

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED BALANCE SHEETS**  
**AS AT 30 SEPTEMBER 2008**

	As at 30/09/08 RM '000	As at 30/06/08 RM '000
<b>THE GROUP</b>		
<b><u>Assets</u></b>		
Cash and short term funds	23,954,619	23,456,160
Deposits and placements with financial institutions	1,695,299	2,292,806
Securities purchased under resale agreements	-	972,742
Securities held at fair value through profit or loss	5,886,574	4,877,785
Securities available-for-sale	6,218,244	8,439,846
Securities held-to-maturity	4,493,783	3,161,818
Loans, advances and financing	35,499,237	35,090,636
Trade receivables	176,835	202,187
Other receivables	1,691,332	2,499,901
Statutory deposits with Bank Negara Malaysia	1,201,864	1,315,464
Tax recoverable	5,683	13,024
Investment in associates	974,057	-
Prepaid land lease payments	9,109	9,117
Deferred tax asset	186,018	172,671
Property, plant and equipment	582,392	508,466
Intangible assets	591,055	588,560
<b>Total Assets</b>	<b>83,166,101</b>	<b>83,601,183</b>
<b><u>Liabilities</u></b>		
Deposits from customers	63,900,979	62,061,525
Deposits and placements of banks and other financial institutions	3,765,716	6,372,576
Obligations on securities sold under repurchase agreements	-	-
Bills and acceptances payable	429,466	411,183
Payables and other liabilities	3,089,258	3,015,458
Provision for claims	203,504	199,086
Provision for taxation	69,088	91,078
Bank loans	6,000	25,600
Subordinated Bonds	715,972	671,750
Capital market borrowing	465,000	425,000
Insurance funds	4,167,171	4,180,524
<b>Total Liabilities</b>	<b>76,812,154</b>	<b>77,453,780</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	1,390,801	1,371,637
Retained profits	1,904,650	1,767,888
Fair value reserves	(25,063)	(11,257)
Treasury shares held for ESOS	(77,212)	(73,176)
<b>Total shareholders' equity</b>	<b>4,245,944</b>	<b>4,107,860</b>
Minority interest	2,108,003	2,039,543
<b>Total Equity</b>	<b>6,353,947</b>	<b>6,147,403</b>
<b>Total Liabilities and Equity</b>	<b>83,166,101</b>	<b>83,601,183</b>
<b>Commitment and Contingencies</b>	<b>84,862,380</b>	<b>81,675,737</b>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED CONSOLIDATED INCOME STATEMENTS  
FOR THE FINANCIAL YEAR PERIOD 30 SEPTEMBER 2008

<b>THE GROUP</b>	<b>Current quarter ended 30/09/08 RM '000</b>	<b>Last year quarter ended 30/09/07 RM '000</b>	<b>Current year ended 30/09/08 RM '000</b>	<b>Last year ended 30/09/07 RM '000</b>
Interest income	819,027	755,346	819,027	755,346
Interest expense	(459,112)	(423,892)	(459,112)	(423,892)
Net interest income	359,915	331,454	359,915	331,454
Income from Islamic banking business	43,457	39,228	43,457	39,228
Non interest income	167,320	144,458	167,320	144,458
Net income	570,692	515,140	570,692	515,140
Overhead expenses	(243,668)	(223,282)	(243,668)	(223,282)
Operating profit before allowances	327,024	291,858	327,024	291,858
Allowance for losses on loans, advances and financing	(11,233)	(19,485)	(11,233)	(19,485)
Impairment loss	(33,209)	(1,009)	(33,209)	(1,009)
	282,582	271,364	282,582	271,364
Share of results of associated companies	27,497	-	27,497	-
Profit before taxation and zakat	310,079	271,364	310,079	271,364
Taxation	(74,426)	(73,538)	(74,426)	(73,538)
Zakat	-	-	-	-
Net profit for the period	<u>235,653</u>	<u>197,826</u>	<u>235,653</u>	<u>197,826</u>
Attributable to :				
Equity holders of the company	147,253	126,598	147,253	126,598
Minority interests	88,400	71,228	88,400	71,228
Net profit for the period	<u>235,653</u>	<u>197,826</u>	<u>235,653</u>	<u>197,826</u>
Basic earnings per ordinary share (sen)	<u>14.2</u>	<u>12.2</u>	<u>14.2</u>	<u>12.2</u>
Diluted earnings per ordinary share (sen)	<u>14.2</u>	<u>12.2</u>	<u>14.2</u>	<u>12.2</u>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY BALANCE SHEETS AS AT 30 SEPTEMBER 2008**

