



Financial Results

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Submitted

Company Information

Main Board/Second Board Company

New Announcement

Submitting Investment Bank/Advisor
(if applicable)

Submitting Secretarial Firm (if
applicable)

* Company name	HONG LEONG FINANCIAL GROUP BERHAD
* Stock name	HLFG
* Stock code	1082
* Contact person	Ms Christine Foo Choy Leng
* Designation	Company Secretary
* Contact number	03-21692023
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Part A1 : Quarterly Report

* Financial Year End	30/06/2008
* Quarter	4 Qtr
* Quarterly report for the financial period ended	30/06/2008
* The figures	have been audited

Please attach the full Quarterly Report here

HLFG - Audited Financial Statements as at 30 June 2008-.tif

Remarks

This announcement is dated 25 August 2008.

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
* 30/06/2008

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2008 [dd/mm/yyyy] RM'000	30/06/2007 [dd/mm/yyyy] RM'000	30/06/2008 [dd/mm/yyyy] RM'000	30/06/2007 [dd/mm/yyyy] RM'000
1. Revenue	560,927	553,050	2,225,482	1,988,153

2. Profit/(loss) before tax	256,202	322,978	1,120,165	985,702
3. Profit/(loss) for the period	195,675	241,015	826,332	721,605
4. Profit/(loss) attributable to ordinary equity holders of the parent	144,449	176,504	548,682	487,969
5. Basic earnings/(loss) per share (sen)	13.90	17.00	52.90	47.00
6. Proposed/Declared dividend per share (sen)	14.00	14.00	23.00	23.00

AS AT END OF CURRENT QUARTER*

AS AT PRECEDING FINANCIAL YEAR
END

7. Net assets per share attributable to ordinary equity holders of the parent (RM)		3.9000		3.5800
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Remarks :

Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Equity (excluding Minority Interest) divided by total number of ordinary shares in circulation.

Note: For full text of the above announcement, please access the Bursa Malaysia website at www.bursamalaysia.com

Part A3 : ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER*	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE*	PRECEDING YEAR CORRESPONDING PERIOD
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
	[dd/mm/yyyy] RM'000	[dd/mm/yyyy] RM'000	[dd/mm/yyyy] RM'000	[dd/mm/yyyy] RM'000
1. Gross interest income	782,800	760,999	3,068,841	2,877,793
2. Gross interest expense	440,059	467,968	1,687,530	1,710,686

Remarks :

Note: The above information is for the Exchange internal use only.

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HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2008

THE GROUP	As at 30/06/08 RM '000	As at 30/06/07 RM '000
<u>Assets</u>		
Cash and short term funds	23,456,160	16,767,686
Deposits and placements with financial institutions	2,292,806	9,290,759
Securities purchased under resale agreements	972,742	3,495,309
Securities held at fair value through profit or loss	4,877,785	3,525,932
Securities available-for-sale	8,439,846	5,423,563
Securities held-to-maturity	3,161,818	2,622,790
Loans, advances and financing	35,090,636	32,150,940
Trade receivables	202,187	407,396
Other receivables	2,499,901	1,048,415
Statutory deposits with Bank Negara Malaysia	1,315,464	1,206,939
Tax recoverable	13,024	14,648
Prepaid land lease payments	9,117	8,809
Deferred tax asset	172,671	162,140
Property, plant and equipment	508,466	472,536
Intangible assets	588,560	588,967
Total Assets	83,601,183	77,186,829
<u>Liabilities</u>		
Deposits from customers	62,061,525	56,095,966
Deposits and placements of banks and other financial institutions	6,372,576	5,113,620
Obligations on securities sold under repurchase agreements	-	1,129,521
Bills and acceptances payable	411,183	566,251
Payables and other liabilities	3,015,458	2,713,181
Provision for claims	199,086	169,711
Provision for taxation	91,078	106,402
Bank loans	25,600	125,700
Subordinated Bonds	671,750	671,657
Syndicated loan facility	-	509,850
Capital market borrowing	425,000	300,000
Insurance funds	4,180,524	4,043,762
Total Liabilities	77,453,780	71,545,621
<u>Equity</u>		
Share capital	1,052,768	1,052,451
Capital reserves	1,371,637	1,337,795
Retained profits	1,767,888	1,428,148
Fair value reserves	(11,257)	15,394
Treasury shares held for ESOS	(73,176)	(67,666)
Total shareholders' equity	4,107,860	3,766,122
Minority interest	2,039,543	1,875,086
Total Equity	6,147,403	5,641,208
Total Liabilities and Equity	83,601,183	77,186,829
Commitment and Contingencies	81,675,737	76,655,300

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
AUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

THE GROUP	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Interest income	782,800	760,999	3,068,841	2,877,793
Interest expense	(440,059)	(467,968)	(1,687,530)	(1,710,686)
Net interest income	342,741	293,031	1,381,311	1,167,107
Income from Islamic banking business	40,210	40,671	160,044	143,827
Non interest income	177,976	219,348	684,127	677,219
Net income	560,927	553,050	2,225,482	1,988,153
Overhead expenses	(231,480)	(221,670)	(944,837)	(838,876)
Operating profit before allowances	329,447	331,380	1,280,645	1,149,277
Allowance for losses on loans, advances and financing	(72,301)	(6,577)	(158,527)	(161,750)
Impairment loss	(944)	(1,825)	(1,953)	(1,825)
Profit before taxation and zakat	256,202	322,978	1,120,165	985,702
Taxation	(60,527)	(81,958)	(293,833)	(264,062)
Zakat	-	(5)	-	(35)
Net profit for the period	<u>195,675</u>	<u>241,015</u>	<u>826,332</u>	<u>721,605</u>
Attributable to :				
Equity holders of the company	144,449	176,504	548,682	487,969
Minority interests	51,226	64,511	277,650	233,636
Net profit for the period	<u>195,675</u>	<u>241,015</u>	<u>826,332</u>	<u>721,605</u>
Basic earnings per ordinary share (sen)	<u>13.9</u>	<u>17.0</u>	<u>52.9</u>	<u>47.0</u>
Diluted earnings per ordinary share (sen)	<u>13.9</u>	<u>17.0</u>	<u>52.9</u>	<u>47.0</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
AUDITED COMPANY BALANCE SHEETS AS AT 30 JUNE 2008

	As at 30/06/08 RM '000	As at 30/06/07 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	11,699	16,476
Securities held at fair value through profit or loss	-	7
Other receivables	20,186	8,970
Tax recoverable	12,988	13,823
Investment in subsidiaries	2,048,349	2,048,349
Property, plant and equipment	3,525	4,136
Intangible assets	352	20
Total Assets	<u>2,097,099</u>	<u>2,091,781</u>
<u>Liabilities</u>		
Payables and other liabilities	9,993	22,815
Bank loans	1,000	111,000
Capital market borrowing	425,000	300,000
Total Liabilities	<u>435,993</u>	<u>433,815</u>
<u>Financed by:</u>		
Share capital	1,052,768	1,052,451
Capital reserves	141,475	135,653
Retained profits	538,123	535,612
Treasury shares held for ESOS	(71,260)	(65,750)
Total Equity	<u>1,661,106</u>	<u>1,657,966</u>
Total Liabilities and Equity	<u>2,097,099</u>	<u>2,091,781</u>
Commitment and Contingencies	<u>-</u>	<u>-</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
AUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
THE COMPANY				
Interest income	275	164	659	360
Interest expense	(4,169)	(5,681)	(18,403)	(22,979)
Net interest expense	(3,894)	(5,517)	(17,744)	(22,619)
Non interest income	31,812	1,570	268,985	237,523
Net income	27,918	(3,947)	251,241	214,904
Overhead expenses	(4,380)	(4,971)	(17,445)	(13,030)
Profit before taxation and zakat	23,538	(8,918)	233,796	201,874
Taxation	6,161	7,655	(54,421)	(55,007)
Net profit for the period	29,699	(1,263)	179,375	146,867
Basic earnings per ordinary share (sen)	2.9	(0.1)	17.3	14.1
Diluted earnings per ordinary share (sen)	2.9	(0.1)	17.3	14.1

