

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 DECEMBER 2006

THE GROUP	As at 31/12/06 RM '000	As at 30/06/06 RM '000
<u>Assets</u>		
Cash and short term funds	10,506,710	14,762,999
Deposits and placements with financial institutions	14,184,192	1,608,526
Securities purchased under resale agreements	981,967	4,474,913
Securities held at fair value through profit or loss	2,313,888	3,907,027
Securities available-for-sale	5,571,585	7,760,401
Securities held-to-maturity	5,295,967	1,221,204
Loans, advances and financing	30,162,071	29,058,958
Trade receivables	247,500	183,130
Other receivables	887,387	802,304
Statutory deposits with Bank Negara Malaysia	960,119	881,524
Tax recoverable	12,270	14,442
Deferred tax asset	157,053	171,710
Property, plant and equipment	363,297	340,326
Intangible assets	521,607	487,422
Total Assets	72,165,613	65,674,886
<u>Liabilities</u>		
Deposits from customers	49,053,219	44,198,417
Deposits and placements of banks and other financial institutions	2,000,013	2,796,260
Obligations on securities sold under repurchase agreements	7,931,183	6,850,498
Bills and acceptances payable	509,177	546,209
Payables and other liabilities	1,617,586	1,347,670
Provision for claims	169,897	165,222
Provision for taxation	103,987	98,399
Bank loans	149,000	152,300
Subordinated notes	696,446	704,049
Syndicated facility	529,050	-
Long term liabilities	299,850	298,145
Insurance funds	3,794,849	3,404,775
Total Liabilities	66,854,257	60,561,944
<u>Equity</u>		
Share capital	1,040,722	1,040,722
Capital reserves	1,220,207	1,189,951
Retained profits	1,328,479	1,217,673
Fair value reserves	1,283	(42,471)
Treasury shares held for ESOS	(67,666)	(15,238)
Total shareholders' equity	3,523,025	3,390,637
Minority interest	1,788,331	1,722,305
Total Equity	5,311,356	5,112,942
Total Liabilities and Equity	72,165,613	65,674,886
Commitment and Contingencies	60,432,096	48,109,341

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

THE GROUP	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Interest income	705,677	568,213	1,375,936	1,136,472
Interest expense	(422,686)	(340,272)	(797,903)	(674,281)
Net interest income	282,991	227,941	578,033	462,191
Income from Islamic banking business	30,617	43,523	66,787	83,302
Non interest income	172,809	127,606	294,799	262,093
Net income	486,417	399,070	939,619	807,586
Overhead expenses	(201,287)	(176,619)	(393,360)	(348,278)
Operating profit before allowances	285,130	222,451	546,259	459,308
Allowance for losses on loans, advances and financing	(49,109)	(72,627)	(102,349)	(102,635)
Impairment loss	-	(115)	-	(3,154)
Profit before taxation and zakat	236,021	149,709	443,910	353,519
Taxation	(63,481)	(46,867)	(122,123)	(105,353)
Zakat	(9)	(15)	(18)	(30)
Net profit for the period	172,531	102,827	321,769	248,136
Attributable to :				
Equity holders of the parent	115,811	65,806	209,271	156,960
Minority interests	56,720	37,021	112,498	91,176
Net profit for the period	172,531	102,827	321,769	248,136
Basic earnings per ordinary share (sen)	11.3	6.3	20.4	15.1
Diluted earnings per ordinary share (sen)	11.3	6.3	20.4	15.1

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 31 DECEMBER 2006

	As at 31/12/06 RM '000	As at 30/06/06 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	8,918	46,975
Securities held at fair value through profit or loss	26,109	-
Other receivables	5,646	7,731
Tax recoverable	12,269	12,269
Investment in subsidiaries	2,048,349	2,049,249
Property, plant and equipment	1,850	1,657
Total Assets	2,103,141	2,117,881
<u>Liabilities</u>		
Payables and other liabilities	21,562	20,800
Bank loans	131,000	120,300
Long term liabilities	299,850	298,145
Total Liabilities	452,412	439,245
<u>Financed by:</u>		
Share capital	1,040,722	1,040,722
Capital reserves	89,700	89,700
Retained profits	586,057	561,536
Treasury shares held for ESOS	(65,750)	(13,322)
Total Equity	1,650,729	1,678,636
Total Liabilities and Equity	2,103,141	2,117,881
Commitment and Contingencies	-	-

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

THE COMPANY	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Interest income	74	184	151	301
Interest expense	(5,927)	(5,244)	(11,669)	(10,808)
Net interest income	(5,853)	(5,060)	(11,518)	(10,507)
Non interest income	147,760	147,631	148,884	153,511
Net income	141,907	142,571	137,366	143,004
Overhead expenses	(2,617)	(1,800)	(4,931)	(3,172)
Profit before taxation and zakat	139,290	140,771	132,435	139,832
Taxation	(39,539)	(42,943)	(39,539)	(42,943)
Net profit for the period	99,751	97,828	92,896	96,889
Basic earnings per ordinary share (sen)	9.7	9.4	9.1	9.3
Diluted earnings per ordinary share (sen)	9.7	9.4	9.1	9.3

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

(Formerly known as Hong Leong Credit Berhad)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

THE GROUP FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006	Share Capital	Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Fair Value Reserves	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Opening balance as at 1 July 2006	1,040,722	71,216	963,166	133,258	(42,471)	22,311	1,217,673	(15,238)	3,390,637	1,722,305	5,112,942
Prior year adjustment	-	-	-	-	-	-	-	-	-	-	-
Restated opening balance as at 1 July 2006	1,040,722	71,216	963,166	133,258	(42,471)	22,311	1,217,673	(15,238)	3,390,637	1,722,305	5,112,942
Exchange fluctuation differences	-	-	-	-	-	166	-	-	166	-	166
Net fair value changes in available-for-sale securities	-	-	-	-	43,754	-	-	-	43,754	-	43,754
Net income/(expense) recognised directly in equity	-	-	-	-	43,754	166	-	-	43,920	-	43,920
Net profit for financial period	-	-	-	-	-	-	209,271	-	209,271	112,498	321,769
Total recognised income/(expense) for the period	-	-	-	-	43,754	166	209,271	-	253,191	112,498	365,689
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	(46,472)	(46,472)
Transfer to statutory reserves	-	-	30,090	-	-	-	(30,090)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(68,375)	-	(68,375)	-	(68,375)
Treasury Shares held for ESOS	-	-	-	-	-	-	-	(52,428)	(52,428)	-	(52,428)
AT 31 DECEMBER 2006	1,040,722	71,216	993,256	133,258	1,283	22,477	1,328,479	(67,666)	3,523,025	1,788,331	5,311,356

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2005	Share Capital	Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves	Fair Value Reserves	Exchange Fluctuation Reserves	Retained Profits	Treasury Shares	Total Shareholders' Equity	Minority Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Opening balance as at 1 July 2005	1,040,722	71,216	870,813	133,258	-	26,226	1,069,534	(1,916)	3,209,853	1,685,166	4,895,019
Prior year adjustment	-	-	-	-	510	-	(2,603)	-	(2,093)	1,727	(366)
Restated opening balance as at 1 July 2005	1,040,722	71,216	870,813	133,258	510	26,226	1,066,931	(1,916)	3,207,760	1,686,893	4,894,653
Exchange fluctuation differences	-	-	-	-	-	81	-	-	81	-	81
Net fair value changes in available-for-sale securities	-	-	-	-	(32,028)	-	-	-	(32,028)	-	(32,028)
Net income/(expense) recognised directly in equity	-	-	-	-	(32,028)	81	-	-	(31,947)	-	(31,947)
Net profit for financial period	-	-	-	-	-	-	156,960	-	156,960	91,176	248,136
Total recognised income/(expense) for the period	-	-	-	-	(32,028)	81	156,960	-	125,013	91,176	216,189
Transfer to statutory reserves	-	-	40,834	-	-	-	(40,834)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(59,946)	-	(59,946)	-	(59,946)
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	(102,443)	(102,443)
AT 31 DECEMBER 2005	1,040,722	71,216	911,647	133,258	(31,518)	26,307	1,123,111	(1,916)	3,272,827	1,675,626	4,948,453

