

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2010

THE GROUP	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
<u>Assets</u>		
Cash and short term funds	15,190,805	17,181,501
Deposits and placements with financial institutions	6,604,548	7,698,751
Securities purchased under resale agreements	184,760	-
Securities held at fair value through profit or loss	11,836,167	9,308,836
Securities available-for-sale	10,094,286	8,096,680
Securities held-to-maturity	7,100,239	6,866,864
Loans, advances and financing	41,609,424	38,522,242
Clients' and brokers' balances	206,569	155,623
Other receivables	2,599,872	2,648,069
Assets classified as held for sale and discontinued operations	-	346,939
Statutory deposits with Bank Negara Malaysia	451,783	398,666
Tax recoverable	5,345	6,119
Investment in associates	1,886,797	1,172,175
Investment in jointly controlled company	75,296	76,023
Prepaid land lease payments	17,018	17,260
Deferred tax asset	140,340	176,138
Property and equipment	662,336	641,659
Intangible assets	631,286	628,823
Total Assets	99,296,871	93,942,368
<u>Liabilities</u>		
Deposits from customers	71,284,242	69,480,896
Deposits and placements of banks and other financial institutions	6,759,035	4,477,393
Bills and acceptances payable	1,039,531	304,140
Clients' and brokers' balances	350,165	262,415
Payables and other liabilities	3,360,462	4,942,138
Liabilities included in assets classified as held for sale and discontinued operations	-	320,102
Provision for claims	55,053	52,727
Provision for taxation	191,055	105,306
Bank loans	335,156	522,751
Subordinated obligations	691,392	650,454
Capital market borrowing	-	219,507
Insurance funds	5,540,129	5,175,709
Total Liabilities	89,606,220	86,513,538
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	1,469,185	1,464,230
Retained profits	4,542,085	2,703,870
Fair value reserves	64,078	17,854
Treasury shares held for ESOS	(74,896)	(78,171)
Total shareholders' equity	7,053,220	5,160,551
Minority interest	2,637,431	2,268,279
Total Equity	9,690,651	7,428,830
Total Liabilities and Equity	99,296,871	93,942,368
Commitment and Contingencies	112,641,027	102,891,118
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	6.81	4.99

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2010	quarter ended 31/12/2009	ended 31/12/2010	ended 31/12/2009
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	751,016	639,364	1,477,911	1,273,088
Interest expense	(370,513)	(292,239)	(718,658)	(588,103)
Net interest income	380,503	347,125	759,253	684,985
Income from Islamic banking business	49,366	47,889	96,212	95,969
Non interest income	870,923	159,242	1,217,894	335,889
Net income	1,300,792	554,256	2,073,359	1,116,843
Overhead expenses	(306,305)	(261,369)	(568,154)	(508,338)
Operating profit before allowances	994,487	292,887	1,505,205	608,505
Allowance for losses on loans, advances and financing and other losses	(39,325)	(24,781)	(79,623)	(68,291)
Impairment loss	(3,464)	6,022	(3,158)	6,213
	951,698	274,128	1,422,424	546,427
Share of results of associated company	59,125	27,194	95,976	57,719
Share of results of joint venture company	(466)	-	(727)	-
Profit before taxation and zakat	1,010,357	301,322	1,517,673	604,146
Taxation	(113,738)	(71,605)	(208,567)	(130,818)
Zakat	(17)	(380)	(31)	(393)
Net profit for the year	896,602	229,337	1,309,075	472,935
Attributable to :				
Equity holders of the company	787,007	146,381	1,112,261	303,976
Minority interests	109,595	82,956	196,814	168,959
Net profit for the year	896,602	229,337	1,309,075	472,935
Basic earnings per ordinary share (sen)	76.0	14.1	107.4	29.4
Diluted earnings per ordinary share (sen)	76.0	14.1	107.4	29.4
Other comprehensive income:				
Net fair value changes on available-for- sale securities, net of tax	(5,751)	(1,316)	(2,640)	33,430
Currency translation differences	5,733	(6,208)	(21,823)	(6,344)
Total comprehensive income for the period, net of tax	896,585	221,813	1,284,613	500,021
Attributable to :				
Equity holders of the company	788,443	138,857	1,089,252	331,062
Minority interests	108,142	82,956	195,361	168,959
	896,585	221,813	1,284,613	500,021

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2010

	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	12,377	12,041
Securities held at fair value through profit or loss	23,693	23,014
Other receivables	203,575	288,513
Tax recoverable	4,700	4,700
Investment in subsidiaries	2,224,472	2,278,996
Property and equipment	1,606	1,954
Intangible assets	61	124
Total Assets	2,470,484	2,609,342
<u>Liabilities</u>		
Payables and other liabilities	262,768	5,252
Bank loans	315,156	500,751
Capital market borrowing	-	219,507
Total Liabilities	577,924	725,510
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	384,412	383,047
Retained profits	514,440	513,767
Treasury shares held for ESOS	(59,060)	(65,750)
Total Equity	1,892,560	1,883,832
Total Liabilities and Equity	2,470,484	2,609,342
Commitment and Contingencies	368,030	368,030

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
THE COMPANY				
Interest income	520	343	1,814	632
Interest expense	(4,621)	(4,480)	(11,434)	(7,937)
Net interest expense	(4,101)	(4,137)	(9,620)	(7,305)
Non interest income	149,505	145,632	151,283	146,105
Net income	145,404	141,495	141,663	138,800
Overhead expenses	(16,992)	(3,893)	(21,354)	(7,955)
Profit before taxation and zakat	128,412	137,602	120,309	130,845
Taxation	(35,702)	(35,684)	(35,702)	(35,684)
Net profit for the year	92,710	101,918	84,607	95,161
Basic earnings per ordinary share (sen)	8.9	9.8	8.1	9.2
Diluted earnings per ordinary share (sen)	8.9	9.8	8.1	9.2

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 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	Regulatory 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 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
Changes in accounting policies (Note 29)	-	-	-	-	-	52,304	-	-	38,750	-	91,054	10,061	101,115
Restated opening balance as at 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	70,158	-	(3,174)	2,742,620	(78,171)	5,251,605	2,278,340	7,529,945
Exchange fluctuation differences	-	-	-	-	-	-	-	(16,929)	-	-	(16,929)	(4,894)	(21,823)
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	-	(6,080)	-	-	-	-	(6,080)	3,440	(2,640)
Other comprehensive income	-	-	-	-	-	(6,080)	-	(16,929)	-	-	(23,009)	(1,453)	(24,462)
Net profit for the financial year	-	-	-	-	-	-	-	-	1,112,261	-	1,112,261	196,814	1,309,075
Total comprehensive income/(expense) for the period	-	-	-	-	-	(6,080)	-	(16,929)	1,112,261	-	1,089,252	195,361	1,284,613
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	163,730	163,730
Transfer to statutory reserves	-	-	16,929	-	-	-	768	-	(16,929)	-	768	-	768
Gain on partial disposal of subsidiary	-	-	-	-	-	-	-	-	788,368	-	788,368	-	788,368
Dividend paid	-	-	-	-	-	-	-	-	(87,538)	-	(87,538)	-	(87,538)
- 1st interim dividend	-	-	-	-	3,478	-	-	-	-	-	3,478	-	3,478
Option reserves arising from ESOS	-	-	-	-	709	-	-	-	3,303	3,275	7,287	-	7,287
Exercise of ESOS	-	-	-	-	30,842	64,078	768	(20,103)	4,542,085	(74,896)	7,053,220	2,637,431	9,690,651
AT 31 DECEMBER 2010	1,052,768	117,229	1,207,191	133,258	30,842	64,078	768	(20,103)	4,542,085	(74,896)	7,053,220	2,637,431	9,690,651

FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 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	Regulatory 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
Exchange fluctuation differences	-	-	-	-	-	-	-	(6,344)	-	-	(6,344)	-	(6,344)
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	-	33,430	-	-	-	-	33,430	-	33,430
Net income/(expense) recognised directly in equity	-	-	-	-	-	33,430	-	(6,344)	-	-	27,086	-	27,086
Net profit for the financial year	-	-	-	-	-	-	-	-	303,976	-	303,976	168,959	472,935
Total comprehensive income/(expense) for the period	-	-	-	-	-	33,430	-	(6,344)	303,976	-	331,062	168,959	500,021
Transfer to statutory reserves	-	-	23,404	-	-	-	-	-	(23,404)	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	(27,573)	(27,573)
Dividend paid	-	-	-	-	6,460	-	-	-	(71,062)	-	(71,062)	-	(71,062)
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	6,460	-	6,460
Option reserve arising from ESOS	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-	-
AT 31 DECEMBER 2009	1,052,768	117,229	1,164,890	133,258	29,689	14,001	-	14,069	2,388,771	(78,171)	4,836,504	2,398,291	7,234,795

The regulatory reserves are maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Net profit for the financial year	-	-	-	-	84,607	-	84,607
Total recognised income/(expense) for the period	-	-	-	-	84,607	-	84,607
Dividend paid	-	-	-	-	(87,538)	-	(87,538)
- 1st interim dividend	-	-	-	-	-	-	1,365
Option reserves arising from ESOS	-	-	-	1,365	-	-	4,263
Exercise of ESOS	-	-	-	-	988	3,275	6,031
Transfer of ESOS shares to HLIA	-	-	-	-	2,616	3,415	6,031
AT 31 DECEMBER 2010	1,052,768	117,229	254,991	12,192	514,440	(59,060)	1,892,560

	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	-	-	-	-	95,161	-	95,161
Total recognised income/(expense) for the period	-	-	-	-	95,161	-	95,161
Dividend paid	-	-	-	-	(71,062)	-	(71,062)
- 1st interim dividend	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	1,311	-	-	1,311
AT 31 DECEMBER 2009	1,052,768	117,229	18,484	11,519	582,792	(65,750)	1,717,042

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	The Group		The Company	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	1,517,673	604,146	120,309	130,845
Adjustment for non-cash items and others	(577,678)	426,682	(126,716)	(133,050)
Operating profit before working capital changes	939,995	1,030,828	(6,407)	(2,205)
Income tax recovered/(paid)	(47,825)	(66,023)	-	6,190
Interest received	1,814	724	1,814	632
Net changes in working capital	1,211,779	(717,678)	245,979	14,065
Net cash flow from operating activities	2,105,763	247,852	241,385	18,682
Net cash flow from investing activities	(3,598,036)	(4,036,966)	169,675	(134,570)
Net cash flow from financing activities	(481,494)	(57,410)	(410,724)	119,279
Changes in cash and cash equivalents	(1,973,767)	(3,846,525)	336	3,391
Effect of change in foreign exchange rate	(16,929)	(6,344)	-	-
Cash and cash equivalents as at 1 July	17,181,501	19,500,176	12,041	2,791
Cash and cash equivalents as at 30 September	15,190,805	15,647,307	12,377	6,182

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 (“BNM”) and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2010.

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 2010 except for the first time adoption of the following standards, amendments to published standards and interpretations to existing standards:

FRS 3	Business Combinations
FRS 4	Insurance Contract
FRS 7	Financial Instruments: Disclosure
FRS 101	Presentation of Financial Statements
FRS 127	Consolidated and Separate Financial Statements
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 117	Leases
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions

The adoption of the above do not give rise to any material effects to the Group, other than the effects and change in accounting policies arising from adoption of FRS 139 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 2010 of HLFG

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2010.

3. Seasonality or cyclicity of operations

The business operations of the Group have not been materially affected by any seasonal and cyclical factors.

4. Exceptional items / unusual events affecting financial statements

There were no exceptional items or unusual events affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period.

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

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

The Company had previously granted 10,200,000 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.

During the financial period ended 31 December 2010, a total of 751,000 units was transferred to an insurance subsidiary company and a total of 720,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granted exercise price of RM5.92.

The remaining number of shares held by the appointed trustee for the Company as at 31 December 2010 was 13,080,408 units at an average price of RM4.55 per share and the total consideration paid, including transaction costs was RM59,470,949.

As at 31 December 2010, the insurance subsidiary company held a total of 3,519,992 units of the Company's shares at an average price of RM5.50 per share with total consideration paid, including transaction costs of RM19,346,876 which have been classified as treasury shares held for ESOS at the Group level.

7. Dividends paid

An interim dividend of 10 sen per share (6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier) was paid on 16 December 2010.

8. Segmental reporting

Segmental information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on arms length basis. These transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise tax recoverable, tax payable and other corporate assets and other corporate liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

Business segments

The Group comprises the following main business segments:

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

GROUP 31 DECEMBER 2010	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	1,137,605	57,193	858,182	20,379	-	-	-	-	-	-	-	2,073,359
Intersegment sales	6,146	2,651	4,096	5,098	(17,991)							-
	<u>1,143,751</u>	<u>59,844</u>	<u>862,278</u>	<u>25,477</u>	<u>(17,991)</u>							<u>2,073,359</u>
Results for the year ended												
Segment results	596,307	28,266	825,767	(27,916)	-	-	-	-	-	-	-	1,422,424
Share of results of associated company												95,976
Share of results of joint venture company												(727)
Profit before taxation and zakat												<u>1,517,673</u>
Taxation and zakat												(208,598)
Profit after taxation												<u>1,309,075</u>
Minority interest												(196,814)
Net profit for the year												<u>1,112,261</u>
Other information												
Segment assets	88,161,573	2,283,239	8,870,369	241,380	(438,739)							99,117,822
Other corporate assets												179,049
Total consolidated assets												<u>99,296,871</u>
Segment liabilities	81,357,562	2,041,145	6,384,365	307,212	(799,220)							89,291,064
Other corporate liabilities												315,156
Total consolidated liabilities												<u>89,606,220</u>
Capital expenditure	55,991	2,770	4,094	16	-	-	-	-	-	-	-	62,871
Depreciation of property and equipments	25,708	1,164	1,401	364	-	-	-	-	-	-	-	28,637
Amortisation of intangible assets	8,203	420	715	63	-	-	-	-	-	-	-	9,401
Amortisation of prepaid lease payment	281	-	-	-	-	-	-	-	-	-	-	281
Loan loss and other allowances	105,030	1,041	1,896	-	-	-	-	-	-	-	-	107,967
Impairment losses	(6,939)	-	(508)	-	-	-	-	-	-	-	-	(7,447)

GROUP 31 DECEMBER 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	1,024,402	39,876	66,856	(12,374)	-	-	-	-	-	-	1,118,760	
Intersegment sales	6,679	513	2,465	4,050	(15,624)	(15,624)					(1,917)	
	<u>1,031,081</u>	<u>40,389</u>	<u>69,321</u>	<u>(8,324)</u>	<u>(15,624)</u>	<u>(15,624)</u>					<u>1,116,843</u>	
Results for the year ended												
Segment results	522,393	11,929	29,801	(17,696)	-	-	-	-	-	-	546,427	
Share of results of associated company											57,719	
Profit before taxation and zakat											604,146	
Taxation and zakat											(131,211)	
Profit after taxation											472,935	
Minority interest											(168,959)	
Net profit for the year											<u>303,976</u>	
Other information												
Segment assets	79,933,076	704,056	6,471,051	69,212	203,618						87,381,013	
Other corporate assets											695,746	
Total consolidated assets											<u>88,076,759</u>	
Segment liabilities	74,004,196	488,906	6,084,415	51,167	(427,289)						80,201,395	
Other corporate liabilities											640,569	
Total consolidated liabilities											<u>80,841,964</u>	
Capital expenditure	79,767	1,931	79,279	351	-	-	-	-	-	-	161,328	
Depreciation of property and equipments	11,024	555	1,739	189	-	-	-	-	-	-	13,507	
Amortisation of intangible assets	2,991	-	-	30	-	-	-	-	-	-	3,021	
Amortisation of prepaid lease payment	21	-	-	-	-	-	-	-	-	-	21	
Loan loss and other allowances	43,510	-	-	-	-	-	-	-	-	-	43,510	