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008		Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
Opening balance as at 1 July 2007		1,052,451	116,017	1,067,869	133,258	1,152	15,394	19,499	1,428,148	(67,666)	3,766,122	1,875,086	5,641,208
Exchange fluctuation differences		-	-	-	-	-	-	(6,777)	-	-	-	-	(6,777)
Net fair value changes in available-for-sale securities		-	-	-	-	-	(26,651)	-	-	-	-	-	(26,651)
Net income/(expense) recognised directly in equity		-	-	-	-	-	(26,651)	(6,777)	548,682	-	548,682	277,650	826,332
Net profit for financial period		-	-	-	-	-	-	-	548,682	-	548,682	277,650	826,332
Total recognised income/(expense) for the period		-	-	-	-	-	(26,651)	(6,777)	548,682	-	515,254	277,650	792,904
Issue of shares arising from the exercise of Warrants 1997/2007		317	1,212	-	-	-	-	-	-	-	1,529	(113,193)	1,529
Allocation of other reserves to minority interests		-	-	-	-	-	-	-	(32,078)	-	-	(113,193)	(113,193)
Transfer to statutory reserves		-	-	32,078	-	-	-	-	-	-	-	-	-
Dividend paid		-	-	-	-	-	-	-	(69,115)	-	(69,115)	-	(69,115)
- 1st interim dividend		-	-	-	-	-	-	-	(107,749)	-	(107,749)	-	(107,749)
- 2nd interim dividend		-	-	-	-	7,329	-	-	-	-	7,329	-	7,329
Option reserves arising from ESOS		-	-	-	-	-	-	-	-	(5,510)	(5,510)	-	(5,510)
Treasury Shares held for ESOS		-	-	-	-	-	-	-	-	(73,176)	(73,176)	-	(73,176)
AT 30 JUNE 2008		1,052,768	117,229	1,099,947	133,258	8,481	(11,257)	12,722	1,767,888	(73,176)	4,107,860	2,039,543	6,147,403
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007		Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
Opening balance as at 1 July 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		-	-	-	-	-	-	(2,812)	-	-	(2,812)	-	(2,812)
Net fair value changes in available-for-sale securities		-	-	-	-	-	57,865	-	-	-	57,865	-	57,865
Net income/(expense) recognised directly in equity		-	-	-	-	-	57,865	(2,812)	487,969	-	55,053	-	55,053
Net profit for financial period		-	-	-	-	-	-	-	487,969	-	487,969	233,636	721,605
Total recognised income/(expense) for the period		-	-	-	-	-	57,865	(2,812)	487,969	-	543,022	233,636	776,658
Transfer to statutory reserves		-	-	104,703	-	-	-	-	(104,703)	-	-	-	-
Issue of shares arising from the exercise of Warrants 1997/2007		11,729	44,801	-	-	-	-	-	(67,502)	-	56,530	-	56,530
Dividend paid		-	-	-	-	-	-	-	(105,289)	-	(105,289)	-	(105,289)
- 1st interim dividend		-	-	-	-	-	-	-	-	-	1,152	-	1,152
- 2nd interim dividend		-	-	-	-	-	-	-	-	(52,428)	(52,428)	-	(52,428)
Option reserve arising from ESOS		-	-	-	-	-	-	-	-	-	(52,428)	-	(52,428)
Treasury Shares held for ESOS		-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to minority interests		-	-	-	-	-	15,394	19,499	1,428,148	(67,666)	3,766,122	1,875,086	5,641,208
AT 30 JUNE 2007		1,052,451	116,017	1,067,869	133,258	1,152	15,394	19,499	1,428,148	(67,666)	3,766,122	1,875,086	5,641,208

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
AUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

FOR THE FINANCIAL YEAR ENDED		Share		Other Capital Reserves & General Reserves		Options Reserves		Retained Profits		Treasury Shares		Total Equity	
30 JUNE 2008		Share Capital	Share Premium	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 2007		1,052,451	116,017	18,484	1,152	535,612	(65,750)	1,657,966					
Net profit for the financial period		-	-	-	-	179,375	-	179,375					
Total recognised income/(expense) for the period		-	-	-	-	179,375	-	179,375					
Issue of shares arising from the exercise of Warrants 1997/2007		317	1,212	-	-	-	-	-					
Dividend paid		-	-	-	-	(69,115)	-	(69,115)					
- 1st interim dividend		-	-	-	-	(107,749)	-	(107,749)					
- 2nd interim dividend		-	-	-	-	-	-	-					
Option reserves arising from ESOS		-	-	-	4,610	-	-	4,610					
Treasury Shares held for ESOS		-	-	-	-	-	(5,510)	(5,510)					
AT 30 JUNE 2008		1,052,768	117,229	18,484	5,762	538,123	(71,260)	1,661,106					
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007													
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		-	-	-	-	146,867	-	146,867					
Total recognised income/(expense) for the period		-	-	-	-	146,867	-	146,867					
Issue of shares arising from the exercise of Warrants 1997/2007		11,729	44,801	-	-	-	-	56,530					
Dividend paid		-	-	-	-	(67,502)	-	(67,502)					
- 1st interim dividend		-	-	-	-	(105,289)	-	(105,289)					
- 2nd interim dividend		-	-	-	-	-	-	-					
Option reserves arising from ESOS		-	-	-	1,152	-	-	1,152					
Treasury Shares held for ESOS		-	-	-	-	-	(52,428)	(52,428)					
AT 30 JUNE 2007		1,052,451	116,017	18,484	1,152	535,612	(65,750)	1,657,966					

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
AUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	The Group		The Company	
	30/06/08	30/06/07	30/06/08	30/06/07
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	1,120,165	985,702	233,796	201,874
Adjustment for non-cash items and others	101,819	575,264	(239,883)	(208,340)
Operating profit before working capital changes	1,221,984	1,560,966	(6,087)	(6,466)
Income tax recovered/(paid)	(337,757)	(302,621)	6,996	6,100
Interest received	534	360	534	360
Net changes in working capital	10,126,517	(556,126)	(23,815)	(390)
Net cash flow from operating activities	11,011,278	702,579	(22,372)	(396)
Net cash flow from investing activities	(3,499,888)	1,103,093	196,576	115,427
Net cash flow from financing activities	(814,824)	201,583	(178,981)	(145,530)
Changes in cash and cash equivalents	6,696,566	2,007,255	(4,777)	(30,499)
Effect of change in foreign exchange rate	(8,092)	(2,568)	-	-
Cash and cash equivalents as at 1 July	16,767,686	14,762,999	16,476	46,975
Cash and cash equivalents as at 30 June	23,456,160	16,767,686	11,699	16,476

**HONG LEONG FINANCIAL GROUP BERHAD ("HLFG" or "the Company")
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

1. Basis of preparation

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard ("FRS") 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board ("MASB"), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia and should be read in conjunction with the Group's audited annual financial statements for the year ended 30 June 2007.

The accounting policies and methods of computation applied in the audited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of FRS 117, 'Leases' which is effective for accounting periods beginning on or after 1 October 2006. The Group has adopted FRS 117 commencing from financial period beginning 1 July 2007. The adoption of FRS 117 has resulted in the restatement of the comparative figures 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 2007 of HLFG

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2007.

3. Seasonality or cyclicity of operations

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

4. Exceptional items / unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial year ended 30 June 2008 other than as mentioned below.

Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFG and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet. Pursuant to the scheme, the number of shares bought by the appointed trustee was 15,602,508 at an average price of RM4.57 and the total consideration paid, including transaction costs was RM71,260,000. Of the 15,602,508 shares held pursuant to ESOS, 1,141,100 shares has been earmarked for Hong Leong Assurance Berhad ("HLA") for their intended ESOS scheme.

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

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

7. Dividends paid

- (i) A first interim dividend of 9 sen per share less income tax, amounting to RM69,115,000 in respect of the financial year ended 30 June 2008 was paid on 18 December 2007 (2006/2007 : 9 sen per share less income tax).
- (ii) A second interim dividend of 14 sen per share less income tax, amounting to RM107,749,000 in respect of the financial year ended 30 June 2008 was paid on 26 June 2008 (2006/2007 : 14 sen per share less income tax).
- (iii) Total dividend paid for the financial year ended 30 June 2008 : 23 sen per share less tax (2006/2007 : 24 sen per share less income tax).