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UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total RM '000
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006						
Opening balance as at 1 July 2006	1,040,722	71,216	18,484	561,536	(13,322)	1,678,636
Net profit for the financial period	-	-	-	92,896	-	92,896
Total recognised income/(expense) for the period	-	-	-	92,896	-	92,896
Dividend paid	-	-	-	(68,375)	-	(68,375)
Treasury Shares held for ESOS	-	-	-	-	(52,428)	(52,428)
AT 31 DECEMBER 2006	<u>1,040,722</u>	<u>71,216</u>	<u>18,484</u>	<u>586,057</u>	<u>(65,750)</u>	<u>1,650,729</u>

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total RM '000
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2005						
Opening balance as at 1 July 2005	1,040,722	71,216	18,484	519,780	-	1,650,202
Net profit for the financial period	-	-	-	96,889	-	96,889
Total recognised income/(expense) for the period	-	-	-	96,889	-	96,889
Dividend paid	-	-	-	(59,946)	-	(59,946)
Treasury Shares held for ESOS	-	-	-	-	-	-
AT 31 DECEMBER 2005	<u>1,040,722</u>	<u>71,216</u>	<u>18,484</u>	<u>556,723</u>	<u>-</u>	<u>1,687,145</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
(Formerly known as Hong Leong Credit Berhad)
UNAUDITED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

	31/12/06 RM '000	31/12/05 RM '000
THE GROUP		
Cash flows from operating activities		
Profit before taxation and zakat	443,910	353,519
<u>Adjustments for :</u>		
Non-cash items	357,216	238,105
Operating profit before working capital changes	801,126	591,624
Increase in assets / receivables	(10,640,834)	(10,695,340)
Increase in liabilities / payables	5,362,729	7,443,247
	(5,278,105)	(3,252,093)
Cash used in operations	(4,476,979)	(2,660,469)
Income tax paid	(146,717)	(138,064)
Interest paid	(11,669)	(11,889)
Interest received	2,461	1,043
	(155,925)	(148,910)
Net cash used in operating activities	(4,632,904)	(2,809,379)
Cash flow from investing activities		
Interest received on securities available-for-sale and held-to-maturity	134,864	160,740
Dividends received on securities available-for-sale and held-to-maturity	2,560	3,546
Proceeds from disposal of property, plant and equipment	30,099	1,260
Purchase of property, plant and equipment	(90,173)	(45,351)
Acquisition of additional shares in subsidiary by minority interest	35,000	-
Net cash generated from investing activities	112,350	120,195
Cash flow from financing activities		
Drawdown/(Repayment) of borrowings	(3,300)	(24,000)
Dividends paid to minority interest	(57,115)	(64,211)
Dividends paid to shareholders of the Company	(68,375)	(59,946)
Purchase of treasury shares in subsidiary company	(82,489)	(33,776)
Purchase of ESOS shares	(52,428)	-
Net proceeds from issuance of syndicated facility	529,050	-
Net proceeds from issuance of subordinated notes	-	755,900
Net cash generated from financing activities	265,343	573,967
Net decrease in cash and cash equivalents	(4,255,211)	(2,115,217)
Cash and cash equivalents as at 1 July	14,762,999	11,556,472
Effect of change in foreign exchange rate	(1,078)	80
Cash and cash equivalents as at 31 December	10,506,710	9,441,335
Analysis of cash and cash equivalents as at 31 December		
Cash and short term funds	10,571,984	9,452,540
Less: Remisiers' and clients' trust monies	(65,274)	(11,205)
	10,506,710	9,441,335

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
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UNAUDITED COMPANY CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006

<u>COMPANY</u>	31/12/06 RM '000	31/12/05 RM '000
Cash flows from operating activities		
Profit before taxation and zakat	132,435	139,832
<u>Adjustments for :</u>		
Non-cash items	(95,000)	(143,003)
Operating profit before working capital changes	<u>37,435</u>	<u>(3,171)</u>
Increase in assets / receivables	(63,563)	(3,045)
Increase in liabilities / payables	2,463	7,649
	<u>(61,100)</u>	<u>4,604</u>
Cash used in operations	(23,665)	1,433
Interest paid	(11,669)	(10,575)
Interest received	151	301
	<u>(11,518)</u>	<u>(10,274)</u>
Net cash used in operating activities	(35,183)	(8,841)
Cash flow from investing activities		
Purchase of property, plant and equipment	(571)	(545)
Dividend received from investment	106,900	110,426
Proceed from disposal of property, plant and equipment	-	1
Proceeds from liquidation of a subsidiary company	-	776
Redemption of Redeemable Preference Shares by subsidiary	900	-
Purchase of ESOS shares	(52,428)	-
Net cash generated from investing activities	54,801	110,658
Cash flow from financing activities		
Dividends paid	(68,375)	(59,946)
Drawdown/(Repayment) of revolving credit	10,700	(20,000)
Net cash generated from financing activities	(57,675)	(79,946)
Net decrease in cash and cash equivalents	(38,057)	21,871
Cash and cash equivalents as at 1 July	46,975	21,023
Cash and cash equivalents as at 31 December	<u>8,918</u>	<u>42,894</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
(Formerly known as Hong Leong Credit Berhad)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2006**

1. Basis of preparation

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board (“MASB”), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2006.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the changes in accounting policies and presentation which are expected to be reflected in the financial statements for the financial year ending 30 June 2007 resulting from the adoption of applicable FRSs adopted by Malaysian Accounting Standards Board that are effective for the financial period beginning 1 July 2006 as follows:-

FRS 2	-	Share-based Payment
FRS 3	-	Business Combinations
FRS 5	-	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	-	Presentation of Financial Statements
FRS 108	-	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	-	Events After the Balance Sheet Date
FRS 116	-	Property, Plant and Equipment
FRS 121	-	The Effect of Changes in Foreign Exchange Rates
FRS 127	-	Consolidated and Separate Financial Statements
FRS 132	-	Financial Instruments : Disclosure and Presentation
FRS 133	-	Earnings Per Share
FRS 136	-	Impairment of Assets
FRS 138	-	Intangible Assets
FRS 140	-	Investment Property

The adoption of FRSs 5, 108, 110, 116, 121, 127, 132, 133 and 140 do not have any significant financial impact on the Group. The principal effect of the changes in accounting policies resulting from the adoption of other new and revised FRSs are disclosed in Note 30.

2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2006 of HLFGB

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2006.

3. Seasonality or cyclicity of operations

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

4. Exceptional items / unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFM for the financial period ended 31 December 2006 other than as mentioned below.

Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFM and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet. As at 31 December 2006, the number of shares bought by the appointed trustee was 14,461,400 at an average price of RM4.55 and the total consideration paid, including transaction costs was RM65,749,704.

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

7. Dividends paid

An interim dividend of 9 sen per share less income tax on 27% amounted to RM68,375,451 was paid on 18 December 2006.