9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	154,586	251,599
Malaysian Government Securities	579,689	1,107,934
Negotiable instruments of deposit	628,259	784,708
Bankers' acceptances and Islamic accepted bills	4,271,802	2,771,744
Bank Negara Malaysia bills	4,797,908	2,606,431
Malaysian Government Investment Certificates	900,626	1,116,703
Cagamas bonds/notes	-	254,998
Private debts securities	185,697	190,544
	11,518,567	9,084,661
Quoted securities :		
Shares/Loan stocks/Unit Trust	90,115	45,013
Foreign currency bonds	206,834	118,292
Unquoted securities :		
Private debt securities	20,651	60,870
Total securities held at fair value through profit and loss	11,836,167	9,308,836
	Company	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	23,693	23,014

10. Securities available-for-sale

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	336,494	533,551
Malaysian Government Securities	1,044,806	1,571,027
Malaysian Government Investment Certificates	2,684,050	2,123,648
Cagamas bonds	109,211	129,476
Other Government securities	54,820	51,910
	4,229,381	4,409,612
Quoted securities :		
Shares/Loan stocks/Unit Trust	1,392,822	632,254
Foreign Currency Bonds	841,897	513,672
Unquoted securities :		
Foreign Currency Bonds	-	12,347
Private debt securities/shares/reits	3,630,186	2,528,795
Total securities available-for-sale	10,094,286	8,096,680

11. Securities held-to-maturity

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	3,794,501	4,144,712
Malaysian Government Investment Certificates	1,261,927	1,312,548
Negotiable instruments of deposit	1,479,845	690,588
Cagamas bonds	169,886	279,872
Bank Negara Malaysia bills	-	-
	6,706,159	6,427,720
Quoted securities :		
Foreign Currency Bonds	4,732	3,374
Unquoted securities :		
Private debt securities/shares/loan stocks	389,348	435,770
Total securities held-to-maturity	7,100,239	6,866,864

12. Loans, advances and financing

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Overdrafts	2,063,371	2,036,810
Term loans :		
- Housing loans/financing	25,024,251	22,534,948
- Syndicated term loan/financing	2,907,956	2,270,838
- Hire purchase receivables	5,911,108	5,650,823
- Lease receivables	5,998	11,866
- Other term loans/financing	2,549,875	2,263,522
Credit/charge card receivables	2,421,663	2,210,438
Bills receivables	472,863	268,725
Trust receipts	91,274	98,419
Claims on customers under acceptance credits	3,597,845	3,619,054
Block discounting	8,329	8,244
Revolving credits	2,015,911	1,393,605
Policy and premium loans	667,498	655,246
Staff loans	88,112	99,531
Other loans/financing	103,649	87,416
	47,929,703	43,209,485
Unearned interest and income	(5,316,375)	(3,876,159)
	42,613,328	39,333,326
Fair value changes arising from fair value hedges	-	-
Unamortised fair value changes arising from terminated fair value hedges	35,568	46,725
Allowance for bad and doubtful debts and financing :		
- general	-	(579,618)
- specific	-	(278,191)
- collective assessment	(813,693)	-
- individual assessment	(225,779)	-
Net loans, advances and financing	41,609,424	38,522,242

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
Domestic non-bank financial institutions	170,456	178,501
Domestic business enterprises		
- Small and medium enterprises	3,667,487	3,349,519
- Others	8,992,779	8,347,349
Government and statutory bodies	106	278
Individuals	27,881,470	26,220,188
Other domestic entities	13,974	14,395
Foreign entities	1,887,056	1,223,096
Gross loans, advances and financing	<u>42,613,328</u>	<u>39,333,326</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
Fixed rate		
- Housing loans/financing	542,435	530,012
- Hire purchase receivables	5,115,875	4,924,898
- Other fixed rate loan/financing	4,522,839	3,981,846
Variable rate		
- Base lending rate plus	27,175,337	25,141,613
- Cost plus	5,025,279	4,682,310
- Other variables rates	231,563	72,647
Gross loans, advances and financing	<u>42,613,328</u>	<u>39,333,326</u>

(c) By economic purpose

	Group	
	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
Purchase of securities	598,587	476,082
Purchase of transport vehicles	5,211,771	4,834,160
Purchase of landed properties		
- residential	17,283,023	14,930,332
- non-residential	5,101,876	4,436,355
Personal use	1,646,311	2,994,401
Credit card	2,421,663	2,210,438
Purchase of consumer durables	63	62
Construction	250,631	298,512
Working capital	9,087,012	8,449,753
Others	1,012,391	703,231
Gross loans, advances and financing	<u>42,613,328</u>	<u>39,333,326</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Purchase of securities	13,381	12,952
Purchase of transport vehicles	52,971	40,252
Purchase of landed properties		
- residential	236,891	201,359
- non-residential	63,789	55,633
Personal use	68,709	53,792
Credit card	23,657	27,859
Construction	20,146	15,907
Working capital	403,052	321,667
Others	2	2
Gross loans, advances and financing	<u>882,598</u>	<u>729,423</u>

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

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
At beginning		
- as previously stated	729,423	802,444
- effect of adopting FRS 139	203,467	-
As restated	<u>932,890</u>	<u>802,444</u>
Non-performing during the period/year	344,919	2,910,248
Reclassified as performing	(183,736)	(2,482,001)
Amount written back in respect of recoveries	(134,412)	(287,549)
Amount written off	(77,726)	(211,708)
Amount transferred in respect of acquisition	-	-
Exchange differences	663	(2,011)
Closing balance	<u>882,598</u>	<u>729,423</u>
Specific allowance	-	(278,191)
Net non-performing loans, advances and financing	<u>882,598</u>	<u>451,232</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>2.1%</u>	<u>1.2%</u>

12. Loans, advances and financing (continued)

(f) Movements in allowance for bad and doubtful debts (and financing) accounts are as follows:

	Group	
	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
<u>Collective Assessment Allowance</u>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	769,545	-
As restated	769,545	-
Net allowance made during the period/year	161,880	-
Amount written back in respect of recoveries	(46,393)	-
Amount written off	(65,542)	-
Unwinding income	(6,422)	-
Exchange differences	625	-
Closing balance	813,693	-
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.0%	-
<u>Individual Assessment Allowance</u>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	228,018	-
As restated	228,018	-
Net allowance made during the period/year	30,454	-
Amount written back in respect of recoveries	(16,335)	-
Amount written off	(8,118)	-
Unwinding income	(8,995)	-
Exchange differences	755	-
Closing balance	225,779	-
<u>General Allowance</u>		
At beginning		
- as previously stated	579,621	546,080
- effect of adopting FRS 139	(579,621)	-
As restated	-	546,080
Net allowance made during the period/year	-	34,135
Exchange differences	-	(594)
Closing balance	-	579,621
As % of gross loans, advances and financing less specific allowance	0.0%	1.5%
<u>Specific Allowance</u>		
At beginning		
- as previously stated	278,191	330,119
- effect of adopting FRS 139	(278,191)	-
As restated	-	330,119
Allowance made during the period/year	-	289,510
Amount written back in respect of recoveries	-	(128,463)
Amount written off	-	(211,708)
Exchange differences	-	(1,267)
Closing balance	-	278,191

13. Other receivables

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Interest/Income receivable	226,717	215,058
Investment properties	1,680	1,600
Other debtors, deposits and prepayments	2,370,979	2,430,134
Foreclosed properties	496	1,277
	<u>2,599,872</u>	<u>2,648,069</u>

	Company	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Amount due from subsidiary companies	200,128	282,038
Amount due from related companies	330	10
Other debtors, deposits and prepayments	3,117	6,465
	<u>203,575</u>	<u>288,513</u>

14. Deposits from customers

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Fixed deposits	40,635,016	38,528,523
Negotiable instruments of deposit	3,662,940	2,580,634
Demand deposits	8,701,323	7,964,808
Savings deposits	8,677,385	8,392,327
Short term corporate placement	9,350,589	11,759,585
Other	256,989	255,019
	<u>71,284,242</u>	<u>69,480,896</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
One year or less (short term)	40,969,445	40,011,949
More than one year (medium/long term)	3,328,511	1,097,208
	<u>44,297,956</u>	<u>41,109,157</u>