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 30 JUNE 2008	Securities & Asset					Eliminations RM'000	Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000			
Revenue for the year ended							
External sales	1,990,069	71,396	178,136	(14,119)	-	-	2,225,482
Intersegment sales	28,271	2,497	8,116	7,731	(46,615)	-	-
	<u>2,018,340</u>	<u>73,893</u>	<u>186,252</u>	<u>(6,388)</u>	<u>(46,615)</u>		<u>2,225,482</u>
Results for the year ended							
Segment results	1,010,042	32,152	103,769	237,605	(263,403)		1,120,165
Profit before taxation and zakat							1,120,165
Taxation and zakat							(293,833)
Profit after taxation							826,332
Minority interest							(277,650)
Net profit for the year							<u>548,682</u>
Other information							
Segment assets	77,288,052	469,825	5,540,979	45,147	53,208		83,397,211
Other corporate assets							203,972
Total consolidated assets							<u>83,601,183</u>
Segment liabilities	72,327,967	305,062	4,917,968	29,773	(552,990)		77,027,780
Other corporate liabilities							426,000
Total consolidated liabilities							<u>77,453,780</u>
Capital expenditure	108,586	3,031	3,699	1,563	-		116,879
Depreciation	57,856	1,591	9,046	1,074	-		69,567
Loan loss and other allowances	158,527	-	-	-	-		158,527

GROUP 30 JUNE 2007	Securities & Asset					Eliminations RM'000	Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000			
Revenue for the year ended							
External sales	1,737,961	68,431	194,804	(13,043)	-	-	1,988,153
Intersegment sales	30,229	6,500	4,999	6,938	(48,666)	-	-
	1,768,190	74,931	199,803	(6,105)	(48,666)	-	1,988,153
Results for the year ended							
Segment results	856,598	37,872	120,123	211,368	(240,259)	-	985,702
Profit before taxation and zakat							985,702
Taxation and zakat							(264,097)
Profit after taxation							721,605
Minority interest							(233,636)
Net profit for the year							487,969
Other information							
Segment assets	71,258,778	519,484	5,208,509	50,437	(45,445)	-	76,991,763
Other corporate assets							195,066
Total consolidated assets							77,186,829
Segment liabilities	66,765,032	363,220	4,605,502	30,295	(644,130)	-	71,119,919
Other corporate liabilities							425,702
Total consolidated liabilities							71,545,621
Capital expenditure	89,620	1,607	6,254	3,331	-	-	100,812
Depreciation	54,287	1,142	9,738	1,356	-	-	66,523
Loan loss and other allowances	161,750	-	-	-	-	-	161,750

9. Securities held at fair value through profit or loss

	Group	
	As at 30/06/08	As at 30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	129,937	102,211
Malaysian Government Securities	195,689	125,232
Negotiable instruments of deposit	306,353	111,395
Bankers' acceptances and Islamic accepted bills	2,862,379	1,132,891
Bank Negara Malaysia bills	1,170,850	1,506,638
Malaysian Government Investment Certificates	55,188	55,066
Khazanah bonds	47,334	-
Cagamas bonds/notes	-	79,045
	4,767,730	3,112,478
Quoted securities :		
Shares/Loan stocks/Unit Trust	93,501	166,968
Foreign currency bonds	1,691	1,790
Unquoted securities :		
Syndicated bond	-	38,619
Private debt securities	14,863	200,825
<u>Others designated at fair value through P&L</u>		
Loan stock quoted in Malaysia	-	5,252
Total securities held at fair value through profit and loss	4,877,785	3,525,932

	Company	
	As at 30/06/08	As at 30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	-	7

10. Securities available-for-sale

	Group	
	As at 30/06/08	As at 30/06/07
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	432,902	388,695
Malaysian Government Securities	2,208,381	1,877,862
Malaysian Government Investment Certificates	1,505,134	-
Negotiable instruments of deposit	16,760	20,000
Khazanah bonds	9,531	-
Cagamas bonds	989,995	854,177
Other Government Securities	115,502	8,715
	5,278,205	3,149,449
Quoted securities :		
Shares/Loan stocks/Unit Trust	450,074	584,698
Foreign Currency Bonds	769,054	63,857
Unquoted securities :		
Private debt securities/shares/reits	1,942,513	1,625,559
Total securities available-for-sale	8,439,846	5,423,563

11. Securities held-to-maturity

	Group	
	As at 30/06/08	As at 30/06/07
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	752,186	107,353
Malaysian Government Investment Certificates	60,305	171,059
Negotiable instruments of deposit	1,718,179	1,781,273
Cagamas bonds	230,314	275,033
	2,760,984	2,334,718
Quoted securities :		
Foreign Currency Bonds	-	10,242
Unquoted securities :		
Private debt securities/shares/loan stocks	400,834	277,830
Total securities held-to-maturity	3,161,818	2,622,790

12. Loans, advances and financing

	Group	
	As at 30/06/08	As at 30/06/07
	RM '000	RM '000
Overdrafts	2,435,782	2,624,460
Term loans :		
- Housing loans/financing	19,445,381	16,559,484
- Syndicated term loan/financing	1,422,294	1,526,094
- Hire purchase receivables	6,167,037	5,695,681
- Lease receivables	22,602	29,374
- Other term loans/financing	2,512,094	1,721,550
Credit/charge card receivables	1,925,986	1,667,901
Bills receivables	357,255	310,842
Trust receipts	139,725	150,249
Claims on customers under acceptance credits	3,057,364	3,023,892
Block discounting	8,422	18,480
Revolving credits	799,314	783,949
Policy and premium loans	556,612	496,151
Staff loans	102,020	112,360
Other loans/financing	48,339	53,354
	39,000,227	34,773,821
Unearned interest and income	(3,001,136)	(1,760,915)
	35,999,091	33,012,906
Fair value changes arising from fair value hedges	(35,717)	32,540
Allowance for bad and doubtful debts and financing :		
- general	(526,957)	(481,746)
- specific	(345,781)	(412,760)
Net loans, advances and financing	35,090,636	32,150,940

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Domestic banking institutions	-	320
Domestic non-bank financial institutions	122,659	159,547
Domestic business enterprises		
- Small and medium enterprises	3,505,565	3,351,870
- Others	7,200,936	6,172,934
Government and statutory bodies	1,592	91,102
Individuals	24,034,103	21,998,311
Other domestic entities	25,976	41,907
Foreign entities	1,108,260	1,196,915
Gross loans, advances and financing	<u>35,999,091</u>	<u>33,012,906</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Fixed rate		
- Housing loans/financing	1,634,343	3,512,263
- Hire purchase receivables	5,395,285	4,942,068
- Other fixed rate loan/financing	3,581,813	3,084,586
Variable rate		
- Base lending rate plus	22,468,590	17,829,234
- Cost plus	2,800,269	3,582,814
- Other variables rates	118,791	61,941
Gross loans, advances and financing	<u>35,999,091</u>	<u>33,012,906</u>

(c) By economic purpose

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Purchase of securities	517,205	582,681
Purchase of transport vehicles	5,017,181	4,469,163
Purchase of landed properties		
- residential	13,275,941	12,136,525
- non-residential	4,232,178	3,926,088
Personal use	2,363,560	2,114,929
Credit card	1,925,986	1,667,901
Purchase of consumer durables	128	157
Construction	541,258	565,931
Working capital	7,564,139	6,961,765
Others	561,515	587,766
Gross loans, advances and financing	<u>35,999,091</u>	<u>33,012,906</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Purchase of securities	13,793	21,229
Purchase of transport vehicles	56,043	86,393
Purchase of landed properties		
- residential	229,221	289,258
- non-residential	79,537	102,970
Personal use	40,969	44,580
Credit card	28,751	26,674
Purchase of consumer durables	-	154
Construction	38,592	55,039
Working capital	353,493	407,083
Others	3	-
Gross loans, advances and financing	<u>840,402</u>	<u>1,033,380</u>

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

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
At beginning	1,033,380	1,381,983
Non-performing during the period/year	2,594,538	3,008,575
Reclassified as performing	(2,195,316)	(2,640,341)
Amount written back in respect of recoveries	(332,256)	(465,517)
Amount written off	(261,664)	(249,843)
Exchange differences	1,720	(1,477)
Closing balance	<u>840,402</u>	<u>1,033,380</u>
Specific allowance	<u>(345,781)</u>	<u>(412,760)</u>
Net non-performing loans, advances and financing	<u>494,621</u>	<u>620,620</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.4%</u>	<u>1.9%</u>