8. Segmental reporting

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

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

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

Business segments

The Group comprises the following main business segments:

Banking	Banking business
Securities & Asset Management	Stocks and securities broking, and fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding, provision of management services, property management, information technology and internet related business

Group 31 December 2006	Securities & Asset					Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	
Revenue for the six months ended						
External sales	855,190	25,375	67,924	(8,870)	-	939,619
Intersegment sales	3,355	2,083	3,800	1,714	(10,952)	-
	<u>858,545</u>	<u>27,458</u>	<u>71,724</u>	<u>(7,156)</u>	<u>(10,952)</u>	<u>939,619</u>
Results for the six months ended						
Segment results	410,832	12,036	34,151	(13,142)	33	443,910
Profit before taxation and zakat						<u>443,910</u>
Taxation and zakat						<u>(122,141)</u>
Profit after taxation						<u>321,769</u>
Minority interest						<u>(112,498)</u>
Net profit for the period						<u>209,271</u>
Other information						
Segment assets	66,341,430	309,967	4,687,278	56,421	601,194	71,996,290
Other corporate assets						169,323
Total consolidated assets						<u>72,165,613</u>
Segment liabilities	61,999,964	164,058	4,314,156	29,478	(102,249)	66,405,407
Other corporate liabilities						448,850
Total consolidated liabilities						<u>66,854,257</u>
Capital expenditure	86,461	268	2,950	494	-	90,173
Depreciation	27,915	553	8,642	420	-	37,530
Loan loss and other allowances	102,349	-	-	-	-	102,349

Group	Securities & Asset					Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	
31 December 2005						
Revenue for the six months ended						
External sales	738,788	20,474	58,875	(10,551)	-	807,586
Intersegment sales	2,246	447	618	1,011	(4,322)	-
	<u>741,034</u>	<u>20,921</u>	<u>59,493</u>	<u>(9,540)</u>	<u>(4,322)</u>	<u>807,586</u>
Results for the six months ended						
Segment results	333,555	8,192	25,626	(13,725)	(129)	353,519
Profit before taxation and zakat						<u>353,519</u>
Taxation and zakat						<u>(105,383)</u>
Profit after taxation						<u>248,136</u>
Minority interest						<u>(91,176)</u>
Net profit for the period						<u>156,960</u>
Other information						
Segment assets	60,906,677	374,852	4,045,940	85,505	(106,336)	65,306,638
Other corporate assets						<u>131,112</u>
Total consolidated assets						<u>65,437,750</u>
Segment liabilities	56,237,615	160,734	3,637,974	25,290	(87,905)	59,973,708
Other corporate liabilities						<u>515,589</u>
Total consolidated liabilities						<u>60,489,297</u>
Capital expenditure	39,332	268	5,179	572	-	45,351
Depreciation	27,769	853	6,857	281	-	35,760
Loan loss and other allowances	102,635	-	-	-	-	102,635

9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	31/12/06	30/06/06
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	189,590	24,652
Malaysian Government Securities	20,030	246,604
Negotiable instruments of deposit	426,008	2,592,938
Bankers' acceptances and Islamic accepted bills	691,121	15,312
Bank Negara Malaysia bills	488,511	69,158
Khazanah bonds	34,180	-
Cagamas bonds/notes	158,832	742,369
Foreign currency bonds	-	53,098
	2,008,272	3,744,131
Quoted securities :		
Shares/Loan stocks/Unit Trust	155,999	80,070
Unquoted securities :		
Private debt securities	149,617	82,826
	149,617	82,826
Total securities held at fair value through profit and loss	2,313,888	3,907,027

	Company	
	As at	As at
	31/12/06	30/06/06
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	26,109	-
	26,109	-

10. Securities available-for-sale

	Group	
	As at	As at
	31/12/06	30/06/06
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	298,279	256,703
Malaysian Government Securities	2,184,563	3,069,428
Malaysian Government Investment Certificates	-	24,615
Cagamas bonds	1,118,375	1,539,632
Foreign Currency Bonds	64,169	1,003,278
HK Government Exchange Fund	8,964	23,562
	3,674,350	5,917,218
Quoted securities :		
Shares/Loan stocks/Unit Trust	578,248	610,539
Unquoted securities :		
Private debt securities/shares/reits	1,318,757	1,232,644
	1,318,757	1,232,644
Total securities available-for-sale	5,571,585	7,760,401

11. Securities held-to-maturity

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	224,726	248,194
Malaysian Government Investment Certificates	168,469	155,866
Negotiable instruments of deposit	4,288,238	-
Foreign currency bonds	10,588	11,039
Cagamas bonds	275,179	440,359
Khazanah bonds	4,962	4,875
	4,972,162	860,333
Unquoted securities :		
Private debt securities/shares/loan stocks	323,805	360,871
Total securities held-to-maturity	5,295,967	1,221,204

12. Loans, advances and financing

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Overdrafts	2,693,497	2,959,945
Term loans :		
- Housing loans/financing	15,376,946	13,687,545
- Syndicated term loan/financing	1,707,682	1,270,824
- Hire purchase receivables	5,865,615	6,166,419
- Lease receivables	31,962	19,450
- Other term loans/financing	1,310,099	1,601,129
Credit/charge card receivables	1,510,785	1,204,604
Bills receivables	334,633	479,948
Trust receipts	140,987	153,710
Claims on customers under acceptance credits	2,447,912	2,478,691
Block discounting	24,500	19,540
Revolving credits	685,250	635,503
Policy and premium loans	471,678	440,090
Staff loans	116,718	117,073
Other loans/financing	59,185	61,966
	32,777,449	31,296,437
Unearned interest and income	(1,601,515)	(1,327,429)
	31,175,934	29,969,008
Allowance for bad and doubtful debts and financing :		
- general	(452,242)	(436,233)
- specific	(561,621)	(473,817)
Net loans, advances and financing	30,162,071	29,058,958

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Domestic banking institutions	365	148
Domestic non-bank financial institutions	165,749	123,561
Domestic business enterprises		
- Small and medium enterprises	3,446,690	3,746,882
- Others	5,871,081	5,776,117
Government and statutory bodies	108,307	114,638
Individuals	20,761,086	19,249,311
Other domestic entities	30,980	29,113
Foreign entities	791,676	929,238
Gross loans, advances and financing	<u>31,175,934</u>	<u>29,969,008</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Fixed rate		
- Housing loans/financing	3,686,853	3,665,259
- Hire purchase receivables	5,058,391	5,476,042
- Other fixed rate loan/financing	2,649,528	2,311,124
Variable rate		
- Base lending rate plus	16,521,264	15,195,330
- Cost plus	3,194,806	3,223,618
- Other variables rates	65,092	97,635
Gross loans, advances and financing	<u>31,175,934</u>	<u>29,969,008</u>

(c) By economic sector

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Agriculture	334,764	310,643
Mining and quarrying	28,893	37,146
Manufacturing	2,272,687	2,531,467
Electricity, gas and water	18,199	22,640
Construction	574,980	643,895
Real Estate	396,433	387,432
Purchase of landed properties (of which : - residential - non-residential)	11,410,622	10,448,532
General commerce	3,741,115	3,354,428
Transport, storage and communication	2,186,786	2,108,620
Finance, insurance and business services	375,950	307,911
Purchase of securities	589,431	669,818
Purchase of transport vehicles	594,589	703,516
Consumption credit	4,455,281	4,703,448
Others	3,207,542	2,548,124
Gross loans, advances and financing	<u>988,662</u>	<u>1,191,388</u>
	<u>31,175,934</u>	<u>29,969,008</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by sector

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Agriculture	2,021	4,405
Mining and quarrying	4,814	4,294
Manufacturing	180,076	178,329
Electricity, gas and water	131	280
Construction	89,429	107,267
Real estate	98,802	93,646
Purchase of landed properties		
(of which : - residential	353,336	337,276
- non-residential)	138,781	160,412
General commerce	86,266	96,046
Transport, storage and communication	27,695	26,788
Finance, insurance and business services	113,467	123,336
Purchase of securities	23,558	33,461
Purchase of transport vehicles	119,898	107,102
Consumption credit	80,976	71,278
Others	20,369	38,063
Gross loans, advances and financing	<u>1,339,619</u>	<u>1,381,983</u>