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

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Government and statutory bodies	2,415,192	856,715
Business enterprises	32,839,154	34,229,890
Individuals	34,992,279	33,353,132
Others	1,037,617	1,041,159
	<u>71,284,242</u>	<u>69,480,896</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Licensed banks	5,616,249	3,644,826
Other financial institutions	1,142,786	832,567
	<u>6,759,035</u>	<u>4,477,393</u>
The maturity structure :		
One year or less (short term)	6,759,035	4,477,393
More than one year (medium/long term)	-	-
	<u>6,759,035</u>	<u>4,477,393</u>

16. Payables and other liabilities

	Group	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Trade payables	554,168	521,257
Amount due to related companies	4,660	3,940
Other payables and accrued liabilities	1,507,641	3,051,056
Loan advance payment	1,062,081	982,043
Interest payable	226,995	378,423
Post employment benefits obligations - defined contribution plan	4,917	5,419
	<u>3,360,462</u>	<u>4,942,138</u>
	Company	
	As at	As at
	31/12/2010	30/06/2010
	RM '000	RM '000
Amount due to subsidiary companies	257,136	22
Other payables and accrued liabilities	5,287	4,645
Interest payable	329	570
Post employment benefits obligations - defined contribution plan	16	15
	<u>262,768</u>	<u>5,252</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2010 RM '000	quarter ended 31/12/2009 RM '000	ended 31/12/2010 RM '000	ended 31/12/2009 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	452,275	379,463	894,827	767,906
- recoveries from NPLs	-	26,027	-	51,454
Money at call and deposit placements				
with financial institutions	114,117	79,588	228,777	153,413
Securities purchased under resale agreement	1,086	-	1,339	6
Securities held at fair value through				
profit and loss	25,284	15,624	51,176	31,570
Securities available-for-sale	27,588	40,180	57,402	83,798
Securities held-to-maturity	119,884	61,691	228,043	110,524
Others	10,682	376	16,003	725
	<u>750,916</u>	<u>602,949</u>	<u>1,477,567</u>	<u>1,199,396</u>
Amortisation of premium less				
accretion of discount	100	38,812	344	78,684
Interest suspended	-	(2,397)	-	(4,992)
	<u>751,016</u>	<u>639,364</u>	<u>1,477,911</u>	<u>1,273,088</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2010 RM '000	quarter ended 31/12/2009 RM '000	to date 31/12/2010 RM '000	to date 31/12/2009 RM '000
Money at call and deposit placements				
with financial institutions	154	82	410	103
Others	366	261	1,404	529
	<u>520</u>	<u>343</u>	<u>1,814</u>	<u>632</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2010 RM '000	quarter ended 31/12/2009 RM '000	ended 31/12/2010 RM '000	ended 31/12/2009 RM '000
Deposits and placements of banks				
and other financial institutions	19,399	5,575	35,492	13,418
Deposits from customers	271,495	217,340	507,895	445,881
Borrowings	3,059	4,506	10,127	8,704
Subordinated bonds	8,947	8,865	17,665	17,969
Short term corporate placements	66,660	54,977	145,850	100,278
Others	953	976	1,629	1,853
	<u>370,513</u>	<u>292,239</u>	<u>718,658</u>	<u>588,103</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2010 RM '000	quarter ended 31/12/2009 RM '000	to date 31/12/2010 RM '000	to date 31/12/2009 RM '000
Borrowings	4,185	3,952	10,821	6,936
Others	436	528	613	1,001
	<u>4,621</u>	<u>4,480</u>	<u>11,434</u>	<u>7,937</u>

19. Non Interest Income

	Group		Group	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Net income from Insurance Business	9,381	24,872	211,184	51,514
Net brokerage and commissions from Stockbroking Business	22,408	12,088	36,917	25,409
Net unit trust and asset management income	6,365	4,625	10,944	8,914
Fee income:				
Management fees	9,226	(1,759)	11,009	-
Commissions	17,145	17,521	34,427	35,700
Service charges and fees	4,939	4,706	9,210	9,055
Guarantee fees	1,684	1,528	3,079	2,898
Other fee income	76,676	47,040	135,963	97,042
	109,670	69,036	193,688	144,695
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	4,801	45,051	7,364	45,039
Net gain from sale of securities available-for-sale	9,304	2,228	17,902	3,576
Net gain/(loss) from redemption of securities held-to-maturity	243	(2,375)	243	1,021
	14,348	44,904	25,509	49,636
Gross dividend income from:				
Securities held at fair value through profit and loss	28,088	(12,739)	55,384	245
Securities available-for-sale	2,283	2,560	7,460	3,657
Securities held-to-maturity	31	2,422	91	3,396
	30,402	(7,757)	62,935	7,298
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	18,465	(31,812)	6,417	(30,078)
Net realised gains/(losses) on fair value changes arising from fair value hedge	(15,051)	(9,947)	(19,953)	(10,140)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	18,378	16,878	13,761	17,043
Other income:				
Foreign exchange gain/(loss)	23,435	30,867	38,392	58,341
Rental income	356	138	767	365
Gain/(loss) on disposal of property and equipment	(230)	602	(559)	808
Gain/(loss) on liquidation	132	(1,202)	132	(1,202)
Profit from Takaful investments	-	-	-	1,758
Others	632,864	5,950	637,760	11,528
	656,557	36,355	676,492	71,598
Total non interest income	870,923	159,242	1,217,894	335,889

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Fee income:				
Management fees	1,911	1,759	3,694	3,518
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	26	33	(95)	33
Gross dividend income from:				
Securities held at fair value through profit and loss	302	96	1,063	161
Subsidiary companies	142,807	142,736	142,807	142,736
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	3,730	551	(2,524)	(978)
Other income:				
Gain on disposal of subsidiary company	-	-	-	-
Others	729	457	6,338	635
Total non interest income	149,505	145,632	151,283	146,105

20. Overhead expenses

	Group		Group	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	135,091	121,594	265,348	240,496
- Others	16,428	15,915	27,429	26,313
<u>Establishment costs</u>				
- Depreciation of property and equipments	14,162	14,194	28,637	27,701
- Amortisation of intangible assets	4,514	3,045	9,401	6,066
- Amortisation of prepaid lease payment	141	21	281	42
- Rental	13,296	13,050	26,832	26,518
- Information technology expenses	18,846	13,136	29,976	26,449
- Others	13,667	12,302	27,722	24,179
<u>Marketing expenses</u>				
- Advertisement and publicity	4,836	18,353	11,617	33,557
- Handling fees	-	(733)	-	277
- Others	16,778	13,719	34,293	26,227
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,324	2,446	3,515	4,130
- Stationery & printing	3,071	2,756	5,631	5,940
- Others	63,151	31,571	97,472	60,443
	306,305	261,369	568,154	508,338

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,276	2,188	4,551	4,460
- Others	773	666	1,565	1,427
<u>Establishment costs</u>				
- Depreciation of property and equipments	182	190	364	380
- Amortisation of intangible assets	32	31	63	61
- Rental	146	175	339	346
- Others	59	82	114	180
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	8	17	17
- Stationery & printing	19	17	33	37
- Others	13,496	536	14,309	1,047
	<u>16,992</u>	<u>3,893</u>	<u>21,354</u>	<u>7,955</u>