12. Loans, advances and financing (continued)

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

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
<u>General Allowance</u>		
At beginning	481,746	436,233
Net allowance made during the period/year	44,443	45,805
Exchange differences	768	(292)
Closing balance	<u>526,957</u>	<u>481,746</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	412,760	473,817
Allowance made during the period/year	298,603	296,243
Amount written back in respect of recoveries	(105,139)	(106,256)
Amount written off	(261,663)	(250,137)
Exchange differences	1,220	(907)
Closing balance	<u>345,781</u>	<u>412,760</u>

13. Other receivables

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Interest/Income receivable	166,203	217,315
Investment properties	1,600	1,280
Other debtors, deposits and prepayments *	2,329,443	826,001
Assets held for sale	60	810
Foreclosed properties	2,595	3,009
	<u>2,499,901</u>	<u>1,048,415</u>

* Included in the other debtors, deposits and prepayments is amount of RM738M for the partial payment for the subscription of shares in Chengdu Bank pending issuance of shares

	Company	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Amount due from subsidiary companies	18,251	6,117
Amount due from related companies	50	267
Other debtors, deposits and prepayments	1,885	2,586
	<u>20,186</u>	<u>8,970</u>

14. Deposits from customers

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Fixed deposits	33,979,359	29,279,540
Negotiable instruments of deposit	1,697,204	3,247,184
Demand deposits	5,950,840	4,947,287
Savings deposits	7,491,714	7,117,265
Short term corporate placement	12,727,011	11,293,502
Other	215,397	211,188
	<u>62,061,525</u>	<u>56,095,966</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
One year or less (short term)	34,732,418	31,694,339
More than one year (medium/long term)	944,145	832,385
	<u>35,676,563</u>	<u>32,526,724</u>

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

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Government and statutory bodies	985,187	362,135
Business enterprises	29,601,029	24,050,312
Individuals	30,877,001	30,054,518
Others	598,308	1,629,001
	<u>62,061,525</u>	<u>56,095,966</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Licensed banks	5,891,409	3,677,870
Other financial institutions	481,167	1,435,750
	<u>6,372,576</u>	<u>5,113,620</u>

The maturity structure :

One year or less (short term)	6,372,576	5,113,620
More than one year (medium/long term)	-	-
	<u>6,372,576</u>	<u>5,113,620</u>

16. Payables and other liabilities

	Group	
	As at	As at
	30/06/08	30/06/07
	RM '000	RM '000
Trade payables	561,746	537,852
Amount due to related companies	623	2,853
Other payables and accrued liabilities	2,240,883	1,772,207
Interest payable	206,169	394,444
Post employment benefits obligations - defined contribution plan	6,037	5,825
	<u>3,015,458</u>	<u>2,713,181</u>

	Company	
	As at	As at
	30/06/08	30/06/07
	RM '000	RM '000
Amount due to subsidiary companies	665	10,228
Other payables and accrued liabilities	5,483	5,425
Interest payable	3,769	7,091
Post employment benefits obligations - defined contribution plan	76	71
	<u>9,993</u>	<u>22,815</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/08 RM '000	quarter ended 30/06/07 RM '000	ended 30/06/08 RM '000	ended 30/06/07 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	430,751	384,737	1,673,909	1,452,826
- recoveries from NPLs	34,995	37,023	126,192	150,165
Money at call and deposit placements				
with financial institutions	207,544	256,651	798,827	796,071
Securities purchased under resale agreement	6,871	37,212	62,371	118,208
Securities held at fair value through				
profit and loss	6,193	(2,095)	35,241	54,596
Securities available-for-sale	33,161	29,561	120,618	162,349
Securities held-to-maturity	9,645	19,941	35,982	85,144
Others	1,090	2,273	7,251	9,786
	<u>730,250</u>	<u>765,303</u>	<u>2,860,391</u>	<u>2,829,145</u>
Amortisation of premium less				
accretion of discount	55,352	(3,861)	216,907	55,808
Interest suspended	(2,802)	(443)	(8,457)	(7,160)
	<u>782,800</u>	<u>760,999</u>	<u>3,068,841</u>	<u>2,877,793</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/06/08	30/06/07	30/06/08	30/06/07
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements				
with financial institutions	275	164	659	360
Others	-	-	-	-
	<u>275</u>	<u>164</u>	<u>659</u>	<u>360</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/08 RM '000	quarter ended 30/06/07 RM '000	ended 30/06/08 RM '000	ended 30/06/07 RM '000
Deposits and placements of banks				
and other financial institutions	27,990	46,279	112,620	291,147
Deposits from customers	275,202	307,798	1,078,637	1,224,646
Borrowings	4,302	5,554	18,672	23,721
Subordinated bonds	8,303	8,547	34,201	35,551
Short term corporate placements	123,671	91,876	428,529	116,118
Others	591	7,914	14,871	19,503
	<u>440,059</u>	<u>467,968</u>	<u>1,687,530</u>	<u>1,710,686</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/06/08	30/06/07	30/06/08	30/06/07
	RM '000	RM '000	RM '000	RM '000
Borrowings	4,169	5,681	18,403	22,979

19. Non Interest Income

	Group		Group	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Net income from Insurance Business	88,208	80,670	153,446	134,743
Net brokerage and commissions from Stockbroking Business	6,180	11,516	45,043	40,398
Net unit trust and asset management income	6,240	5,987	22,351	21,254
Fee income:				
Management fees	165	145	412	1,070
Commissions	9,311	9,501	66,998	77,415
Service charges and fees	10,560	19,295	37,603	55,716
Guarantee fees	1,366	1,332	5,674	5,385
Other fee income	47,699	21,920	187,055	132,041
	69,101	52,193	297,742	271,627
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	6,252	38,668	17,725	78,708
Net gain from sale of securities available-for-sale	1,057	5,808	15,166	50,969
Net gain/(loss) from redemption of securities held-to-maturity	2,318	1	1,966	948
	9,627	44,477	34,857	130,625
Gross dividend income from:				
Securities held at fair value through profit and loss	1,338	2,488	7,236	5,099
Securities available-for-sale	862	1,507	4,734	5,532
Securities held-to-maturity	388	677	3,111	1,001
	2,588	4,672	15,081	11,632
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	(20,283)	10,989	(3,157)	(8,145)
Net realised gains/(losses) on fair value changes arising from fair value hedge	(19,622)	(4,700)	(30,856)	(17,157)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	13,913	(4,663)	7,883	(6,368)
Other income:				
Foreign exchange gain/(loss)	13,675	8,837	113,485	72,469
Rental income	106	182	504	553
Gain/(loss) on disposal of property and equipment	291	139	1,839	557
Profit from Takaful investments	3,229	918	10,872	1,026
Others	4,723	8,131	15,037	24,005
	22,024	18,207	141,737	98,610
Total non interest income	177,976	219,348	684,127	677,219

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Fee income:				
Management fees	1,677	1,183	5,245	4,221
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss	(45)	170	(21)	170
Gross dividend income from:				
Securities held at fair value through profit and loss	135	850	408	850
Subsidiary companies	30,000	-	263,007	232,081
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	-	(73)	-	-
Other income:				
Others	45	(560)	346	201
Total non interest income	31,812	1,570	268,985	237,523

20. Overhead expenses

	Group		Group	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	121,180	106,367	454,355	394,877
- Others	18,312	11,662	46,096	40,697
<u>Establishment costs</u>				
- Depreciation	18,120	14,917	69,567	66,523
- Rental	11,823	1,305	48,265	32,762
- Information technology expenses	12,560	16,316	49,942	45,298
- Others	12,547	24,893	49,416	52,931
<u>Marketing expenses</u>				
- Advertisement and publicity	22,289	16,739	62,515	47,209
- Handling fees	3,611	3,791	16,781	13,564
- Others	9,741	13,685	48,444	46,859
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,441	4,106	10,452	11,287
- Stationery & printing	5,147	6,598	18,230	18,457
- Others	(6,291)	1,291	70,774	68,412
	231,480	221,670	944,837	838,876

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,234	2,563	8,626	7,744
- Others	1,253	1,192	4,954	1,339
<u>Establishment costs</u>				
- Depreciation	199	178	982	801
- Rental	160	188	680	668
- Others	133	(36)	329	141
<u>Administration and general expenses</u>				
- Teletransmission expenses	14	13	44	47
- Stationery & printing	18	15	55	36
- Others	369	858	1,775	2,254
	<u>4,380</u>	<u>4,971</u>	<u>17,445</u>	<u>13,030</u>

21. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	11,428	18,047	44,443	45,805
- specific allowance	104,225	41,781	298,603	296,243
- specific allowance written back	(26,799)	(34,718)	(105,139)	(106,256)
Bad debts and financing written off	2,587	3,285	7,515	8,331
Bad debts and financing recovered	(19,140)	(21,818)	(86,895)	(82,373)
	<u>72,301</u>	<u>6,577</u>	<u>158,527</u>	<u>161,750</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 08 and 30 June 2007 met the minimum requirement.