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

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
At beginning	1,381,983	1,657,683
Non-performing during the period/year	1,555,564	3,251,908
Reclassified as performing	(1,311,195)	(2,757,428)
Amount written back in respect of recoveries	(250,763)	(481,955)
Amount written off	(35,206)	(289,746)
Exchange differences	(764)	1,521
Closing balance	<u>1,339,619</u>	<u>1,381,983</u>
Specific allowance	<u>(561,621)</u>	<u>(473,817)</u>
Net non-performing loans, advances and financing	<u>777,998</u>	<u>908,166</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>2.6%</u>	<u>3.1%</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 31/12/06 RM '000	As at 30/06/06 RM '000
	<u>General Allowance</u>	
At beginning	436,233	412,877
Net allowance made during the period/year	16,042	23,057
Exchange differences	(33)	299
Closing balance	<u>452,242</u>	<u>436,233</u>
As % of gross loans, advances and financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
<u>Specific Allowance</u>		
At beginning	473,817	465,254
Allowance made during the period/year	173,776	386,511
Amount written back in respect of recoveries	(50,453)	(89,250)
Amount written off	(35,206)	(289,746)
Exchange differences	(313)	1,048
Closing balance	<u>561,621</u>	<u>473,817</u>

13. Other receivables

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
	Interest/Income receivable	218,878
Investment properties	190,057	190,057
Other debtors, deposits and prepayments	475,443	409,749
Foreclosed properties	3,009	3,009
	<u>887,387</u>	<u>802,304</u>
	Company	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Amount due from subsidiary companies	4,673	7,091
Amount due from related companies	317	284
Other debtors, deposits and prepayments	656	356
	<u>5,646</u>	<u>7,731</u>

14. Deposits from customers

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Fixed deposits	29,711,421	27,066,053
Negotiable instruments of deposit	7,826,972	6,229,198
Demand deposits	4,577,773	4,255,913
Savings deposits	6,702,440	6,402,925
Other	234,613	244,328
	<u>49,053,219</u>	<u>44,198,417</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
One year or less (short term)	37,538,393	32,691,507
More than one year (medium/long term)	-	603,744
	<u>37,538,393</u>	<u>33,295,251</u>

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

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Government and statutory bodies	421,262	650,612
Business enterprises	17,873,854	14,592,305
Individuals	28,996,107	27,055,017
Others	1,761,996	1,900,483
	<u>49,053,219</u>	<u>44,198,417</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Licensed banks	1,840,013	2,494,760
Other financial institutions	160,000	301,500
	<u>2,000,013</u>	<u>2,796,260</u>

The maturity structure :

One year or less (short term)	2,000,013	2,796,260
More than one year (medium/long term)	-	-
	<u>2,000,013</u>	<u>2,796,260</u>

16. Payables and other liabilities

	Group	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Trade payables	354,465	294,336
Amount due to related companies	746	1,293
Other payables and accrued liabilities	929,558	729,316
Interest payable	326,990	316,990
Post employment benefits obligations - defined contribution plan	5,827	5,735
	<u>1,617,586</u>	<u>1,347,670</u>

	Company	
	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Amount due to subsidiary companies	9,859	9,732
Other payables and accrued liabilities	4,897	5,186
Interest payable	6,738	5,817
Post employment benefits obligations - defined contribution plan	68	65
	<u>21,562</u>	<u>20,800</u>

17. Interest income

	Group		Group	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	357,453	296,492	701,177	584,482
- recoveries from NPLs	34,346	39,578	76,132	83,858
Money at call and deposit placements with financial institutions	182,813	94,433	314,447	190,992
Securities purchased under resale agreement	21,390	54,833	60,644	126,966
Securities held at fair value through profit and loss	40,705	32,700	99,624	56,601
Securities available-for-sale	44,180	58,021	99,993	93,638
Securities held-to-maturity	27,507	6,786	34,871	14,752
Others	2,805	(701)	5,379	6,172
	<u>711,199</u>	<u>582,142</u>	<u>1,392,267</u>	<u>1,157,461</u>
Amortisation of premium less accretion of discount	(3,918)	(8,627)	(12,022)	(11,679)
Interest suspended	(1,604)	(5,302)	(4,309)	(9,310)
	<u>705,677</u>	<u>568,213</u>	<u>1,375,936</u>	<u>1,136,472</u>

	Company		Company	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	74	184	151	301
Others	-	-	-	-
	<u>74</u>	<u>184</u>	<u>151</u>	<u>301</u>

18. Interest expense

	Group		Group	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	86,912	70,371	174,027	146,655
Deposits from customers	317,294	253,956	589,430	498,834
Borrowings	6,151	5,737	12,287	11,520
Subordinated bonds	8,898	9,854	18,462	16,401
Others	3,431	354	3,697	871
	<u>422,686</u>	<u>340,272</u>	<u>797,903</u>	<u>674,281</u>
	Company		Company	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Borrowings	5,927	5,244	11,669	10,575
Others	-	-	-	233
	<u>5,927</u>	<u>5,244</u>	<u>11,669</u>	<u>10,808</u>

19. Non Interest Income

	Group		Group	
	Current quarter ended		Six months ended	
	31/12/06 RM '000	31/12/05 RM '000	31/12/06 RM '000	31/12/05 RM '000
Net income from Insurance Business	23,676	26,811	42,513	42,837
Net brokerage and commissions from Stockbroking Business	8,193	3,823	13,153	9,159
Net unit trust and asset management income	5,015	7,361	10,175	10,460
Fee income:				
Management fees	308	129	631	544
Commissions	26,340	18,520	46,677	36,657
Service charges and fees	17,761	7,291	25,820	13,986
Guarantee fees	1,470	1,372	2,917	3,086
Other fee income	33,554	33,119	69,151	72,474
	79,433	60,431	145,196	126,747
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss	10,063	6,471	20,496	11,371
Net gain from sale of securities available-for-sale	9,272	1,671	34,082	8,718
Net gain/(loss) from redemption of securities held-to-maturity	957	-	947	4,042
	20,292	8,142	55,525	24,131
Gross dividend income from:				
Securities held at fair value through profit and loss	1,236	-	1,779	290
Securities available-for-sale	1,528	445	3,232	3,220
Securities held-to-maturity	324	41	324	741
	3,088	486	5,335	4,251
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(5,913)	5,998	(36,300)	5,293
Other income:				
Foreign exchange gain/(loss)	35,299	10,683	47,820	31,763
Rental income	143	151	293	255
Gain/(loss) on disposal of property and equipment	2	111	427	281
Others	3,581	3,609	10,662	6,916
	39,025	14,554	59,202	39,215
Total non interest income	172,809	127,606	294,799	262,093

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	1,183	-	1,855	-
Gross dividend income from:				
Subsidiary companies	146,440	147,495	146,440	153,370
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	109	-	109	-
Other income:				
Others	28	136	480	141
Total non interest income	147,760	147,631	148,884	153,511

20. Overhead expenses

	Group		Group	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	94,974	81,089	185,507	160,873
- Others	10,958	6,462	19,067	13,113
<u>Establishment costs</u>				
- Depreciation	20,688	17,972	37,530	35,695
- Rental	10,171	9,689	20,431	18,688
- Information technology expenses	10,310	7,650	17,648	15,187
- Others	6,640	8,177	16,312	18,405
<u>Marketing expenses</u>				
- Advertisement and publicity	8,962	9,701	18,446	18,312
- Handling fees	3,554	4,797	6,851	10,315
- Others	11,764	7,154	22,379	13,101
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,410	1,813	4,557	3,903
- Stationery & printing	3,540	4,523	6,907	7,864
- Others	17,316	17,592	37,725	32,822
	201,287	176,619	393,360	348,278

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	1,684	934	3,085	1,764
- Others	48	98	87	248
<u>Establishment costs</u>				
- Depreciation	145	33	378	140
- Rental	163	70	317	149
- Others	80	102	134	115
<u>Administration and general expenses</u>				
- Teletransmission expenses	10	4	18	12
- Stationery & printing	3	13	6	27
- Others	484	546	906	717
	<u>2,617</u>	<u>1,800</u>	<u>4,931</u>	<u>3,172</u>

21. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	10,573	14,080	16,042	(2,314)
- specific allowance	83,404	94,289	173,776	180,091
- specific allowance written back	(26,567)	(19,475)	(50,453)	(41,033)
Bad debts and financing written off	1,696	1,998	3,502	4,195
Bad debts and financing recovered	(19,997)	(18,265)	(40,518)	(38,304)
	<u>49,109</u>	<u>72,627</u>	<u>102,349</u>	<u>102,635</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 31 December 2006 and 30 June 2006 met the minimum requirement.