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

	Group		Group	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	-	76,969	-	156,854
- written back	-	(28,390)	-	(51,013)
(b) General allowance				
- made during the financial year	-	(611)	-	4,321
(c) Collective assessment allowance				
- made during the financial year	53,618	-	113,953	-
(d) Individual assessment allowance				
- made during the financial year	6,482	-	8,297	-
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	202	-	(6)	-
- written back	-	-	-	-
(b) General allowance				
- made during the financial year	(368)	-	(173)	-
(c) Individual assessment allowance				
- written back	232	-	(217)	-
Bad debts and financing written off	2,318	1,814	4,384	3,578
Bad debts and financing recovered	(23,159)	(25,001)	(46,615)	(45,449)
	<u>39,325</u>	<u>24,781</u>	<u>79,623</u>	<u>68,291</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 31/12/2010 RM '000	As at 30/06/2010 RM '000	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
<u>Components of Tier - 1 and Tier - 2 Capital</u>						
Tier - 1 capital						
Paid up share capital	1,580,107	1,580,107	500,000	500,000	265,535	265,535
Share premium	539,664	539,664	-	-	-	-
Retained profit	2,872,891	2,573,041	139,796	156,726	10,644	10,644
Other Reserves	1,796,168	1,792,970	162,268	161,303	11,044	11,044
Less : Treasury Shares	(678,625)	(687,908)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,236)	(30,236)
Less : Deferred Tax	(102,976)	(122,544)	(17,593)	(17,593)	(52,597)	(52,597)
Add : Minority interest	-	-	-	-	-	-
Total tier 1 capital	6,007,229	5,675,330	784,471	800,436	204,390	204,390
Tier - 2 capital						
General provision	-	511,615	75,801	66,175	-	1,805
Collective assessment allowance	546,721	-	-	-	1,525	-
Subordinated obligations	700,000	647,500	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	-	-
Total tier 2 capital	1,246,721	1,159,115	75,801	66,175	3,156	3,436
Total eligible tier-2 capital	1,246,721	1,159,115	75,801	66,175	3,156	3,436
Total capital						
Less : Investment in associated company	7,253,950	6,834,445	860,272	866,611	207,546	207,826
Less : Investment in subsidiary companies	(946,505)	(946,505)	-	-	-	-
Less : Investment in jointly controlled company	(1,023,117)	(714,092)	-	-	(588)	(588)
Less : Investment in jointly controlled company	(76,711)	(76,711)	-	-	-	-
Total capital base	5,207,617	5,097,137	860,272	866,611	206,958	207,238
<u>Before deducting proposed dividends</u>						
Core Capital Ratio	13.01% *	13.34%	17.62%	19.74%	28.23%	33.06%
Risk-weighted Capital Ratio	13.01%	13.34%	19.33%	21.37%	28.59%	33.52%
<u>After deducting proposed dividends</u>						
Core Capital Ratio	12.75% *	12.90%	17.62%	19.15%	28.23%	33.06%
Risk-weighted Capital Ratio	12.75%	12.90%	19.33%	20.78%	28.59%	33.52%

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

There are no material events subsequent to the end of the financial period ended 31 December 2010 except for the following:

HLA Holdings Sdn Bhd ("HLAH"), a wholly owned subsidiary of HLF, had on 31 January 2011, with the confirmation of the High Court, carried out a capital repayment of RM937,500,000 in cash to the member whose name appeared in its Register of Members at the close of business on 30 September 2010, effected by way of reducing the paid-up ordinary share capital of HLAH which was in excess of the needs of HLAH on the basis of RM0.75 per share in respect of the RM1,250,000,000 ordinary shares of RM1.00 each which had been issued and fully paid-up ("Capital Repayment").

Upon completion of the Capital Repayment, the 1,250,000,000 ordinary shares of RM0.25 each of HLAH was consolidated in such manner that every 4 of the said ordinary shares constituted 1 ordinary share of RM1.00 each, which the sum of RM1.00 was credited as fully paid-up.

24. Changes in composition of the Group

There were no changes in the composition of the Group for the current financial period and up to the date of this report except for the following:

- a. On 2 July 2010, Hong Leong Bank Berhad ("HLB") announced that it 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.

- b. HLAH, which is a wholly-owned subsidiary of HLF and Hong Leong Assurance Bhd ("HLA"), which is a wholly-owned subsidiary of HLAH, had on 18 June 2010 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 involved the following:

- (a) 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 ("Proposed Non-Life Business Merger"); and

24. Changes in composition of the Group (continued)

(b) Upon completion of the Proposed Non-Life Business Merger, HLAH would dispose of 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 ("Proposed Disposal").

The Proposed Non-Life Business Merger and Proposed Disposal were completed on 1 October 2010, and on even date, the equity interest of HLAH in HLA was reduced from 100% to 70%. At the same time, HLA transferred its 30% stake in MSIM to HLAH whereupon MSIM became an associated company of HLAH.

25. Commitments and contingencies

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

The commitments and contingencies constitute the following:

	As at 31/12/10			As at 30/06/10		
	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	178,241	178,239	168,168	175,141	175,141	164,268
Transaction-related contingent items	287,744	143,872	130,944	257,429	128,715	117,040
Short-term self liquidating trade-related contingencies	460,965	92,193	88,827	533,384	106,677	104,316
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	24,852,815	-	-	21,415,746	-	-
Foreign exchange related contracts	37,017,387	1,052,057	652,290	38,854,571	1,508,811	955,252
Interest rate related contracts	49,643,882	1,764,835	868,947	41,466,597	1,404,961	706,729
Equity related contracts	199,993	10,988	4,913	188,250	12,159	3,388
Total	112,641,027	3,242,184	1,914,089	102,891,118	3,336,464	2,050,993

- 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 31 December 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							Total	Effective interest rate %
	31/12/2010								
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-Interest sensitive	Trading book	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets									
Cash and short-term funds	1,653,311	49,097	-	-	-	13,488,397	-	15,190,805	2.5
Deposits and placements with banks and other financial institution	20,220	5,494,564	1,050,127	28,156	11,481	-	-	6,604,548	2.4
Securities purchased under resale agreements	-	-	-	-	-	184,760	-	184,760	-
Securities held at fair value through profit or loss	-	-	-	2,990	11,344	23,919	11,797,914	11,836,167	3.6
Securities available-for-sale	949,659	84,299	1,562,939	4,486,164	1,357,970	1,653,255	-	10,094,286	6.3
Securities held-for-maturity	1,035,885	849,487	1,204,123	3,910,024	99,485	1,235	-	7,100,239	3.4
Loans, advances and financing									
- performing	35,069,507	178,206	266,187	3,155,856	2,050,384	30,085	-	40,750,225	4.2
- non performing	-	-	-	-	-	859,199	-	859,199	-
Clients' and brokers' balances	-	-	-	-	-	206,569	-	206,569	-
Other receivables	-	-	-	-	-	2,599,872	-	2,599,872	-
Assets held for sale	-	-	-	-	-	-	-	-	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	451,783	-	451,783	-
Tax recoverable	-	-	-	-	-	5,345	-	5,345	-
Investment in associates	-	-	-	-	-	1,886,797	-	1,886,797	-
Investment in jointly controlled company	-	-	-	-	-	75,296	-	75,296	-
Prepaid land lease payments	-	-	-	-	-	17,018	-	17,018	-
Deferred tax assets	-	-	-	-	-	140,340	-	140,340	-
Property and equipment	-	-	-	-	-	662,336	-	662,336	-
Intangible assets	-	-	-	-	-	631,286	-	631,286	-
Total assets	38,728,582	6,655,653	4,083,376	11,583,190	3,530,664	22,917,492	11,797,914	99,296,871	
Liabilities									
Deposits from customers	34,147,871	11,781,636	-	13,875,168	3,142,723	8,336,844	-	71,284,242	2.0
Deposits and placements of banks and other financial institution	5,345,624	1,282,073	129,689	-	-	1,649	-	6,759,035	1.9
Bills and acceptance payable	8,579	53,292	24,308	-	-	953,352	-	1,039,531	2.7
Clients' and brokers' balances	-	-	-	-	-	350,165	-	350,165	-
Payables and other liabilities	-	-	-	-	-	3,360,462	-	3,360,462	-
Liabilities held for sale	-	-	-	-	-	-	-	-	-
Provision for claims	-	-	-	-	-	55,053	-	55,053	-
Provision for taxation	-	-	-	-	-	191,055	-	191,055	-
Bank loans	21,000	-	200,000	114,156	-	-	-	335,156	3.9
Subordinated obligations	-	-	-	696,489	-	(5,097)	-	691,392	4.9
Capital market borrowing									
- Commercial paper	-	-	-	-	-	-	-	-	-
Insurance funds	-	-	-	-	-	5,540,129	-	5,540,129	-
Total liabilities	39,523,074	13,117,001	353,997	14,685,813	3,142,723	18,783,612	-	89,606,220	
Shareholder's equity	-	-	-	-	-	7,053,220	-	7,053,220	
Minority interest	-	-	-	-	-	2,637,431	-	2,637,431	
Total liabilities and shareholder's equity	39,523,074	13,117,001	353,997	14,685,813	3,142,723	28,474,263	-	99,296,871	
On-balance sheet interest sensitivity gap	(794,492)	(6,461,348)	3,729,379	(3,102,623)	387,941				