	As at 30/09/08 RM '000	As at 30/06/08 RM '000
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	13,149	11,699
Securities held at fair value through profit or loss	15,000	-
Other receivables	40,993	20,186
Tax recoverable	5,373	12,988
Investment in subsidiaries	2,048,249	2,048,349
Property, plant and equipment	3,349	3,525
Intangible assets	322	352
<b>Total Assets</b>	<b><u>2,126,435</u></b>	<b><u>2,097,099</u></b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	11,325	9,993
Bank loans	-	1,000
Capital market borrowing	465,000	425,000
<b>Total Liabilities</b>	<b><u>476,325</u></b>	<b><u>435,993</u></b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	142,627	141,475
Retained profits	530,011	538,123
Treasury shares held for ESOS	(75,296)	(71,260)
<b>Total Equity</b>	<b><u>1,650,110</u></b>	<b><u>1,661,106</u></b>
<b>Total Liabilities and Equity</b>	<b><u>2,126,435</u></b>	<b><u>2,097,099</u></b>
<b>Commitment and Contingencies</b>	<b><u>200,000</u></b>	<b><u>-</u></b>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
 CONDENSED FINANCIAL STATEMENTS  
 UNAUDITED COMPANY INCOME STATEMENTS  
 FOR THE FINANCIAL YEAR PERIOD 30 SEPTEMBER 2008

	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
<b>THE COMPANY</b>				
Interest income	48	228	48	228
Interest expense	(4,979)	(5,133)	(4,979)	(5,133)
Net interest expense	(4,931)	(4,905)	(4,931)	(4,905)
Non interest income	1,366	1,274	1,366	1,274
Net income	(3,565)	(3,631)	(3,565)	(3,631)
Overhead expenses	(4,547)	(4,394)	(4,547)	(4,394)
Profit before taxation and zakat	(8,112)	(8,025)	(8,112)	(8,025)
Taxation	-	-	-	-
Net profit for the period	(8,112)	(8,025)	(8,112)	(8,025)
Basic earnings per ordinary share (sen)	(0.8)	(0.7)	(0.8)	(0.7)
Diluted earnings per ordinary share (sen)	(0.8)	(0.7)	(0.8)	(0.7)

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR PERIOD 30 SEPTEMBER 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	Total Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
<b>FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008</b>												
Opening balance as at 1 July 2008	1,052,768	117,229	1,099,947	133,258	8,481	(11,256)	12,721	1,767,888	(73,176)	4,107,860	2,039,543	6,147,403
Exchange fluctuation differences	-	-	-	-	-	-	4,947	-	-	4,947	-	4,947
Net fair value changes in available-for-sale securities	-	-	-	-	-	(13,807)	-	-	-	(13,807)	-	(13,807)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(13,807)	4,947	-	-	(8,860)	-	(8,860)
Net profit for financial period	-	-	-	-	-	-	-	147,253	-	147,253	88,400	235,653
Total recognised income/(expense) for the period	-	-	-	-	-	(13,807)	4,947	147,253	-	138,393	88,400	226,793
Issue of shares arising from the exercise of Warrants 1997/2007	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(19,940)	(19,940)
Transfer to statutory reserves	-	-	10,491	-	-	-	-	(10,491)	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	-	3,727	-	-	-	-	3,727	-	3,727
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	(4,036)	(4,036)	-	(4,036)
Realised upon disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
<b>AT 30 SEPTEMBER 2008</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,110,438</b>	<b>133,258</b>	<b>12,208</b>	<b>(25,063)</b>	<b>17,668</b>	<b>1,904,650</b>	<b>(77,212)</b>	<b>4,245,944</b>	<b>2,108,003</b>	<b>6,353,947</b>
<b>FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007</b>												
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	-	-	-	-	-	-	(2,668)	-	-	(2,668)	-	(2,668)
Net fair value changes in available-for-sale securities	-	-	-	-	-	(2,014)	-	-	-	(2,014)	-	(2,014)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(2,014)	(2,668)	-	-	(4,682)	-	(4,682)
Net profit for financial period	-	-	-	-	-	-	-	126,598	-	126,598	71,228	197,826
Total recognised income/(expense) for the period	-	-	-	-	-	(2,014)	(2,668)	126,598	-	121,916	71,228	193,144
Transfer to statutory reserves	-	-	4,832	-	-	-	-	(4,832)	-	-	-	-
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	-	-	-	-	-	-	-	1,529	-	1,529
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
Option reserve arising from ESOS	-	-	-	-	1,153	-	-	-	-	1,153	-	1,153
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	(3,485)	(3,485)
<b>AT 30 SEPTEMBER 2007</b>	<b>1,052,768</b>	<b>117,229</b>	<b>1,072,701</b>	<b>133,258</b>	<b>2,305</b>	<b>13,380</b>	<b>16,831</b>	<b>1,549,914</b>	<b>(67,666)</b>	<b>3,890,720</b>	<b>1,942,829</b>	<b>5,833,549</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR PERIOD 30 SEPTEMBER 2008**