	As at 30/06/08 RM '000	As at 30/06/07 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	1,821,618	1,369,223
Other Reserves	1,861,893	1,830,677
Less : Treasury Shares	(699,041)	(695,111)
Less : Deferred Tax	(173,153)	(164,961)
Add : Minority interest	43,698	43,655
Total tier 1 capital	4,974,786	4,503,254
Tier - 2 capital		
General provision	526,957	481,746
Subordinated obligations	653,500	682,800
Total tier 2 capital	1,180,457	1,164,546
Total capital	6,155,243	5,667,800
Less : Holdings of other banking institution's capital instrument	(31,858)	-
Total capital base	6,123,385	5,667,800
<u>Before deducting proposed dividends</u>		
Core Capital Ratio	13.30%	13.34%
Risk-weighted Capital Ratio	16.36%	16.79%
<u>After deducting proposed dividends</u>		
Core Capital Ratio	12.86%	12.84%
Risk-weighted Capital Ratio	15.93%	16.29%

23. Events after Balance Sheet date

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

24. Changes in composition of the Group

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

- a. On 11 October 2007, HLG Capital Markets Sdn Bhd ("HLGCM"), a wholly-owned subsidiary of HLG Capital Berhad ("HLG"), had transferred the entire equity interest comprising 500,000 ordinary shares of RM1.00 each in HLG Credit Sdn Bhd ("HLGC") to HLG for a total cash consideration of RM104,173.
- b. On 29 June 2006, Hong Leong Bank Berhad ("HLB") announced that HLB Ventures Sdn Bhd ("HLBV"), Chew Geok Lin Nominees (Tempatan) Sendirian Berhad ("CGLN(T)") and Chew Geok Lin Nominees (Asing) Sendirian Berhad ("CGLN(A)") and Wah Tat Properties Sdn Bhd ("WTP") were placed under Member's Voluntary Liquidation pursuant to Section 254(1) of the Companies Act, 1965.
HLBV, CGLN(T) and CGL(A) were dissolved on 9 August 2007. The liquidation of WTP is pending completion.
- c. On 3 March 2008, HLB announced that it had incorporated a wholly-owned subsidiary in Labuan known as HLB Principal Investments (L) Limited to undertake the business of holding of or dealing in offshore securities.
- d. On 17 March 2008, HLFG announced that it had acquired the entire paid-up share capital of USD1.00 in Wing Trade Investments Limited, a company incorporated in British Virgin Islands, to undertake the business of holding or investing in offshore securities/investments.
- e. On 23 April 2008, HLFG announced that it had entered into a conditional Sale of Shares Agreement ("SSA") with GuocoLand (Malaysia) Berhad ("GLM"), a related corporation of HLFG to dispose of 100% equity interest in Raikon Building Management Co. Sdn Bhd ("Raikon"), a wholly-owned subsidiary of HLFG, for a cash consideration based on the net asset of Raikon as at the last day of the calendar month on which all the conditions precedent under the SSA have been fulfilled or waived ("Proposed Disposal").
The proposed disposal had been completed on 1 July 2008.
- f. On 9 June 2008, HLFG released a press statement that approvals had been obtained from Ministry of Finance ("MOF") and the Securities Commission ("SC") for the proposed acquisition of certain assets and liabilities of Southern Investment Bank Berhad ("SIBB") and the entire interest in SBB Securities by HLG Credit Sdn Bhd (a wholly owned subsidiary of HLG Capital Berhad which in turn is a subsidiary of HLFG) to be renamed "Hong Leong Investment Bank Berhad" subject to several regulatory requirements.
- e. On 10 June 2008, HLG ("HLG") announced that HLGeBIZ Sdn Bhd ("HLGeBIZ") and HLG Capital Advisory Sdn Bhd ("HLGCA") had convened Final Meetings to conclude the Member's Voluntary Liquidation of HLGeBIZ and HLGCA. Returns by Liquidator Relating to Final Meeting of HLGeBIZ and HLGCA were lodged with the Companies Commission of Malaysia on 10 March 2008.
Accordingly, both HLGeBIZ and HLGCA are dissolved on 10 June 2008 pursuant to Section 272(5) of the Companies Act, 1965.
- f. On 3 June 2008, HLG announced that it had incorporated a wholly-owned subsidiary in Labuan known as HLG Principal Investments (L) Limited ("HLGPI(L)") to undertake the business of holding of or dealing in foreign proprietary investments.

25. Commitments and contingencies

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

The commitments and contingencies constitute the following:

	As at 30/06/08			As at 30/06/07		
	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
<u>The Banking Group</u>						
Direct credit substitutes	207,396	207,396	193,849	168,884	168,884	168,884
Transaction-related contingent items	287,933	143,966	129,875	282,088	141,043	141,043
Short-term self liquidating trade-related contingencies	741,691	148,338	142,375	606,280	121,256	121,256
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,279,447	2,139,724	1,743,385	4,337,370	2,168,685	2,168,685
-maturity less than 1 year	13,458,683	2,691,736	2,189,391	13,947,338	-	-
Foreign exchange related contracts	24,024,375	1,016,617	601,625	22,717,926	560,034	70,693
Interest rate related contracts	38,339,797	411,764	165,943	34,430,038	454,567	3,051
Equity related contracts	302,223	22,243	12,583	129,340	1,940	-
Miscellaneous	-	-	-	-	-	-
Total	81,641,545	6,781,784	5,179,026	76,619,264	3,616,409	2,673,612

- b. Other commitments and contingencies—unsecured

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

The size of each of the five funds was above the minimum of RM1 million as at 30 June 2008.

26. Related party transactions

All related party transactions within the Group had been entered into in the normal course of business and were carried out on normal commercial terms.

27. Interest/Profit rate risk

	The Group 30/06/08							Effective interest rate %	
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000		Total RM'000
Assets									
Cash and short-term funds	23,179,599	-	-	-	-	276,561	-	23,456,160	3.8
Deposits and placements with banks and other financial institution	-	1,494,365	696,771	81,670	20,000	-	-	2,292,806	3.8
Securities purchased under resale agreements	972,742	-	-	-	-	-	-	972,742	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	4,877,785	4,877,785	3.8
Securities available-for-sale	457,189	858,631	843,665	3,851,996	1,970,332	458,033	-	8,439,846	4.5
Securities held-for-maturity	500,511	1,150,026	83,180	1,122,264	275,939	29,898	-	3,161,818	4.1
Loans, advances and financing									
- performing	27,046,861	495,560	1,032,041	3,461,817	3,101,315	(519,506)	-	34,618,088	6.4
- non performing	-	-	-	-	-	472,548	-	472,548	-
Trade receivables	-	-	-	-	-	202,187	-	202,187	-
Other receivables	-	-	-	-	-	2,499,901	-	2,499,901	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	1,315,464	-	1,315,464	-
Tax recoverable	-	-	-	-	-	13,024	-	13,024	-
Prepaid land lease payments	-	-	-	-	-	9,117	-	9,117	-
Deferred tax assets	-	-	-	-	-	172,671	-	172,671	-
Property and equipment	-	-	-	-	-	508,466	-	508,466	-
Intangible assets	-	-	-	-	-	588,560	-	588,560	-
Total assets	52,156,902	3,998,582	2,655,657	8,517,747	5,367,586	6,026,924	4,877,785	83,601,183	
Liabilities									
Deposits from customers	35,833,479	6,602,222	13,749,194	939,145	-	4,937,485	-	62,061,525	3.0
Deposits and placements of banks and other financial institution	5,530,305	776,830	58,107	-	-	7,334	-	6,372,576	3.5
Bills and acceptance payable	17,794	61,638	39,855	-	-	291,896	-	411,183	3.6
Payables and other liabilities	-	-	-	-	-	3,015,458	-	3,015,458	-
Provision for claims	-	-	-	-	-	199,086	-	199,086	-
Provision for taxation	-	-	-	-	-	91,078	-	91,078	-
Bank loans	25,600	-	-	-	-	-	-	25,600	4.5
Subordinated Bonds	-	-	-	671,750	-	-	-	671,750	5.2
Capital market borrowing									
- Commercial paper	215,000	-	-	-	-	-	-	215,000	3.6
- Medium Term Notes	-	70,000	100,000	40,000	-	-	-	210,000	5.6
Insurance funds	-	-	-	-	-	4,180,524	-	4,180,524	-
Total liabilities	41,622,178	7,510,690	13,947,156	1,650,895	-	12,722,861	-	77,453,780	
Shareholder's equity	-	-	-	-	-	4,107,860	-	4,107,860	
Minority interest	-	-	-	-	-	2,039,543	-	2,039,543	
Total liabilities and shareholder's equity	41,622,178	7,510,690	13,947,156	1,650,895	-	18,870,264	-	83,601,183	
On-balance sheet interest sensitivity gap	10,534,724	(3,512,108)	(11,291,499)	6,866,852	5,367,586				
Off-balance sheet interest sensitivity gap	(1,746,225)	1,422,508	103,643	(278,878)	198,953				
Total interest sensitivity gap	8,788,499	(2,089,600)	(11,187,856)	6,587,974	5,566,539				