	As at 31/12/06 RM '000	As at 30/06/06 RM '000
<u>Components of Tier - 1 and Tier - 2 Capital</u>		
Tier -1 capital		
Paid up share capital	1,580,107	1,580,107
Share premium	539,664	539,664
Retained profit, as restated	1,262,047	1,170,005
Other Reserves	1,709,238	1,661,766
Less : Treasury Shares	(623,425)	(491,025)
Less : Deferred Tax	(156,711)	(173,301)
Add: Minority interest	44,520	-
Total tier 1 capital	4,355,440	4,287,216
Tier - 2 capital		
General provision	452,210	436,233
Subordinated bonds	705,400	734,900
Total tier 2 capital	1,157,610	1,171,133
Total capital base	5,513,050	5,458,349
<u>Before deducting proposed dividends</u>		
Core Capital Ratio	14.06%	13.76%
Risk-weighted Capital Ratio	17.80%	17.52%
<u>After deducting proposed dividends</u>		
Core Capital Ratio	13.75%	13.24%
Risk-weighted Capital Ratio	17.49%	17.00%

The profit after tax of the banking subsidiaries for the six months ended 31 December 2006, had been subjected to a limited review by the banking subsidiaries external auditors. As such the banking subsidiaries profit after tax for the six months ended 31 December 2006 have been included in the capital base used in the computation of Capital Adequacy Ratios.

23. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 31 December 2006.

24. Changes in composition of the Group

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

- On 25 March 2005, HFLG announced that its wholly-owned subsidiary, Heritage Vest (M) Sdn Bhd, was placed under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.
- On 29 June 2006, Hong Leong Bank Berhad announced that HLB Ventures Sdn Bhd, Chew Geok Lin Nominees (Tempatan) Sdn Bhd, Chew Geok Lin Nominees (Asing) Sdn Bhd and Wah Tat Properties Sdn Bhd were placed under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.
- On 10 November 2006, HFLG announced that its wholly-owned subsidiary, HFLG Assets Sdn Bhd (formerly known as HLC Management Co Sdn Bhd), had placed Natcap Portfolio Sdn Bhd under Member's Voluntary Winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.

25. Commitments and contingencies

- 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 31/12/2006			As at 30/06/2006		
	Principal Amount RM'000	Credit Equivalent RM'000	Risk-Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent RM'000	Risk-Weighted Amount RM'000
The Banking Group						
Direct credit substitutes	176,679	176,679	176,679	190,074	190,074	190,074
Transaction-related contingent items	282,511	141,256	141,256	242,907	121,453	121,453
Short-term self liquidating trade-related contingencies	920,174	184,035	184,035	633,426	126,685	126,685
Other assets sold with recourse and commitment	65,658	65,658	65,658	31,987	31,987	31,987
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,153,750	2,076,876	2,076,876	4,257,875	2,128,938	2,128,938
-maturity less than 1 year	11,574,304	-	-	10,943,047	-	-
Foreign exchange related contracts	12,310,873	288,158	29,963	8,666,574	259,954	129,977
Interest rate related contracts	30,872,312	278,568	-	23,109,340	277,279	138,640
Equity related contracts	50,185	921	-	8,288	415	208
Miscellaneous	429	-	-	418	-	-
Total	60,406,875	3,212,151	2,674,467	48,083,936	3,136,785	2,867,962

- Other commitments and contingencies—unsecured

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

The size of each of the five funds was above the minimum of RM1 million as at 31 December 2006.

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						Trading book	Total	Effective interest rate %
	31.12.2006								
	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	RM'000	RM'000	
Assets									
Cash and short-term funds	9,793,688	-	-	-	-	713,022	-	10,506,710	3.8
Deposits and placements with banks and other financial institution	1,845,061	10,663,143	1,655,988	20,000	-	-	-	14,184,192	3.8
Securities purchased under resale agreements	504,826	243,736	233,405	-	-	-	-	981,967	3.8
Securities held at fair value through profit or loss	-	-	-	-	-	-	2,313,888	2,313,888	4.0
Securities available-for-sale	196,484	229,247	529,752	3,295,099	836,289	484,714	-	5,571,585	4.4
Securities held-for-maturity	1,323,095	2,570,230	880,886	315,337	190,116	16,303	-	5,295,967	4.8
Loans, advances and financing									
- performing	22,052,300	1,161,814	716,638	1,863,001	4,042,562	(440,572)	-	29,395,743	6.6
- non performing	-	-	-	-	-	766,328	-	766,328	-
Trade receivables	-	-	-	-	-	247,500	-	247,500	-
Other receivables	-	-	-	-	-	887,387	-	887,387	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	960,119	-	960,119	-
Tax recoverable	-	-	-	-	-	12,270	-	12,270	-
Deferred tax assets	-	-	-	-	-	157,053	-	157,053	-
Property and equipment	-	-	-	-	-	363,297	-	363,297	-
Intangible assets	-	-	-	-	-	521,607	-	521,607	-
Total assets	35,715,454	14,868,170	4,016,669	5,493,437	5,068,967	4,689,028	2,313,888	72,165,613	
Liabilities									
Deposits from customers	22,052,696	8,718,796	13,150,208	767,473	-	4,364,046	-	49,053,219	2.9
Deposits and placements of banks and other financial institution	1,838,579	90,575	70,575	-	-	284	-	2,000,013	3.7
Obligation of securities sold under repurchase agreements	7,608,729	322,454	-	-	-	-	-	7,931,183	3.3
Bills and acceptance payable	79,415	34,425	5,318	-	-	390,019	-	509,177	3.8
Payables and other liabilities	-	-	-	-	-	1,617,586	-	1,617,586	-
Provision for claims	-	-	-	-	-	169,897	-	169,897	-
Provision for taxation	-	-	-	-	-	103,987	-	103,987	-
Bank loans	149,000	-	-	-	-	-	-	149,000	4.4
Subordinated obligations	-	-	-	-	696,446	-	-	696,446	5.2
Syndicated facility	-	-	-	529,050	-	-	-	529,050	5.8
Long term liabilities									
- Term loan	-	99,850	-	-	-	-	-	99,850	3.6
- Medium Term Notes	-	-	90,000	110,000	-	-	-	200,000	7.0
Insurance funds	-	-	-	-	-	3,794,849	-	3,794,849	-
Total liabilities	31,728,419	9,266,100	13,316,101	1,406,523	696,446	10,440,668	-	66,854,257	
Shareholder's equity	-	-	-	-	-	3,523,025	-	3,523,025	
Minority interest	-	-	-	-	-	1,788,331	-	1,788,331	
Total liabilities and shareholder's equity	31,728,419	9,266,100	13,316,101	1,406,523	696,446	15,752,024	-	72,165,613	
On-balance sheet interest sensitivity gap	3,987,035	5,602,070	(9,299,432)	4,086,914	4,372,521				
Off-balance sheet interest sensitivity gap	(548,350)	(2,027,041)	(6,380,000)	(7,492,059)	(334,550)				
Total interest sensitivity gap	3,438,685	3,575,029	(15,679,432)	(3,405,145)	4,037,971				