27. Interest/Profit rate risk (continued)

The Group
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	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	6.4
- non performing	-	-	-	-	-	444,464	-	444,464	-
Clients' and brokers' balances	-	-	-	-	-	155,623	-	155,623	-
Other receivables	-	-	-	-	-	2,648,069	-	2,648,069	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	398,666	-	398,666	-
Tax recoverable	-	-	-	-	-	6,119	-	6,119	-
Investment in associate	-	-	-	-	-	1,172,175	-	1,172,175	-
Investment in jointly controlled company	-	-	-	-	-	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	-
Non-current assets held for sale	-	-	-	-	-	346,939	-	346,939	-
Total assets	49,298,323	7,031,778	2,796,244	13,142,684	4,742,105	7,275,459	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	-
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	-
Capital market borrowing									
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
Insurance funds	-	-	-	-	-	5,175,709	-	5,175,709	-
Liabilities directly associated with non-current assets held for sale	-	-	-	-	-	320,102	-	320,102	-
Total liabilities	38,458,495	10,564,710	16,379,457	2,429,433	-	18,361,341	-	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	-	25,790,171	-	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 Company
31/12/2010

	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	11,900	-	-	-	-	477	-	12,377	2.8
Securities held at fair value through profit or loss	-	-	-	-	-	-	23,693	23,693	-
Other receivables	-	-	-	-	-	203,575	-	203,575	-
Investment in subsidiaries	-	-	-	-	-	2,224,472	-	2,224,472	-
Tax recoverable	-	-	-	-	-	4,700	-	4,700	-
Property and equipment	-	-	-	-	-	1,606	-	1,606	-
Intangible assets	-	-	-	-	-	61	-	61	-
Total assets	11,900	-	-	-	-	2,434,891	23,693	2,470,484	
Liabilities									
Payables and other liabilities	-	-	-	-	-	262,768	-	262,768	-
Bank loans	1,000	-	200,000	114,156	-	-	-	315,156	0.6
Capital market borrowing									
- Commercial paper	-	-	-	-	-	-	-	-	-
- Medium Term Notes	-	-	-	-	-	-	-	-	-
Total liabilities	1,000	-	200,000	114,156	-	262,768	-	577,924	
Shareholder's equity	-	-	-	-	-	1,892,560	-	1,892,560	
Total liabilities and shareholder's equity	1,000	-	200,000	114,156	-	2,155,328	-	2,470,484	
On-balance sheet interest sensitivity gap	10,900	-	(200,000)	(114,156)	-				

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	2.1
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)	-				

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 31 December 2010

	Group	
	As at 31/12/2010	As at 30/06/2010
	RM'000	RM'000
ASSETS		
Cash and short-term funds	867,878	2,096,269
Deposits and placements with banks and other financial institutions	693,946	469,178
Securities held at fair value through profit or loss	2,444,542	2,133,529
Securities available-for-sale	1,191,932	569,403
Securities held-for-maturity	405,894	461,739
Financing, advances and other financing	4,879,589	4,138,867
Other receivables	19,693	26,791
Statutory deposits with Bank Negara Malaysia	76,500	47,000
Property, plant and equipment	2,958	1,977
Deferred tax assets	20,196	17,593
Total Assets	10,603,128	9,962,346
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	8,879,182	7,731,615
Deposits and placements of banks and other financial institutions	168,422	865,979
Bills and acceptance payable	148,940	18,774
Payables and other liabilities	562,379	521,766
Provision for taxation	9,481	5,402
Total Liabilities	9,768,404	9,143,536
Islamic banking capital fund	500,000	500,000
Reserves	334,724	318,810
Islamic Banking Funds	834,724	818,810
Total Liabilities and Islamic Banking Funds	10,603,128	9,962,346
Commitments and Contingencies	1,468,416	1,468,416

(b) Unaudited Income Statements for the 2nd Quarter Ended 31 December 2010

	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Group				
Income derived from investment of deposits' funds and others	96,050	73,495	182,650	146,678
Income derived from investment of shareholders' funds	11,858	10,793	21,202	20,183
Allowance for losses on financing	(7,069)	2,635	(14,941)	491
Profit equalisation reserve	3,734	1,540	2,720	4,642
Total distributable income	104,573	88,463	191,631	171,994
Income attributable to deposits	(62,276)	(37,939)	(110,360)	(75,534)
Total net income	42,297	50,524	81,271	96,460
Other operating expenses	(18,811)	(17,207)	(36,115)	(34,003)
Profit before taxation and zakat	23,486	33,317	45,156	62,457
Zakat	(17)	(12)	(31)	(25)
Taxation	(5,849)	(8,342)	(11,268)	(15,624)
Profit after taxation and zakat	17,620	24,963	33,857	46,808
Profit attributable to shareholders	17,620	24,963	33,857	46,808
Earnings per share - basic (sen)	3.52	4.99	6.77	9.36
Earnings per share - fully diluted (sen)	3.52	4.99	6.77	9.36

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

(i) **By type**

	Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Cash line	1,244	3,613
Term financing		
- House financing	5,874,788	4,334,789
- Hire purchase receivable	2,524,711	2,466,921
- Lease receivable	5,938	11,806
- Other term financing	946,028	560,441
Claims on customers under acceptance credits	218,775	103,135
Staff financing	6	3
Revolving credit	3,087	-
Others	388	467
	<u>9,574,965</u>	<u>7,481,175</u>
Less: Unearned income	<u>(4,593,089)</u>	<u>(3,253,426)</u>
	4,981,876	4,227,749
Less: Allowance for bad and doubtful financing		
- Collective assessment	(98,403)	-
- Individual assessment	(3,884)	-
- General	-	(66,175)
- Specific	-	(22,707)
Total net financing, advances and other financing	<u>4,879,589</u>	<u>4,138,867</u>

(ii) **By contract**

	Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Bai' Bithaman Ajil (deferred payment sale)	2,550,900	1,941,026
Ijarah (lease)	5,897	11,687
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,203,221	2,171,901
Murabahah (cost-plus)	221,858	103,135
	<u>4,981,876</u>	<u>4,227,749</u>

Non-performing financing

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

	Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
At beginning		
- as previously stated	36,324	46,260
- effect of adopting FRS 139	6,432	-
As restated	<u>42,756</u>	<u>46,260</u>
Non-performing during the period/year	30,135	235,161
Reclassified as performing	(15,430)	(211,205)
Amount written back in respect of recoveries	(9,434)	(24,167)
Amount written off	-	(9,725)
Closing balance	<u>90,783</u>	<u>36,324</u>
Net non-performing financing, advances and other financing	<u>90,783</u>	<u>13,617</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.9%</u>	<u>0.3%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Collective assessment allowance		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	84,875	-
As restated	84,875	-
Net allowance made/(written back) during the year	14,050	-
Unwinding income	(522)	-
Closing balance	98,403	-
Individual assessment allowance		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	1,294	-
As restated	1,294	-
Net allowance made/(written back) during the year	2,667	-
Unwinding income	(77)	-
Closing balance	3,884	-
General allowance		
At beginning		
- as previously stated	66,175	73,486
- effect of adopting FRS 139	(66,175)	-
As restated	-	73,486
Net allowance made/(written back) during the year	-	(7,311)
Closing balance	-	66,175
As % of gross financing, advances and other financing less specific allowance	0.0%	1.9%
Specific allowance		
At beginning		
- as previously stated	22,707	21,027
- effect of adopting FRS 139	(22,707)	-
As restated	-	21,027
Allowance made during the period/year	-	19,831
Amount written back in respect of recoveries	-	(8,426)
Amount written off	-	(9,725)
Closing balance	-	22,707

(e) Deposits from customer

By type of deposit

	Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Non-Mudharabah		
Demand deposits	557,365	453,133
Savings deposits	661,044	631,211
Negotiable instruments of deposit	1,567,456	1,254,754
	2,785,865	2,339,098
Mudharabah		
Saving deposits	685,491	636,172
General investment deposits	3,230,678	2,287,927
Specific investment deposits	2,177,148	2,468,418
	6,093,317	5,392,517
	8,879,182	7,731,615