27. Interest/Profit rate risk (continued)

The Group
30/06/07

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	16,714,972	-	-	-	-	52,714	-	16,767,686	3.7
Deposits and placements with banks and other financial institution	-	6,598,000	2,648,855	2,000	-	41,904	-	9,290,759	3.6
Securities purchased under resale agreements	2,366,332	1,128,977	-	-	-	-	-	3,495,309	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	3,525,932	3,525,932	4.0
Securities available-for-sale	128,205	332,155	518,579	2,871,595	984,123	588,906	-	5,423,563	4.2
Securities held-for-maturity	1,140,242	876,306	340,604	97,875	129,010	38,753	-	2,622,790	3.8
Loans, advances and financing									
- performing	23,192,470	381,157	1,783,323	3,746,829	2,891,647	(449,963)	-	31,545,463	6.5
- non performing	-	-	-	-	-	605,477	-	605,477	-
Trade receivables	-	-	-	-	-	407,396	-	407,396	-
Other receivables	-	-	-	-	-	1,048,415	-	1,048,415	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,206,939	-	1,206,939	-
Tax recoverable	-	-	-	-	-	14,648	-	14,648	-
Prepaid land lease payments	-	-	-	-	-	8,809	-	8,809	-
Deferred tax assets	-	-	-	-	-	162,140	-	162,140	-
Property and equipment	-	-	-	-	-	472,536	-	472,536	-
Intangible assets	-	-	-	-	-	588,967	-	588,967	-
Total assets	43,542,221	9,316,595	5,291,361	6,718,299	4,004,780	4,787,641	3,525,932	77,186,829	
Liabilities									
Deposits from customers	29,736,173	8,153,411	13,031,987	518,465	-	4,655,930	-	56,095,966	3.0
Deposits and placements of banks and other financial institution	4,289,046	755,524	68,820	-	-	230	-	5,113,620	3.5
Obligation of securities sold under repurchase agreements	1,087,015	42,506	-	-	-	-	-	1,129,521	3.6
Bills and acceptance payable	57,423	45,905	6,727	117	-	456,079	-	566,251	3.8
Payables and other liabilities	-	-	-	-	-	2,713,181	-	2,713,181	-
Provision for claims	-	-	-	-	-	169,711	-	169,711	-
Provision for taxation	-	-	-	-	-	106,402	-	106,402	-
Bank loans	125,700	-	-	-	-	-	-	125,700	4.1
Subordinated Bonds	-	-	-	671,657	-	-	-	671,657	5.2
Syndicated loan facility	-	-	-	509,850	-	-	-	509,850	5.1
Capital market borrowing - Medium Term Notes	-	90,000	-	210,000	-	-	-	300,000	5.9
Insurance funds	-	-	-	-	-	4,043,762	-	4,043,762	-
Total liabilities	35,295,357	9,087,346	13,107,534	1,910,089	-	12,145,295	-	71,545,621	
Shareholder's equity	-	-	-	-	-	3,766,122	-	3,766,122	
Minority interest	-	-	-	-	-	1,875,086	-	1,875,086	
Total liabilities and shareholder's equity	35,295,357	9,087,346	13,107,534	1,910,089	-	17,786,503	-	77,186,829	
On-balance sheet interest sensitivity gap	8,246,864	229,249	(7,816,173)	4,808,210	4,004,780				
Off-balance sheet interest sensitivity gap	(70,000)	(2,379,668)	(4,820,000)	(5,901,100)	50,000				
Total interest sensitivity gap	8,176,864	(2,150,419)	(12,636,173)	(1,092,890)	4,054,780				

27. Interest/Profit rate risk (continued)

The Company
30/06/08

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

The Company
30/06/07

	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	-	-	-	-	-	16,476	-	16,476	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	7	7	3.8
Other receivables	-	-	-	-	-	8,970	-	8,970	-
Investment in subsidiaries	-	-	-	-	-	2,048,349	-	2,048,349	-
Tax recoverable	-	-	-	-	-	13,823	-	13,823	-
Property and equipment	-	-	-	-	-	4,136	-	4,136	-
Intangible assets	-	-	-	-	-	20	-	20	-
Total assets	-	-	-	-	-	2,091,774	7	2,091,781	
Liabilities									
Payables and other liabilities	-	-	-	-	-	22,815	-	22,815	-
Bank loans	111,000	-	-	-	-	-	-	111,000	4.1
Capital market borrowing									
- Medium Term Notes	-	90,000	-	210,000	-	-	-	300,000	5.9
Total liabilities	111,000	90,000	-	210,000	-	22,815	-	433,815	
Shareholder's equity	-	-	-	-	-	1,657,966	-	1,657,966	
Total liabilities and shareholder's equity	111,000	90,000	-	210,000	-	1,680,781	-	2,091,781	
On-balance sheet interest sensitivity gap	(111,000)	(90,000)	-	(210,000)	-	-	-	-	

28. Operations of Islamic Banking

(a) Audited Balance Sheets as at 30 June 2008

	Group	
	As at 30/06/08 RM'000	As at 30/06/07 RM'000
ASSETS		
Cash and short-term funds	1,871,430	1,355,818
Deposits and placements with banks and other financial institutions	-	100,000
Securities held at fair value through profit or loss	927,570	318,848
Securities available-for-sale	780,812	136,210
Securities held-for-maturity	126,957	432,812
Financing, advances and other financing	4,242,329	3,672,900
Other receivables	7,054	19,875
Statutory deposits with Bank Negara Malaysia	144,964	170,314
Property, plant and equipment	1,854	1,630
Deferred tax assets	17,850	15,883
Total Assets	8,120,820	6,224,290
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	6,208,081	5,250,725
Deposits and placements of banks and other financial institutions	779,000	75,000
Bills and acceptance payable	110,480	3,756
Payables and other liabilities	351,119	292,119
Provision for taxation	7,408	2,555
Total Liabilities	7,456,088	5,624,155
Islamic banking capital fund	500,000	500,000
Reserves	164,732	100,135
Islamic Banking Funds	664,732	600,135
Total Liabilities and Islamic Banking Funds	8,120,820	6,224,290
Commitments and Contingencies	966,378	352,573

(b) Audited Income Statements for the 4th Quarter and Cumulative Twelfth Months Ended 30 June 2008

