22(2) of the Islamic Banking Act, 1993 ("IBA") for HLB to enter into an agreement or arrangement with EON Cap which would result in a disposal of EONCAP Islamic Bank Berhad ("EONCAP Islamic") shares to HLB as provided under Section 22(1)(a)(i) of IBA;
 - (iv) Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Bank which would result in the transfer of the banking operations of EON Bank to HLB as provided under Section 49(1)(b) of BAFIA; and
 - (v) Approval under Section 22(2) of IBA for Hong Leong Islamic Bank Berhad ("HLISB") to enter into an agreement or arrangement with EONCAP Islamic which would result in the transfer of the banking operations of EONCAP Islamic to HLISB as provided under Section 22(1)(a)(i) of IBA.

BNM had also given its approval, amongst others, for HLB to acquire the subsidiaries of EON Cap, including EON Bank, EONCAP Islamic and MIMB pursuant to Section 29 of BAFIA. HLB is also required to finalise the position of MIMB by 31 December 2010 in line with BNM's policy which prohibits a domestic banking group from holding 2 investment bank licenses.

9. Status of corporate proposals (Continued)

- (a) On 27 May 2010, CIMB on behalf of HLB announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) had, through its letter dated 26 May 2010, given its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

On 21 June 2010, CIMB, on behalf of HLB, announced inter alia, the following:

- (i) that EON Cap shall accept the Offer (as defined in the announcement dated 21 June 2010) no later than 1 business day immediately following the date after the last of the approvals for the Offer have been obtained from BNM/the Minister of Finance, the shareholders of EON Cap and HLB and the Securities Commission, upon terms and conditions acceptable to HLB (“Approvals”);
 - (ii) if all the Approvals, on terms and conditions acceptable to HLB, are not obtained by 15 August 2010, HLB reserves the right to withdraw the Offer;
 - (iii) within 2 business days of receipt of the acceptance of the Offer by EON Cap in accordance with the terms of the Offer, HLBB shall pay a deposit (“Deposit”) of RM25,000,000;
- (b) On 29 January 2010, HLFM announced that its wholly-owned subsidiary, HLAH proposed to issue up to RM2.0 billion in nominal value of medium term notes (“MTN”) under a proposed MTN Programme to raise funds for its working capital and investment purpose.

On 23 April 2010, the Securities Commission has approved the application subject to certain operational terms and conditions being fulfilled.

10. Group borrowings

The Group borrowings include:

	As at 30/06/2010 RM '000	As at 30/06/2009 RM '000
Bank loans	522,751	177,900
Capital market borrowing	219,507	419,228
Total Borrowings	<u>742,258</u>	<u>597,128</u>
Subordinated obligations - USD200 million	650,454	729,566

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

Details of financial instruments with off-balance sheet risk as at 30 June 2010

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	22,694,356	223,631	(258,334)
(ii) 1 year to 3 years	207,095	52	(321)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	5,678,879	59,524	(45,351)
(ii) 1 year to 3 years	5,831,889	355,558	(295,912)
(iii) More than 3 years	342,692	16,028	(24,401)
- Options			
(i) Less than 1 year	3,981,630	16,276	(16,371)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
Interest rate related contracts			
- Forwards			
(i) Less than 1 year	25,000	22	-
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
- Futures			
(i) Less than 1 year	3,461,388	96	(10,597)
(ii) 1 year to 3 years	2,854,650	-	(1,813)
(iii) More than 3 years	1,360,000	-	(639)
- Swaps			
(i) Less than 1 year	7,160,326	35,756	(30,881)
(ii) 1 year to 3 years	11,668,888	128,443	(148,696)
(iii) More than 3 years	15,054,375	201,991	(228,201)
Equity related contracts			
(i) Less than 1 year	155,350	204	(204)
(ii) 1 year to 3 years	32,900	-	-
(iii) More than 3 years	-	-	-
Total	80,509,418	1,037,581	(1,061,721)

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 RM569,392,174 (FYE June 2009 : RM77,554,000) and RM33,587,897,090 (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 RM1,339,766,178 (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

No interim dividend has been proposed for the quarter.

For the financial year ended 30 June 2010, a total dividend of 17 sen per share less income tax of 25% and 6 sen per share tax exempt was paid (30 June 2009 : 23 sen per share less income tax of 25%)

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.

	Group		Group	
	Current quarter ended	Last year quarter ended	Current year ended	Last year ended
Weighted Average Number Of Ordinary Shares	30/06/2010 RM '000	30/06/2009 RM '000	30/06/2010 RM '000	30/06/2009 RM '000
Weighted average number of ordinary shares	1,035,538	1,035,538	1,035,538	1,035,538
Net profit attributable to shareholders of the company	400,947	191,416	846,848	632,020
Basic earnings per share (Sen)	38.7	18.5	81.8	61.0

14. Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Weighted average number of ordinary shares	1,038,307	1,038,307	1,038,307	1,038,307
Net profit attributable to shareholders of the company	(240,362)	48,132	149,757	199,678
Basic earnings per share (Sen)	(23.1)	4.6	14.4	19.2

(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.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Weighted average no. of shares as at end of financial period	1,035,538	1,035,538	1,035,538	1,035,538
Weighted average number of ordinary shares (Diluted)	1,035,538	1,035,538	1,035,538	1,035,538
Net profit attributable to shareholders of the company	400,947	191,416	846,848	632,020
Fully diluted earnings per share (Sen)	38.7	18.5	81.8	61.0

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/06/2010 RM '000	Last year quarter ended 30/06/2009 RM '000	Current year ended 30/06/2010 RM '000	Last year ended 30/06/2009 RM '000
Weighted average no. of shares as at end of financial period	1,038,307	1,038,307	1,038,307	1,038,307
Weighted average number of ordinary shares (Diluted)	1,038,307	1,038,307	1,038,307	1,038,307
Net profit attributable to shareholders of the company	(240,362)	48,132	149,757	199,678
Fully diluted earnings per share (Sen)	(23.1)	4.6	14.4	19.2

Dated this 19 August 2010