<b>FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2008</b>	<b>Share Capital RM '000</b>	<b>Share Premium RM '000</b>	<b>Other Capital Reserves &amp; General Reserves RM '000</b>	<b>Share Options Reserves RM '000</b>	<b>Retained Profits RM '000</b>	<b>Treasury Shares RM '000</b>	<b>Total Equity RM '000</b>
Opening balance as at 1 July 2008	1,052,768	117,229	18,484	5,762	538,123	(71,260)	1,661,106
Net profit for the financial period	-	-	-	-	(8,112)	-	(8,112)
Total recognised income/(expense) for the period	-	-	-	-	(8,112)	-	(8,112)
Option reserves arising from ESOS	-	-	-	1,152	-	-	1,152
Treasury Shares held for ESOS	-	-	-	-	-	(4,036)	(4,036)
<b>AT 30 SEPTEMBER 2008</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>6,914</b>	<b>530,011</b>	<b>(75,296)</b>	<b>1,650,110</b>

<b>FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007</b>	<b>Share Capital RM '000</b>	<b>Share Premium RM '000</b>	<b>Other Capital Reserves &amp; General Reserves RM '000</b>	<b>Share Options Reserves RM '000</b>	<b>Retained Profits RM '000</b>	<b>Treasury Shares RM '000</b>	<b>Total Equity RM '000</b>
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	-	-	-	-	(8,025)	-	(8,025)
Total recognised income/(expense) for the period	-	-	-	-	(8,025)	-	(8,025)
Issue of shares arising from the exercise of Warrants 1997/2007	317	1,212	-	-	-	-	1,529
Option reserves arising from ESOS	-	-	-	1,153	-	-	1,153
Treasury Shares held for ESOS	-	-	-	-	-	-	-
<b>AT 30 SEPTEMBER 2007</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>2,305</b>	<b>527,587</b>	<b>(65,750)</b>	<b>1,652,623</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**UNAUDITED CONDENSED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL YEAR PERIOD 30 SEPTEMBER 2008**

	The Group		The Company	
	30/09/08	30/09/07	30/09/08	30/09/07
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	310,079	271,364	(8,112)	(8,025)
Adjustment for non-cash items and others	(82,035)	7,330	6,684	255
Operating profit before working capital changes	228,044	278,694	(1,428)	(7,770)
Income tax recovered/(paid)	(101,859)	(77,123)	7,615	6,996
Interest received	943	725	48	228
Net changes in working capital	482,618	(4,690,381)	(41,594)	1,461
Net cash flow from operating activities	609,746	(4,488,085)	(35,359)	915
Net cash flow from investing activities	(94,672)	442,334	(2,191)	376
Net cash flow from financing activities	(16,734)	1,336	39,000	11,529
Changes in cash and cash equivalents	498,340	(4,044,415)	1,450	12,820
Effect of change in foreign exchange rate	119	649	-	-
Cash and cash equivalents as at 1 July	23,456,160	16,767,686	11,699	16,476
Cash and cash equivalents as at 30 September	23,954,619	12,723,920	13,149	29,296

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 year 30 June 2008.

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 for the year ended 30 June 2008 except for the first time adoption of FRS108; Investment in Associates.

**2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2008 of HLFG**

There was no qualified report issued by the auditors in the annual financial statements for the financial period ended 30 June 2008.

**3. Seasonality or cyclicity of operations**

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

**4. Exceptional items / unusual events affecting financial statements**

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

**5. Variation from financial estimates reported in preceding financial year**

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



## 6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial year ended 30 September 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 16,478,108 at an average price of RM4.57 and the total consideration paid, including transaction costs was RM75,296,000. Of the 16,478,108 shares held pursuant to ESOS, 2,016,700 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

There were no dividend paid during the period under review.