27. Interest/Profit rate risk (continued)

The Group
30.06.2006

	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	13,635,696	-	-	-	-	1,127,303	-	14,762,999	3.7
Deposits and placements with banks and other financial institution	-	1,041,259	443,732	123,535	-	-	-	1,608,526	3.9
Securities purchased under resale agreements	2,839,071	1,635,842	-	-	-	-	-	4,474,913	3.8
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,907,027	3,907,027	3.8
Securities available-for-sale	63,298	351,235	693,840	4,816,947	1,236,385	598,696	-	7,760,401	4.3
Securities held-for-maturity	10,001	174,958	149,313	631,090	206,759	49,083	-	1,221,204	3.8
Loans, advances and financing									
- performing	15,968,924	1,200,943	1,035,402	4,260,683	5,735,219	(379,879)	-	27,821,292	6.5
- non performing	-	-	-	-	-	1,237,666	-	1,237,666	-
Trade receivables	-	-	-	-	-	183,130	-	183,130	-
Other receivables	-	-	-	-	-	802,304	-	802,304	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	881,524	-	881,524	-
Tax recoverable	-	-	-	-	-	14,442	-	14,442	-
Deferred tax assets	-	-	-	-	-	171,710	-	171,710	-
Property and equipment	-	-	-	-	-	340,326	-	340,326	-
Intangible assets	-	-	-	-	-	487,422	-	487,422	-
Total assets	32,516,990	4,404,237	2,322,287	9,832,255	7,178,363	5,513,727	3,907,027	65,674,886	
Liabilities									
Deposits from customers	20,735,106	7,579,329	11,191,947	636,102	-	4,055,933	-	44,198,417	2.8
Deposits and placements of banks and other financial institution	2,304,100	455,175	36,768	-	-	217	-	2,796,260	4.1
Obligation of securities sold under repurchase agreements	6,820,498	30,000	-	-	-	-	-	6,850,498	3.3
Bills and acceptance payable	13,045	13,775	7,785	45	-	511,559	-	546,209	3.8
Payables and other liabilities	-	-	-	-	-	1,347,670	-	1,347,670	-
Provision for claims	-	-	-	-	-	165,222	-	165,222	-
Provision for taxation	-	-	-	-	-	98,399	-	98,399	-
Bank loans	39,300	32,000	81,000	-	-	-	-	152,300	4.4
Subordinated obligations	-	-	-	-	704,049	-	-	704,049	5.3
Long term liabilities									
- Commercial paper	-	-	98,145	-	-	-	-	98,145	4.0
- Medium Term Notes	-	-	-	200,000	-	-	-	200,000	7.0
Insurance funds	-	-	-	-	-	3,404,775	-	3,404,775	-
Total liabilities	29,912,049	8,110,279	11,415,645	836,147	704,049	9,583,775	-	60,561,944	
Shareholder's equity	-	-	-	-	-	3,390,637	-	3,390,637	
Minority interest	-	-	-	-	-	1,722,305	-	1,722,305	
Total liabilities and shareholder's equity	29,912,049	8,110,279	11,415,645	836,147	704,049	14,696,717	-	65,674,886	
On-balance sheet interest sensitivity gap	2,604,941	(3,706,042)	(9,093,358)	8,996,108	6,474,314				
Off-balance sheet interest sensitivity gap	(665,000)	(2,925,193)	(4,289,000)	(4,364,107)	(340,700)				
Total interest sensitivity gap	1,939,941	(6,631,235)	(13,382,358)	4,632,001	6,133,614				

27. Interest/Profit rate risk (continued)

The Company
31.12.2006

	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	8,000	-	-	-	-	918	-	8,918	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	26,109	26,109	3.8
Other receivables	-	-	-	-	-	5,646	-	5,646	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	12,269	-	12,269	-
Property and equipment	-	-	-	-	-	1,850	-	1,850	-
Total assets	8,000	-	-	-	-	2,069,032	26,109	2,103,141	
Liabilities									
Payables and other liabilities	-	-	-	-	-	21,562	-	21,562	-
Bank loans	131,000	-	-	-	-	-	-	131,000	4.3
Long term and deferred liabilities									
- Commercial paper	-	99,850	-	-	-	-	-	99,850	3.6
- Medium Term Notes	-	-	90,000	110,000	-	-	-	200,000	7.0
Total liabilities	131,000	99,850	90,000	110,000	-	21,562	-	452,412	
Shareholder's equity	-	-	-	-	-	1,650,729	-	1,650,729	
Total liabilities and shareholder's equity	131,000	99,850	90,000	110,000	-	1,672,291	-	2,103,141	
On-balance sheet interest sensitivity gap	(123,000)	(99,850)	(90,000)	(110,000)	-	-	-	-	

The Company
30.06.2006

	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	46,000	-	-	-	-	975	-	46,975	3.4
Other receivables	-	-	-	-	-	7,731	-	7,731	-
Investment in subsidiaries	-	-	-	-	-	2,049,249	-	2,049,249	-
Tax recoverable	-	-	-	-	-	12,269	-	12,269	-
Property and equipment	-	-	-	-	-	1,657	-	1,657	-
Total assets	46,000	-	-	-	-	2,071,881	-	2,117,881	
Liabilities									
Payables and other liabilities	-	-	-	-	-	20,800	-	20,800	-
Bank loans	39,300	-	81,000	-	-	-	-	120,300	4.4
Long term and deferred liabilities									
- Commercial paper	-	-	98,145	-	-	-	-	98,145	4.0
- Medium Term Notes	-	-	-	200,000	-	-	-	200,000	7.0
Total liabilities	39,300	-	179,145	200,000	-	20,800	-	439,245	
Shareholder's equity	-	-	-	-	-	1,678,636	-	1,678,636	
Total liabilities and shareholder's equity	39,300	-	179,145	200,000	-	1,699,436	-	2,117,881	
On-balance sheet interest sensitivity gap	6,700	-	(179,145)	(200,000)	-	-	-	-	

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 31 December 2006

	Group	
	As at 31/12/06 RM'000	As at 30/06/06 RM'000
ASSETS		
Cash and short-term funds	1,405,484	1,370,943
Deposits and placements with banks and other financial institutions	370,000	-
Securities held at fair value through profit or loss	158,902	129,027
Securities available-for-sale	155,609	178,524
Securities held-for-maturity	436,086	589,337
Financing, advances and other financing	3,777,769	3,944,758
Other receivables	24,610	36,525
Statutory deposits with Bank Negara Malaysia	144,124	163,424
Property, plant and equipment	1,829	2,060
Deferred tax assets	17,812	19,063
Tax recoverable	4,406	-
Total Assets	6,496,631	6,433,661
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	5,665,437	5,701,544
Deposits and placements of banks and other financial institutions	185,291	135,000
Bills and acceptance payable	898	1,424
Payables and other liabilities	75,760	52,037
Provision for taxation	-	2,373
Total Liabilities	5,927,386	5,892,378
Islamic banking capital fund	500,000	500,000
Reserves	69,245	41,283
Islamic Banking Funds	569,245	541,283
Total Liabilities and Islamic Banking Funds	6,496,631	6,433,661
Commitments and Contingencies	416,711	427,370

**(b) Unaudited Income Statements for the 2nd Quarter and Cumulative Six Months Ended
31 December 2006**

	Current quarter ended		Six months ended	
	31/12/06 RM '000	31/12/05 RM '000	31/12/06 RM '000	31/12/05 RM '000
Group				
Income derived from investment of deposits' funds and others	75,454	72,523	152,255	140,490
Income derived from investment of shareholders' funds	7,233	6,735	14,820	13,393
Allowance for losses on financing	(1,027)	(6,901)	539	(9,154)
Profit equalisation reserve	(5,611)	3,975	(4,611)	3,975
Total distributable income	76,049	76,332	163,003	148,704
Income attributable to deposits	(46,457)	(39,711)	(95,674)	(74,312)
Total net income	29,592	36,621	67,329	74,392
Other operating expenses	(12,551)	(21,379)	(31,400)	(42,037)
Profit before taxation and zakat	17,041	15,242	35,929	32,355
Zakat	(9)	(15)	(18)	(30)
Taxation	(4,601)	(4,309)	(9,701)	(9,131)
Profit after taxation and zakat	12,431	10,918	26,210	23,194
Profit attributable to shareholders	12,431	10,918	26,210	23,194
Earnings per share - basic (sen)	2.49	7.62	5.24	4.64
Earnings per share - fully diluted (sen)	2.49	7.62	5.24	4.64