	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Group				
Income derived from investment of deposits' funds and others	79,717	69,680	289,720	295,106
Income derived from investment of shareholders' funds	9,605	10,211	39,411	33,251
Allowance for losses on financing	(3,812)	(2,573)	(19,704)	(5,196)
Profit equalisation reserve	(575)	4,885	(1,720)	(126)
Total distributable income	84,935	82,203	307,707	323,035
Income attributable to deposits	(48,538)	(44,105)	(167,369)	(184,403)
Total net income	36,397	38,098	140,338	138,632
Other operating expenses	(13,342)	(13,763)	(52,788)	(57,327)
Profit before taxation and zakat	23,055	24,335	87,550	81,305
Zakat	-	(5)	-	(35)
Taxation	(6,647)	(9,077)	(23,394)	(24,459)
Profit after taxation and zakat	16,408	15,253	64,156	56,811
Profit attributable to shareholders	16,408	15,253	64,156	56,811
Earnings per share - basic (sen)	3.28	3.05	12.83	11.36
Earnings per share - fully diluted (sen)	3.28	3.05	12.83	11.36

(c) Financing, advances and other financing

(i) **By type**

	Group	
	As at 30/06/08 RM'000	As at 30/06/07 RM'000
Cash line	11,230	7,457
Term financing		
- House financing	3,192,524	1,659,400
- Hire purchase receivable	2,971,414	2,708,237
- Lease receivable	21,080	25,976
- Other term financing	356,760	510,740
Claims on customers under acceptance credits	197,898	148,583
Staff financing	41	86
Revolving credit	26	696
Others	778	1,176
	<u>6,751,751</u>	<u>5,062,351</u>
Less: Unearned income	<u>(2,419,663)</u>	<u>(1,303,602)</u>
	4,332,088	3,758,749
Less: Allowance for bad and doubtful financing		
- General	(65,025)	(55,932)
- Specific	<u>(24,734)</u>	<u>(29,917)</u>
Total net financing, advances and other financing	<u>4,242,329</u>	<u>3,672,900</u>

(ii) **By contract**

	Group	
	As at 30/06/08 RM'000	As at 30/06/07 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,484,449	1,020,885
Ijarah (lease)	20,028	24,086
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,629,727	2,407,069
Murabahah (cost-plus)	197,884	306,709
	<u>4,332,088</u>	<u>3,758,749</u>

Non-performing financing

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

	Group	
	As at 30/06/08 RM'000	As at 30/06/07 RM'000
At beginning	61,070	75,637
Non-performing during the year	185,715	252,574
Reclassified as performing	(153,442)	(211,495)
Amount written back in respect of recoveries	(29,708)	(46,766)
Amount written off	(17,881)	(8,880)
Closing balance	<u>45,754</u>	<u>61,070</u>
Net non-performing financing, advances and other financing	<u>21,020</u>	<u>31,153</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.5%</u>	<u>0.8%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/06/08 RM'000	As at 30/06/07 RM'000
General allowance		
At beginning	55,932	60,158
Net allowance made/(written back) during the year	9,093	(4,226)
Closing balance	<u>65,025</u>	<u>55,932</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	29,917	26,908
Allowance made during the year	21,780	21,795
Amount written back in respect of recoveries	(9,082)	(9,848)
Amount written off	(17,881)	(8,938)
Closing balance	<u>24,734</u>	<u>29,917</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 30/06/08 RM'000	As at 30/06/07 RM'000
Non-Mudharabah		
Demand deposits	362,557	299,018
Savings deposits	555,853	522,418
Negotiable instruments of deposit	529,911	198,077
	<u>1,448,321</u>	<u>1,019,513</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	478,049	423,792
General investment deposits	1,635,080	2,002,058
Specific investment deposits	2,646,631	1,805,362
	<u>4,759,760</u>	<u>4,231,212</u>
	<u>6,208,081</u>	<u>5,250,725</u>

29. Change in Accounting Policies

- (i) During the year ended 30 June 2008, the Group have adopted the revised FRS 117 Leases issued by MASB that are applicable with effect from 1 July 2007 which resulted in changes in accounting policies.

Prior to 1 July 2007, lease of land and buildings held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 Leases in 2007 resulted in the accounting policy relating to the classification of leases of land and buildings. Under FRS 117, lease of land and buildings are classified as operating and finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and the building element of the lease at the inception of the lease. The up-front payment represent prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group has applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 July 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. There were no effects on the income statements of the Group for the 4th quarter ended 30 June 2008.

- (ii) The following comparative figures have been restated for the effects of adopting the above changes in accounting policies to conform with the current period's presentation:

	Group	
	As restated RM'000	As previously reported RM'000
Balance Sheet as at 30 June 2007		
Prepaid land lease payments	8,809	-
Property and equipment	<u>472,536</u>	<u>481,345</u>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
BERHAD LISTING REQUIREMENTS**

1. Review of performance

Current quarter against preceding year's corresponding quarter

The Group recorded a profit before tax of RM256.2 million for the quarter ended 30 June 2008 as compared to RM323.0 million in the preceding year's corresponding quarter, a decrease of RM66.8 million or 20.7%. This was mainly due to lower contributions from the all operating division.

The Banking division recorded a profit before tax of RM184.3 million for the quarter ended 30 June 2008 as compared to RM241.7 million in the preceding year's corresponding quarter, a decrease of RM57.4 million or 23.7%. This was mainly due to higher allowance for losses on loans, advances and financing of RM65.7 million in the current quarter as compared to the preceding year's corresponding quarter which had the benefit of the initial introduction of the Loss Given Default provisioning methodology approved by BNM.

The Insurance division recorded a profit before tax of RM71.5 million for the quarter ended 30 June 2008 as compared to RM78.8 million in the preceding year's corresponding quarter, a decrease of RM7.4 million or 9.3%. The decrease was mainly due lower net insurance premium due to higher claims in the quarter.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM6.9 million for the quarter ended 30 June 2008 as compared to RM12.1 million in the preceding year's corresponding quarter, a decrease of RM5.2 million or 43.1%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes experienced during the period.

2. Financial year against preceding financial year

The Group recorded a profit before tax of RM1,120.2 million for the year ended 30 June 2008 as compared to RM985.7 million in the previous financial year, an increase of RM134.5 million or 13.6%. This reflects the steps taken to grow the various business especially contribution from the Banking division.

The Banking division recorded a profit before tax of RM1,010.0 million for the year ended 30 June 2008 as compared to RM856.6 million in the previous financial year, an increase of RM153.4 million or 17.9%. This was mainly due to higher net income of RM250.2 million arising from strong growth in business volumes.

The Insurance division recorded a profit before tax of RM103.8 million for the year ended 30 June 2008 as compared to RM120.1 million in the previous financial year, a decrease of RM16.4 million or 13.6%. The decrease was mainly due to exceptionally high investment income in the previous financial year and a one-off change in accounting estimate for unearned premium reserves calculation of RM4.2 million. Backing off the one-offs from prior years, the core business registered a growth of 12.5%.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM32.2 million for the year ended 30 June 2008 as compared to RM37.9 million in the previous financial year, a decrease of RM5.7 million or 15.1%. The decrease was mainly due to lower Bursa volumes and higher operating expenditure in line with its budgeted business initiatives.

3. Review of performance of current quarter against preceding quarter

The Group recorded a profit before tax of RM256.2 million for the quarter ended 30 June 2008 as compared to RM283.9 million in the preceding quarter, a decrease of RM27.7 million or 9.7%. The decrease was mainly contributed by lower profits from the Banking division.

The Banking division recorded a profit before tax of RM184.3 million for the quarter ended 30 June 2008 as compared to RM276.9 million in the preceding quarter, a decrease of RM92.6 million or 33.4%. This was mainly due to higher allowance for losses on loans, advances and financing of RM30.6 million and lower net income which reduced by RM46.5 million.

The Insurance division recorded a profit before tax of RM71.5 million for the quarter ended 30 June 2008 as compared to RM9.8 million in the preceding quarter, an increase of RM61.6 million or 626.6%. The increase was mainly due to actuarial surplus transferred from the Life fund of RM55.5 million which is only transferred in June 08.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM6.9 million as compared to RM4.5 million in the preceding quarter, an increase of RM2.4 million or 53.2%. The increase was mainly due to writeback of provision of doubtful debt and lower operating expenditures.

4. Prospects for current financial year

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

5. Variance of actual profit from forecasted profit

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

6. Taxation and zakat

Provision based on profits for the financial period year 30 June 2008.