## 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	Securities & Asset					Consolidated
	Banking	Management	Insurance	Others	Eliminations	
30 SEPTEMBER 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue for the year ended</b>						
External sales	549,475	11,538	18,575	(11,161)	-	568,427
Intersegment sales	656	784	4,100	5,333	(8,608)	2,265
	<u>550,131</u>	<u>12,322</u>	<u>22,675</u>	<u>(5,828)</u>	<u>(8,608)</u>	<u>570,692</u>
<b>Results for the year ended</b>						
Segment results	315,879	2,830	1,773	(8,584)	(1,819)	310,079
Profit before taxation and zakat						<u>310,079</u>
Taxation and zakat						<u>(74,426)</u>
Profit after taxation						235,653
Minority interest						<u>(88,400)</u>
Net profit for the year						<u>147,253</u>
<b>Other information</b>						
Segment assets	76,694,353	442,254	5,560,486	79,997	179,034	82,956,124
Other corporate assets						<u>209,977</u>
<b>Total consolidated assets</b>						<u>83,166,101</u>
Segment liabilities	71,508,740	275,130	4,944,680	53,126	(434,522)	76,347,154
Other corporate liabilities						<u>465,000</u>
<b>Total consolidated liabilities</b>						<u>76,812,154</u>
Capital expenditure	16,937	239	47,008	53	-	64,237
Depreciation of property and equipments	11,636	329	1,273	209	-	13,447
Amortisation of intangible assets	3,497	79	755	32	-	4,363
Amortisation of prepaid lease payment	20	-	8	-	-	28
Loan loss and other allowances	<u>11,233</u>	-	-	-	-	<u>11,233</u>

GROUP 30 SEPTEMBER 2007	Securities & Asset					Consolidated RM'000
	Banking RM'000	Management RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	
<b>Revenue for the year ended</b>						
External sales	471,661	24,472	22,553	(3,546)	-	515,140
Intersegment sales	3,185	600	5,468	1,537	(10,790)	-
	<u>474,846</u>	<u>25,072</u>	<u>28,021</u>	<u>(2,009)</u>	<u>(10,790)</u>	<u>515,140</u>
<b>Results for the year ended</b>						
Segment results	255,702	14,145	8,344	(6,827)	-	271,364
Profit before taxation and zakat						<u>271,364</u>
Taxation and zakat						<u>(73,538)</u>
Profit after taxation						197,826
Minority interest						<u>(71,228)</u>
Net profit for the year						<u>126,598</u>
<b>Other information</b>						
Segment assets	61,957,037	618,859	5,302,960	57,134	26,853	67,962,843
Other corporate assets						<u>191,255</u>
<b>Total consolidated assets</b>						<u>68,154,098</u>
Segment liabilities	57,284,524	466,285	4,697,464	24,172	(572,896)	61,899,549
Other corporate liabilities						<u>421,000</u>
<b>Total consolidated liabilities</b>						<u>62,320,549</u>
Capital expenditure	16,524	590	923	27	-	18,064
Depreciation of property and equipments	10,005	312	1,615	940	-	12,872
Amortisation of intangible assets	3,029	27	2,665	3	-	5,724
Amortisation of prepaid lease payment	25	-	11	-	-	36
Loan loss and other allowances	<u>19,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,485</u>

9. Securities held at fair value through profit or loss

	Group	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	429,998	129,937
Malaysian Government Securities	5,734	195,689
Negotiable instruments of deposit	185,585	306,353
Bankers' acceptances and Islamic accepted bills	2,634,374	2,862,379
Bank Negara Malaysia bills	2,479,617	1,170,850
Malaysian Government Investment Certificates	5,029	55,188
Khazanah bonds	23,821	47,334
Cagamas bonds/notes	-	-
	5,764,158	4,767,730
Quoted securities :		
Shares/Loan stocks/Unit Trust	113,958	93,501
Foreign currency bonds	5,986	1,691
Unquoted securities :		
Syndicated bond	-	-
Private debt securities	2,472	14,863
<b><u>Others designated at fair value through P&amp;L</u></b>		
Loan stock quoted in Malaysia	-	-
	5,886,574	4,877,785
Total securities held at fair value through profit and loss	5,886,574	4,877,785

	Company	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Unit Trust	15,000	-
	15,000	-