29 Effects of change in accounting policies

During the current reporting period, the Group adopted the following significant standards and amendments to standards:

- i) FRS 139 Financial Instruments : Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) FRS7 Financial Instruments : Disclosures
- iv) Amendment to FRS 139 "Financial Instruments : Recognition and Measurement", FRS 7

FRS 139 establishes the principles for recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') which was effective since 1 January 2005 had addressed a significant portion of the requirements under FRS 139. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in some additional requirements implemented by the Group as follows:

1) Impairment of Loans, Advances and Financing

Prior to 1 July 2010, the Group's loan loss allowances were determined in accordance with BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

Under FRS 139, the Group assess at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assess whether objective evidence of impairment exists individually for loans which are individually significant, and individually or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 26 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Group as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

29 Effects change in accounting policies (continued)

2) Recognition of Interest Income

Prior to 1 July 2010, interest on loans, advances and financing was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not the future credit losses.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis. Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3) Recognition of Embedded Derivatives

Upon adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and the fair value of the resulting derivative can be reliably measured.

4) Fair Valuation of Unquoted Equity Securities

Upon adoption of FRS 139, all unquoted equity securities are now required to be excluded from financial investments held-to-maturity and to be fair valued. These securities have been reclassified to financial investments available-for-sale, with changes in fair value recognised directly to AFS reserves.

The changes in accounting policies described above have resulted in adjustments to opening reserves of the Group are as follows:

	As previously reported RM'000	Group Effects from changes in accounting policies RM'000	As restated RM'000
As at 1 July 2010			
Statement of changes in equity			
Retained profit	2,703,870	38,750	2,742,620
Fair value reserves	17,854	52,304	70,158
Minority interest	2,268,279	10,061	2,278,340

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 RM1,010.4 million for the current quarter ended 31 December 2010 as compared to RM301.3 million in the preceding year's corresponding quarter, an increase of RM709.1 million. The higher profit is mainly due to a one-off gain on transfer of HLA General business to MSIM of RM619 million. Backing off this one-off gain, HLFG still would achieve an increase of profit by RM90.1 million (+29.9%) mainly from better performances by all divisions.

The Commercial Banking division recorded a profit before tax of RM359.7 million for the period ended 31 December 2010 as compared to RM291.3 million in the previous corresponding period, an increase of RM68.4 million. The increase is mainly attributed by higher net interest income and higher share of results from our equity stake in Bank of Chengdu.

The Investment Banking divisions recorded a profit before tax of RM19.4 million compared to RM4.3 million in the previous corresponding quarter. This was due to higher contributions coming from the investment banking arm.

The Insurance division recorded a profit before tax of RM650.7 million for the quarter ended 31 December 2010 as compared to profit before tax of RM16.3 million in the preceding year's corresponding quarter. Backing off the one-off gain on transfer of HLA General business to MSIM, the Insurance division still would achieve an increase in profit of RM15.4 million, mainly due to the immediate accretive share of profit from the 30% associate stake in MSIM.

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

The Group recorded a profit before tax of RM1,517.7 million for the current period ended 31 December 2010 as compared to RM604.1 million in the previous corresponding period, an increase of RM913.6 million. The higher profit is mainly due to a surplus transfer of RM175 million from HLA Life division and a RM619 million one-time gain on transfer of HLA General's business to MSIM. Backing off the one-time gain and one-time surplus transfer from Life, the Group profit before tax for December 2010 is RM723.7 mil, +19.8% better than the previous corresponding period.

The Commercial Banking division recorded a profit before tax of RM677.1 million for the period ended 31 December 2010 as compared to RM580.1 million in the previous corresponding period, an increase of RM97.0 million. The increase is mainly attributed by higher net interest income and higher share of results from our equity stake in Bank of Chengdu.

The Investment Banking division recorded a profit before tax of RM28.3 million compared to RM11.9 million in the previous corresponding period. This was due to higher contributions coming from the investment banking arm.

The Insurance division recorded a profit before tax of RM840.3 million for the period ended 31 December 2010 as compared to profit before tax of RM29.8 million in the preceding year's corresponding period. Backing off the one-off gain on transfer of HLA General business to MSIM and the one-time Life surplus transfer in September 2010, the Insurance division still would achieve an increase profit by RM16.5 million, mainly due to the immediate accretive share of profit from the 30% associate stake in MSIM.

3 Current quarter against preceding financial quarter

The Group recorded a profit before tax of RM1,010.4 million for the quarter ended 31 December 2010 as compared to RM507.3 million in the previous preceding financial quarter, an increase of RM503.1 million. The higher profit is mainly due to a surplus transfer of RM175 million from HLA Life division in September 2010 and a RM619 million one-time gain on transfer of HLA General's business to MSIM in October 2010. Backing off the one-time gain and one-time surplus transfer from Life from the respective quarters, the Group profit before tax for December 2010 is RM391.4 mil, +17.8% better than previous preceding quarter.

2. Current quarter against preceding financial quarter (Continued)

The Commercial Banking division recorded a profit before tax of RM359.7 million for the period ended 31 December 2010 as compared to RM317.4 million in the previous preceding quarter, an increase of RM42.3 million mainly from higher share of profit from Bank of Chengdu and higher net income.

The Investment Banking divisions recorded a profit before tax of RM19.4 million for the financial quarter ended 31 December 2010 as compared to RM8.9 million in the previous preceding financial quarter. The higher profits are from higher contributions from investment banking arm.

The Insurance division recorded a profit before tax of RM650.7 million for the quarter ended 31 December 2010 as compared to RM189.5 million in the previous preceding financial quarter. The higher profit is mainly due to a surplus transfer of RM175 million from HLA Life division in September 2010 and a RM619 million one-time gain on transfer of HLA General's business to MSIM in October 2010. Backing off the one-time gain and one-time surplus transfer from Life from the respective quarters, the Insurance division profit before tax records a higher profit by RM17.2 million, mainly due to the immediate accretive share of profit from the 30% associate stake in MSIM.

4 Prospects for the current financial year

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

5 Variance of actual profit from forecasted profit

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

6 Taxation

Provision based on profits for the financial period 31 December 2010

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2010 RM '000	quarter ended 31/12/2009 RM '000	ended 31/12/2010 RM '000	ended 31/12/2009 RM '000
Tax expense				
Malaysian – current	(108,366)	(94,100)	(208,569)	(128,668)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	(5,372)	22,496	2	(2,469)
	<u>(113,738)</u>	<u>(71,604)</u>	<u>(208,567)</u>	<u>(131,137)</u>
Prior year over/(under) provision				
- Malaysian	-	(1)	-	319
	<u>(113,738)</u>	<u>(71,605)</u>	<u>(208,567)</u>	<u>(130,818)</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	Current quarter ended	Current year ended	Current year ended
	31/12/2010 RM '000	31/12/2009 RM '000	31/12/2010 RM '000	31/12/2009 RM '000
Tax expenses				
Malaysian – current	(35,702)	(35,684)	(35,702)	(35,684)
Transfer (from) / to deferred tax	-	-	-	-
	<u>(35,702)</u>	<u>(35,684)</u>	<u>(35,702)</u>	<u>(35,684)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(35,702)</u>	<u>(35,684)</u>	<u>(35,702)</u>	<u>(35,684)</u>

7 Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the period under review.

8 Purchase / sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the quarter under review other than those purchased or disposed in the ordinary course of business.