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

(i) **By type**

	Group	
	As at 31/12/06 RM'000	As at 30/06/06 RM'000
Cash line	9,532	10,196
Term financing		
- House financing	1,499,378	1,045,491
- Hire purchase receivable	3,002,805	3,343,399
- Lease receivable	28,105	15,098
- Other term financing	540,292	548,171
Claims on customers under acceptance credits	22,917	103,291
Staff financing	105	123
Revolving credit	2,782	2,900
Others	480	1,096
	<u>5,106,396</u>	<u>5,069,765</u>
Less: Unearned income	<u>(1,240,622)</u>	<u>(1,037,941)</u>
	3,865,774	4,031,824
Less: Allowance for bad and doubtful financing		
- General	(57,530)	(60,158)
- Specific	(30,475)	(26,908)
Total net financing, advances and other financing	<u><u>3,777,769</u></u>	<u><u>3,944,758</u></u>

(ii) **By contract**

	Group	
	As at 31/12/06 RM'000	As at 30/06/06 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,160,913	979,754
Ijarah (lease)	25,702	13,794
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,656,242	2,934,985
Murabahah (cost-plus)	22,917	103,291
	<u>3,865,774</u>	<u>4,031,824</u>

Non-performing financing

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

	Group	
	As at 31/12/06 RM'000	As at 30/06/06 RM'000
	At beginning	75,637
Non-performing during the period/year	132,995	240,128
Reclassified as performing	(106,753)	(195,844)
Amount written back in respect of recoveries	(19,748)	(32,270)
Amount written off	-	(6,814)
Closing balance	<u>82,131</u>	<u>75,637</u>
Net non-performing financing, advances and other financing	<u>51,656</u>	<u>48,729</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>1.3%</u>	<u>1.2%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/12/06 RM'000	As at 30/06/06 RM'000
	General allowance	
At beginning	60,158	55,009
Net allowance made/(written back) during the period/year	(2,628)	5,149
Closing balance	<u>57,530</u>	<u>60,158</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	26,908	13,063
Allowance made during the period/year	12,900	26,771
Amount written back in respect of recoveries	(9,333)	(6,111)
Amount written off	-	(6,815)
Closing balance	<u>30,475</u>	<u>26,908</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 31/12/06 RM'000	As at 30/06/06 RM'000
Non-Mudharabah		
Demand deposits	317,058	127,218
Savings deposits	488,003	433,735
Negotiable instruments of deposit	68,090	1,739,230
	<u>873,151</u>	<u>2,300,183</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	370,800	292,243
General investment deposits	2,229,989	2,094,070
Specific investment deposits	2,190,239	1,013,613
Others	1,258	1,435
	<u>4,792,286</u>	<u>3,401,361</u>
	<u>5,665,437</u>	<u>5,701,544</u>

29. Change in Accounting Policies

During the period ended 31 December 2006, the Group have adopted the new and revised FRSs issued by MASB that are applicable with effect from 1 July 2006 which resulted in changes in accounting policies as follows:

(i) FRS 2 : Share-based Payment

FRS 2 requires an entity to recognise share-based payments in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. With the adoption of FRS 2, the compensation expense relating to share options is recognised in the income statements over the vesting periods of the grants with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options to be vested by the vesting date. The change in accounting policy is applied retrospectively only for those shares options granted after 31 December 2004 and have not vested as of 1 January 2006 as provided in the transitional provision of FRS 2.

For the current period under review, there were no share options granted under the ESOS and accordingly, the adoption of FRS 2 has not resulted in any financial impact to the Group.

In connection with the ESOS, a trust has been set up and is administered by an appointed trustee. The trustee will be entitled from time to time to accept advances from the Group to purchase the Company's ordinary shares from the open market for the purposes of the ESOS.

In accordance with IC Interpretation 112 Consolidation - Special Purpose Entities, the advances given to the trustee is consolidated and classified as Treasury Shares held for ESOS.

29. Change in Accounting Policies and Prior Year Adjustments (Continued)

(a) Change in Accounting Policies (Continued)

(ii) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The adoption of FRS 3, FRS 136 and FRS 138 has resulted in the Group ceasing amortisation of goodwill. Goodwill carried at cost less accumulated impairment losses, is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. Impairment losses are recognised in the income statement when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds the recoverable amount.

In prior years, goodwill arising on consolidation was carried forward at cost less the previous amount written off. Goodwill would be written down at such time when the Directors considered that there was a permanent diminution in the value of the investments. The exception was in respect of an immaterial sum of goodwill arising on consolidation of a subsidiary group which was amortised over a period of 20 years.

(iii) FRS 101: Presentation of Financial Statements

The adoption of revised FRS 101 requires new presentation of the financial statements.

In the consolidated income statement, minority interests are presented as an allocation of the total profit for the financial period between the equity holders of the parent and minority interests. In the consolidated balance sheet and consolidated statement of changes in equity, minority interests are presented within total equity. FRS 101 also requires disclosure on the face of the consolidated statement of changes in equity, a total for recognised income and expenses for the financial period, showing separately the amount attributable to the equity holders of the parent and the minority interests.

The presentation of this interim financial report is based on the revised requirements of FRS 101 in which certain comparative figures have been restated to conform with the current periods presentation.

HONG LEONG FINANCIAL GROUP BERHAD ("HLFG")
(formerly known as Hong Leong Credit Berhad)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
BERHAD LISTING REQUIREMENTS

1. Review of performance

Current quarter against previous corresponding quarter

The Group achieved a profit before tax of RM236.0 million for the quarter ended 31 December 2006 as compared to RM149.7 million in the previous corresponding quarter, an increase of RM86.3 million or 57.6%. This was mainly due to higher contributions from the Banking and Insurance divisions.

The Banking division recorded a pre-tax profit of RM212.4 million for the current financial quarter ended 31 December 2006, an increase of RM76.3 million as compared to previous corresponding quarter. This was mainly due to higher net income of RM75.4 million which was spurred by strong growth in business volume.

The Insurance division registered a profit before taxation of RM22.2 million for the current quarter as compared to RM13.9 million in the previous corresponding quarter, an increase of RM8.3 million. The increase was mainly due to higher gains on disposal of securities amounting to RM6.2 million.

The Stockbroking and Asset Management division registered a higher profit before tax of RM7.7 million compared to a profit before tax of RM4.7 million in the previous corresponding quarter, mainly due to higher brokerage income as compared to the previous corresponding quarter.

2. Review of performance of current quarter against preceding quarter

For the current financial quarter under review, the Group recorded a profit before tax of RM236.0 million as compared to RM207.9 million in the preceding quarter. This increase was mainly contributed by higher profits from the Banking and Insurance divisions.

The Banking division recorded a profit before tax of RM212.4 million as compared to RM198.4 million in the preceding quarter, an increase of RM14.0 million mainly due to increase in forex commercial volume.

The Insurance division registered a profit before taxation of RM22.2 million for the current quarter as compared to RM12.0 million in the preceding quarter due to higher gains on disposal of securities which increased by RM8.1 million.

The Stockbroking and Asset Management divisions registered a profit before tax of RM7.7 million as compared to RM4.3 million in the preceding quarter. The higher profit before tax for the current financial quarter under review was mainly due to higher brokerage income.

3. Current year prospect

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

4. Variance of actual profit from forecasted profit

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

5. Taxation

Provision based on profits for the financial period ended 31 December 2006:

	Group		Group	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(65,501)	(50,804)	(128,932)	(104,588)
Overseas – current	(867)	(65)	(1,208)	(230)
Transfer (from) / to deferred tax	2,878	3,987	7,999	(565)
	(63,490)	(46,882)	(122,141)	(105,383)
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	(63,490)	(46,882)	(122,141)	(105,383)

The effective tax rate for the Group for the current quarter and the financial period is higher than the statutory rate of taxation due to non-deductibility of certain expenses.