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/08 RM '000	quarter ended 30/06/07 RM '000	ended 30/06/08 RM '000	ended 30/06/07 RM '000
Tax and zakat expenses				
Malaysian – current	(68,411)	(92,888)	(304,214)	(288,255)
Overseas – current	-	905	-	(899)
Transfer (from) / to deferred tax	5,331	5,796	7,979	20,833
	<u>(63,080)</u>	<u>(86,187)</u>	<u>(296,235)</u>	<u>(268,321)</u>
Prior year over/(under) provision				
- Malaysian	2,553	4,224	2,402	4,224
	<u>(60,527)</u>	<u>(81,963)</u>	<u>(293,833)</u>	<u>(264,097)</u>

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

	Company		Company	
	Current quarter ended	Current year ended	Current year ended	Current year ended
	30/06/08 RM '000	30/06/07 RM '000	30/06/08 RM '000	30/06/07 RM '000
Tax expenses				
Malaysian – current	6,161	7,655	(54,421)	(55,007)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	-	-	-	-
	<u>6,161</u>	<u>7,655</u>	<u>(54,421)</u>	<u>(55,007)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>6,161</u>	<u>7,655</u>	<u>(54,421)</u>	<u>(55,007)</u>

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

7. Sale of properties/unquoted investments

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

8. Purchase / sale of quoted securities of the Group

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

9. Status of corporate proposals

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

(a) On 19 October 2007, HLG Capital Berhad ("HLGC") announced that it together with its wholly-owned subsidiary HLG Credit Sdn Bhd ("HLG Credit") had entered into a conditional Share Sale Agreement with SBB Capital Markets Sdn Bhd ("SSBCM") and CIMB Bank Berhad (the holding company of SSBCM) for HLG Credit to acquire the entire equity interest in SBB Securities Sdn Bhd ("SBBS") comprising 90,000,000 shares ("Sale Shares") from SSBCM for an indicative purchase consideration of RM77,000,000 ("Proposed

The Proposed Acquisition by HLG Credit is conditional upon the approvals of the following:-

1. the approval of the shareholder of HLG Credit for the Proposed Acquisition;
 2. the approvals of the following authorities having been obtained on terms and conditions acceptable to HLG Credit and SBBCM:-
 - (i) the SC's licensing department pursuant to the conditions set out in the dealer's licence of SBBS; and
 - (ii) the approval of the SC (Equity Compliance Unit) for the acquisition of the Sale Shares by HLG Credit;
 3. the order of High Court confirming the Capital Repayment of SBBS; and
 4. the coming into effect of the vesting of certain rights and obligations to any subsidiary or associated company of CIMB Group Sdn Bhd as specified by the High Court after the Capital Repayment.
- (b) On 21 May 2008, HLGC announced that it had on 20 May 2008 obtained the necessary approval from MOF via a joint letter dated 14 May 2008 from BNM and SC in relation to the proposed acquisition by HLG Credit of the entire equity interest in SBBS ("Proposed Acquisition of SBBS") and proposed acquisition of identified assets and liabilities of Southern Investment Bank Berhad ("SIBB").
- (c) On 13 June 2008, HLGC announced that it had entered into an agreement with SIBB and CIMB Bank Berhad to acquire the identified assets and liabilities of SIBB.
- (d) On 9 June 2008, HLFG released a press statement that approvals had been obtained from Ministry of Finance ("MOF") and the Securities Commission ("SC") for the proposed acquisition of certain assets and liabilities of Southern Investment Bank Berhad ("SIBB") and the entire interest in SBB Securities by HLG Credit Sdn Bhd (a wholly owned subsidiary of HLG Capital Berhad which in turn is a subsidiary of HLFG) to be renamed "Hong Leong Investment Bank Berhad" subject to several regulatory requirements.
- (e) On 25 October 2007, Hong Leong Bank Berhad ("HLB") announced that it had entered into a Share Subscription Agreement with Chengdu City Commercial Bank Co., Ltd ("Chengdu Bank") to subscribe for new shares in Chengdu Bank for a total subscription price of RMB1.95 billion or approximately RM877.5 million.

On 15 January 2008, HLB announced that the China Banking Regulatory Committee had approved the application by HLB to subscribe for 650 million shares in Chengdu Bank, representing 20% of the enlarged share capital of Chengdu Bank.

10. Group borrowings

The Group borrowings include:

	As at 30/06/08 RM '000	As at 30/06/07 RM '000
Bank loans	25,600	125,700
Capital market borrowing	425,000	300,000
Total Borrowings	<u>450,600</u>	<u>425,700</u>
Syndicated facility - USD150 million	-	509,850
Subordinated Bonds - USD200 million	671,750	671,657

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.

Syndicated facility

The Banking subsidiary company entered into a Syndicated Transferable Short Term Loan Facility ("the Facility") of USD150 million and it has matured on 21 November 2007.

11. Off-Balance Sheet financial instruments

The Banking Group has incurred the following:

Items	Principal Amount	1 mth or less	>1 – 3 Mths	>3 – 6 Mths	>6 – 12 Mths	>1 – 5 Yrs	>5 yrs
RM'000							
Foreign exchange related contracts							
- forwards	17,676,597	9,673,852	4,342,199	2,777,068	834,627	48,851	-
- swaps	4,325,442	17,180	442,522	-	-	3,564,872	300,868
- options	2,022,336	1,275,779	411,419	335,138	-	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	12,793,305	-	2,099,268	1,775,788	3,165,000	5,753,250	-
- swaps	25,546,492	(69,636)	1,629,580	460,000	3,501,667	18,502,781	1,522,100
Total	62,364,172	10,897,175	8,924,988	5,347,993	7,501,294	27,869,754	1,822,968

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

11. Off-Balance Sheet financial instruments (Continued)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial year, the amount of contracts which were not hedged and hence, exposed to foreign exchange and interest rate market risk were RM881,960,520 (FYE June 2007: RM492,598,221) and RM30,084,196,890 (FYE June 2007: RM20,343,653,750) 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 RM640,117,890 (FYE June 2007: RM133,572,118). 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

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

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

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

13. HLFG Dividends

- (i) A first interim dividend of 9 sen per share less income tax, amounting to RM69,115,000 in respect of the financial year ended 30 June 2008 was paid on 18 December 2007 (2006/2007 : 9 sen per share less income tax).
- (ii) A second interim dividend of 14 sen per share less income tax, amounting to RM107,749,000 in respect of the financial year ended 30 June 2008 was paid on 26 June 2008 (2006/2007 : 14 sen per share less income tax).
- (iii) Total dividend paid for the financial year ended 30 June 2008 : 23 sen per share less income tax (2006/2007 : 24 sen per share less income tax).

The Board does not recommend any final dividends to be paid for the financial year ended 30 June 2008 (2006/2007 : nil).

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 period.

	Group		Group	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,036,627	1,037,101	1,036,627	1,037,451
Net profit attributable to shareholders of the company	144,449	176,504	548,682	487,969
Basic earnings per share (Sen)	13.9	17.0	52.9	47.0

	Company		Company	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,037,165	1,037,990	1,037,165	1,037,990
Net profit attributable to shareholders of the company	29,699	(1,263)	179,375	146,867
Basic earnings per share (Sen)	2.9	(0.1)	17.3	14.1

14. Earnings per share (Continued)

(b) Fully diluted earnings per share

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

	Group		Group	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,036,627	1,037,451	1,036,627	1,037,451
Effect of Warrant 1997/2007	-	317	-	317
Weighted average number of ordinary shares (Diluted)	1,036,627	1,037,768	1,036,627	1,037,768
Net profit attributable to shareholders of the company	144,449	176,504	548,682	487,969
Fully diluted earnings per share (Sen)	13.9	17.0	52.9	47.0

	Company		Company	
	Current quarter ended 30/06/08 RM '000	Last year quarter ended 30/06/07 RM '000	Current year ended 30/06/08 RM '000	Last year ended 30/06/07 RM '000
Fully Diluted Weighted Average Number Of Ordinary Shares				
Weighted average no. of shares as at end of financial period	1,037,165	1,037,990	1,037,165	1,037,990
Effect of Warrant 1997/2007	-	317	-	317
Weighted average number of ordinary shares (Diluted)	1,037,165	1,038,307	1,037,165	1,038,307
Net profit attributable to shareholders of the company	29,699	(1,263)	179,375	146,867
Fully diluted earnings per share (Sen)	2.9	(0.1)	17.3	14.1