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, other than as mentioned below:-

- (i) On 30 March 2010, CIMB Investment Bank Berhad ("CIMB"), on behalf of HLB, announced that HLB made a new offer to acquire the entire assets and liabilities of EON Capital Berhad ("EON Cap") at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.
- (ii) 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 RM5,060,423,744 to be satisfied fully in cash ("Offer").
- (iii) 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 the applications to the Minister of Finance ("MoF") and other relevant regulatory authority for approval of the Offer, in accordance with the terms of the Offer.
- (iv) On 23 April 2010, CIMB, on behalf of HLB, announced the following:
 - a. details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,744 to be satisfied fully in cash ("Proposed Acquisition");
 - b. that HLB proposes 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 RM1.6 billion ("Proposed Rights Issue"); and
 - c. that HLB had made an application to Bank Negara Malaysia ("BNM") on the Proposed Acquisition and Proposed Rights Issue.
- (v) On 27 May 2010, CIMB, on behalf of HLB, announced that Bursa Malaysia Securities Berhad 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 Malaysia Securities Berhad.
- (vi) On 21 June 2010, CIMB, on behalf of HLB, announced that HLB had, pursuant to various discussions with EON Cap, issued 2 letters dated 18 June 2010 and 19 June 2010 to EON Cap clarifying or modifying the revised offer by HLB, details as set out in the said announcement.
- (vii) On 16 July 2010, CIMB, 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 and the timelines as indicated in HLB'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:

- a. HLB agrees to EON Cap's proposal that EON Cap may only accept the Offer by delivering to HLB 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;
- b. HLB agrees that the extraordinary general meeting of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,744 shall be held by 20 August 2010, and all the approvals from BNM/MoF, Securities Commissions ("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
- c. the Offer is subject to all the timelines mentioned in (i) and/or (ii) above being met, unless extended by HLB.

9 Status of corporate proposals (continued)

(viii) On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the MoF through BNM for, inter alia, the following:

- a. 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”);
- b. 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;
- c. 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;
- d. 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
- e. 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 was 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.

(ix) On 19 August 2010, CIMB, behalf of HLB, announced that HLB had received a letter dated 18 August 2010 from EON Cap seeking HLB’s concurrence to extend the deadline for the holding of EON Cap’s extraordinary general meeting (“EGM”) to approve the Proposed Acquisition from 20 August 2010 to 30 September 2010.

In this respect, HLB had, via its letter dated 19 August 2010, agreed to amend the timeline to the following:

- a. EON Cap may only accept the Offer by HLB by delivering to HLB 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 following approvals for the Offer have been obtained upon terms and conditions acceptable to HLB:
 - (i) approval from BNM/MoF;
 - (ii) approval from the shareholders of EON Cap provided that if EON Cap shareholders’ approval shall be subject to conditions, the said approval shall be deemed to be obtained or received only when the conditions have been met, or waived by the relevant parties;
 - (iii) approval from the shareholders of HLB; and

9 Status of corporate proposals (continued)

- b. the EGM of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,743.60 shall be held by 30 September 2010, and all the approvals from BNM/MoF, shareholders of EON Cap and HLB, and SC, 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
- c. the Offer is subject to the timeline mentioned in paragraphs (i) and (ii) above being met, unless extended by HLB.
- (x) At the adjourned EGM of HLB held on 4 October 2010, the shareholders had approved the Proposed Acquisition and the Proposed Rights Issue.
- (xi) On 26 November 2010, CIMB, on behalf of HLB, announced that HLB had, via its letter dated 26 November 2010, extended the deadline for EON Cap to accept HLB's offer to acquire the entire assets and liabilities of EON Cap to 30 April 2011.

10 Group borrowings

The Group borrowings include:

	As at 31/12/2010 RM '000	As at 30/06/2010 RM '000
Bank loans	335,156	522,751
Capital market borrowing	-	219,507
Total Borrowings	<u>335,156</u>	<u>742,258</u>
Subordinated obligations - USD200 million	-	650,454
Subordinated obligations - USD700 million	691,392	-

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.

On 3 August 2010, the Bank had fully redeemed its US\$200 million Bonds. The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

On 10 August 2010, the Bank 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 has a maturity of 10 years and matures on 10 August 2020. Subject to BNM's approval, the Bank has the option to redeem the Sub Debt early at the end of year 5, which is on 10 August 2015 and on each subsequent coupon payment dates thereafter. The Sub Debt's interest rate is 4.85% per annum payable semi-annually in arrears for the tenor of the notes.

The Sub Debt 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 Group and the Bank.

11 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2010

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	23,265,142	167,909	(286,667)
(ii) 1 year to 3 years	12,591	-	(126)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	5,881,828	106,555	(22,757)
(ii) 1 year to 3 years	5,882,295	160,441	(74,424)
(iii) More than 3 years	357,227	25,036	(31,570)
- Options			
(i) Less than 1 year	1,349,315	5,371	(15,995)
(ii) 1 year to 3 years	150,959	948	(3,487)
(iii) More than 3 years	-	-	-
Interest rate related contracts			
- Forwards			
(i) Less than 1 year	-	-	-
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
- Futures			
(i) Less than 1 year	3,453,768	192	(4,935)
(ii) 1 year to 3 years	5,842,704	2,665	(496)
(iii) More than 3 years	246,820	432	741
- Swaps			
(i) Less than 1 year	6,160,239	20,148	(32,042)
(ii) 1 year to 3 years	12,773,896	100,868	(140,875)
(iii) More than 3 years	21,284,485	164,800	(124,591)
Equity related contracts			
(i) Less than 1 year	133,954	435	(435)
(ii) 1 year to 3 years	66,039	84	-
(iii) More than 3 years	-	-	-
Total	86,861,262	755,884	(737,659)

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 RM142,309,210 (FYE June 2010: RM569,392,174) and RM39,503,927,053 (FYE June 2010: RM33,587,897,090) 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 RM844,340,916 (FYE June 2010: 1,339,766,178). 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 HLF G undertaking to give HLF G 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, HLF G was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HLF G had to abstain from voting at the extraordinary general meeting (“EGM”) of HLG convened to consider the Proposed Acquisition. BSH alleged that HLF G 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.

On 18 November 2010, the High Court dismissed BSH's claim against the Company. On 9 December 2010, BSH filed a notice of appeal against the High Court decision. To date, no hearing date has been fixed for the appeal.

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

13 HLF G Dividends

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

For the financial period ended 31 December 2010, a dividend of 10 sen per share (6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier) was declared (2009 : 9 sen per share less income tax of 25%) and paid on 16 December 2010.

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	31/12/2010 RM '000	31/12/2009 RM '000	31/12/2010 RM '000	31/12/2009 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	787,007	146,381	1,112,261	303,976
Basic earnings per share (Sen)	76.0	14.1	107.4	29.4

14 Earnings per share (Continued)

	Company		Company	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,038,307	1,035,538	1,038,307	1,035,538
Net profit attributable to shareholders of the company	92,710	101,918	84,607	95,161
Basic earnings per share (Sen)	8.9	9.8	8.1	9.2

(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.

	Group		Group	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,035,538	1,035,538	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	787,007	146,381	1,112,261	303,976
Fully diluted earnings per share (Sen)	76.0	14.1	107.4	29.4

	Company		Company	
	Current quarter ended 31/12/2010 RM '000	Last year quarter ended 31/12/2009 RM '000	Current year ended 31/12/2010 RM '000	Last year ended 31/12/2009 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,038,307	1,035,538	1,038,307	1,035,538
Weighted average number of ordinary shares (Diluted)	1,038,307	1,035,538	1,038,307	1,035,538
Net profit attributable to shareholders of the company	92,710	101,918	84,607	95,161
Fully diluted earnings per share (Sen)	8.9	9.8	8.1	9.2

15 Realised and unrealised profit

On 25 March 2010, Bursa Malaysia issued a directive that requires all listed issuer to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

The breakdown of realised and unrealised profit is derived based on the Guidance on Special Note No.1 *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed below excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and are deemed realised.

The breakdown of the retained profits of the Group are as follows:

	Group	
	As at 31/12/2010 RM '000	As at 30/9/2010 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	3,922,394	3,257,751
- Unrealised	549,845	696,519
Total share of retained profits from associated companies		
- Realised	337,963	279,888
- Unrealised	362	-
Total share of retained profits from jointly controlled entity		
- Realised	(727)	(949)
- Unrealised	-	-
	<hr/>	<hr/>
	4,809,837	4,233,209
Less : Consolidated adjustment	(267,752)	(1,173,064)
Total Group retained profits as per consolidated accounts	<hr/> <hr/>	<hr/> <hr/>
	4,542,085	3,060,145

Dated this 23 February 2011