	Company		Company	
	Current quarter ended		Six months ended	
	31/12/06	31/12/05	31/12/06	31/12/05
	RM '000	RM '000	RM '000	RM '000
Tax expenses				
Malaysian – current	(39,539)	(42,943)	(39,539)	(42,943)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	-	-	-	-
	(39,539)	(42,943)	(39,539)	(42,943)
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	(39,539)	(42,943)	(39,539)	(42,943)

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

6. Sale of properties/unquoted investments

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

7. Purchase / sale of quoted securities of the Group

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

8. Status of corporate proposals

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

Hong Leong Bank Berhad (“HLB”) had, on 28 March 2006, announced that it had entered into a joint venture agreement with Hong Leong Assurance Berhad (“HLA”) and Tokio Marine & Nichido Fire Insurance Co. Ltd (“Tokio Marine”) to form a joint venture company to be known as Hong Leong Tokio Marine Takaful Berhad to operate as a registered takaful operator (“JV”). The equity participation in the JV company is HLB (55%), HLA (10%) and Tokio Marine (35%).

Bank Negara Malaysia had, vide its letter dated 2 March 2006, approved an application by the JV parties for a takaful licence under the Takaful Act 1984. The JV represented a strategic alliance between the parties to undertake Takaful business in Malaysia and a vehicle for future overseas expansion in the Takaful business.

Hong Leong Tokio Marine Takaful Berhad commenced business on 30 November 2006 upon registration as takaful operator by BNM pursuant to Section 8 of the Takaful Act 1984 for carrying out takaful family solidarity (family takaful) business and takaful general business.

9. Group borrowings

The Group borrowings include:

	As at 31/12/06 RM '000	As at 30/06/06 RM '000
Short Term – unsecured	149,000	152,300
Long Term – unsecured	299,850	298,145
Total Borrowings	<u>448,850</u>	<u>450,445</u>
Syndicated facility - USD150 million	529,050	-
Subordinated Bonds	696,446	704,049

All borrowings are denominated in Ringgit Malaysia.

Subordinated bonds

On 3 August 2005, the Banking subsidiary company, Hong Leong Bank (“the Bank” or “HLB”) issued USD200 million in aggregate principal amount of Subordinated Bonds (“the Bonds”) due 2015 callable with step-up in 2010. The Bonds bear interest at the rate of 5.25% per annum from, and including 3 August 2005 to, but excluding 3 August 2010 and, thereafter, at a rate per annum equal to the 5 Year US Treasury Rate plus 2.717%. The interest is payable semi-annually in arrears on 3 February and 3 August in each year, commencing on 3 February 2006. The Bonds were issued at a price of 99.848 per cent of the principal amount of the Bonds. The Bonds will, subject to the prior written approval of Bank Negara Malaysia, if required, be redeemable in whole but not in part, at the option of the Bank on 3 August 2010 or in the event of certain changes affecting taxation in Malaysia or any other jurisdiction where the Bank has to pay tax in relation to the Bonds, at their principal amount plus accrued interest.

The Bonds constitute unsecured liabilities of the Bank, and are subordinated in right of payment to the deposit liabilities and all other liabilities of the Bank in accordance with the terms and conditions of the issue and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Banking Group and the Bank.

9. Group borrowings (Continued)

Syndicated facility

During the financial period, the Banking subsidiary company entered into a Syndicated Transferable Short Term Loan Facility ("the Facility") of USD150 million repayable in bullet repayment on the date falling 364 days from the drawdown date. Proceeds from the Facility would be used for general funding purposes.

10. Off-Balance Sheet financial instruments

The Banking Group has incurred the following:

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 Mths	>6 –12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	2,328,588	1,423,805	541,425	196,894	162,580	3,883	-
- swaps	8,036,481	3,019,758	1,561,062	1,654,089	846,317	955,255	-
- options	1,995,095	907,712	856,683	22,133	208,567	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	18,556,540	-	2,367,540	2,456,000	4,518,000	9,215,000	-
- swaps	12,305,772	38,180	532,940	1,160,000	1,230,000	8,957,641	387,011
Total	43,222,476	5,389,455	5,859,650	5,489,116	6,965,464	19,131,779	387,011

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

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 period, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM374,586,139 (FYE June 2006: RM340,585,000) and RM29,337,211,600 (FYE June 2006: RM14,197,940,190) 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 period, the amount of credit risk, measured in terms of the cost to replace the profitable contracts, was RM67,096,441 (FYE June 2006: RM115,302,951). 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.

11. Material litigation

The Company was served with a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") in relation to the termination of the Sale and Purchase Agreement ("SPA") dated 31 October 2000 between HLG Securities Sdn Bhd ("HLG Sec") and BSH for the proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd ("BS") for a total purchase consideration of RM88 million comprising RM31 million cash and the balance RM57 million to be satisfied through the issue of new HLG shares to BSH ("Proposed Acquisition"). In conjunction with the Proposed Acquisition, BSH issued a letter to HLFG undertaking to give HLFG a first right of refusal to purchase any or all of the new HLG shares that BSH may, from time to time, wish to sell ("Undertaking").

In view of the Undertaking, HLFG was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HLFG had to abstain from voting at the extraordinary general meeting ("EGM") of HLG convened to consider the Proposed Acquisition. BSH alleged that HLFG ought not to have abstained from voting at the EGM and in so doing, had caused the SPA to be terminated. The Company is of the view that the claim is baseless and had appointed lawyers to defend the suit.

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

12. HLFG Dividends

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

For the financial period ended 31 December 2006, a dividend of 9 sen per share less income tax of 27% was declared (2005 : 8 sen per share less income tax of 28%) and paid on 18 December 2006.

13. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares in issue during the financial period.

Weighted Average Number Of Ordinary Shares	Group Current quarter ended		Group Six months ended	
	31/12/06 RM '000	31/12/05 RM '000	31/12/06 RM '000	31/12/05 RM '000
Weighted average number of ordinary shares	1,025,722	1,040,722	1,025,722	1,040,722
Net profit attributable to shareholders of the company	115,811	65,806	209,271	156,960
Basic earnings per share (Sen)	11.3	6.3	20.4	15.1

Weighted Average Number Of Ordinary Shares	Company Current quarter ended		Company Six months ended	
	31/12/06 RM '000	31/12/05 RM '000	31/12/06 RM '000	31/12/05 RM '000
Weighted average number of ordinary shares	1,026,261	1,040,722	1,026,261	1,040,722
Net profit attributable to shareholders of the company	99,751	97,828	92,896	96,889
Basic earnings per share (Sen)	9.7	9.4	9.1	9.3

(b) Fully diluted earnings per share

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

Fully Diluted Weighted Average Number Of Ordinary Shares	Group Current quarter ended		Group Six months ended	
	31/12/06 RM '000	31/12/05 RM '000	31/12/06 RM '000	31/12/05 RM '000
Weighted average no. of shares as at end of financial period	1,025,722	1,040,722	1,025,722	1,040,722
Effect of share options	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,025,722	1,040,722	1,025,722	1,040,722
Net profit attributable to shareholders of the company	115,811	65,806	209,271	156,960
Fully diluted earnings per share (Sen)	11.3	6.3	20.4	15.1

Fully Diluted Weighted Average Number Of Ordinary Shares	Company Current quarter ended		Company Six months ended	
	31/12/06 RM '000	31/12/05 RM '000	31/12/06 RM '000	31/12/05 RM '000
Weighted average no. of shares as at end of financial period	1,026,261	1,040,722	1,026,261	1,040,722
Effect of share options	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,026,261	1,040,722	1,026,261	1,040,722
Net profit attributable to shareholders of the company	99,751	97,828	92,896	96,889
Fully diluted earnings per share (Sen)	9.7	9.4	9.1	9.3