10. Securities available-for-sale

	Group	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	445,785	432,902
Malaysian Government Securities	752,371	2,208,381
Malaysian Government Investment Certificates	810,966	1,505,134
Negotiable instruments of deposit	-	16,760
Khazanah bonds	9,653	9,531
Cagamas bonds	391,174	989,995
Other Government Securities	116,103	115,502
	2,526,052	5,278,205
Quoted securities :		
Shares/Loan stocks/Unit Trust	409,630	450,074
Foreign Currency Bonds	1,246,938	769,054
Unquoted securities :		
Private debt securities/shares/reits	2,035,624	1,942,513
	6,218,244	8,439,846
Total securities available-for-sale	6,218,244	8,439,846

## 11. Securities held-to-maturity

	Group	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	1,937,534	752,186
Malaysian Government Investment Certificates	105,695	60,305
Negotiable instruments of deposit	1,728,883	1,718,179
Cagamas bonds	309,981	230,314
	<u>4,082,093</u>	<u>2,760,984</u>
Quoted securities :		
Foreign Currency Bonds	-	-
Unquoted securities :		
Private debt securities/shares/loan stocks	411,690	400,834
Total securities held-to-maturity	<u>4,493,783</u>	<u>3,161,818</u>

## 12. Loans, advances and financing

	Group	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
Overdrafts	2,349,873	2,435,782
Term loans :		
- Housing loans/financing	19,917,399	19,445,381
- Syndicated term loan/financing	1,555,948	1,422,294
- Hire purchase receivables	6,200,382	6,167,037
- Lease receivables	21,203	22,602
- Other term loans/financing	2,452,297	2,512,094
Credit/charge card receivables	1,953,248	1,925,986
Bills receivables	319,075	357,255
Trust receipts	126,577	139,725
Claims on customers under acceptance credits	3,023,980	3,057,364
Block discounting	8,401	8,422
Revolving credits	900,269	799,314
Policy and premium loans	571,373	556,612
Staff loans	102,759	102,020
Other loans/financing	51,185	48,339
	<u>39,553,969</u>	<u>39,000,227</u>
Unearned interest and income	<u>(3,165,897)</u>	<u>(3,001,136)</u>
	36,388,072	35,999,091
Fair value changes arising from fair value hedges	15,466	(35,717)
Allowance for bad and doubtful debts and financing :		
- general	(531,974)	(526,957)
- specific	<u>(372,327)</u>	<u>(345,781)</u>
Net loans, advances and financing	<u>35,499,237</u>	<u>35,090,636</u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 30/09/08 RM '000	As at 30/06/08 RM '000
Domestic banking institutions	-	-
Domestic non-bank financial institutions	89,633	122,659
Domestic business enterprises		
- Small and medium enterprises	3,328,422	3,505,565
- Others	7,316,484	7,200,936
Government and statutory bodies	43,332	1,592
Individuals	24,384,472	24,034,103
Other domestic entities	24,447	25,976
Foreign entities	1,201,282	1,108,260
Gross loans, advances and financing	<u>36,388,072</u>	<u>35,999,091</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 30/09/08 RM '000	As at 30/06/08 RM '000
Fixed rate		
- Housing loans/financing	1,133,709	1,634,343
- Hire purchase receivables	5,418,979	5,395,285
- Other fixed rate loan/financing	3,615,283	3,581,813
Variable rate		
- Base lending rate plus	23,347,572	22,468,590
- Cost plus	2,696,698	2,800,269
- Other variables rates	175,831	118,791
Gross loans, advances and financing	<u>36,388,072</u>	<u>35,999,091</u>

(c) By economic purpose

	Group	
	As at 30/09/08 RM '000	As at 30/06/08 RM '000
Purchase of securities	474,638	517,205
Purchase of transport vehicles	5,072,379	5,017,181
Purchase of landed properties		
- residential	13,623,455	13,275,941
- non-residential	4,289,575	4,232,178
Personal use	2,508,875	2,363,560
Credit card	1,953,248	1,925,986
Purchase of consumer durables	49	128
Construction	494,680	541,258
Working capital	7,353,363	7,564,139
Others	617,810	561,515
Gross loans, advances and financing	<u>36,388,072</u>	<u>35,999,091</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 30/09/08 RM '000	As at 30/06/08 RM '000
Purchase of securities	12,044	13,793
Purchase of transport vehicles	59,529	56,043
Purchase of landed properties		
- residential	227,101	229,221
- non-residential	71,518	79,537
Personal use	41,032	40,969
Credit card	28,586	28,751
Purchase of consumer durables	-	-
Construction	33,271	38,592
Working capital	356,742	353,493
Others	3	3
Gross loans, advances and financing	<u>829,826</u>	<u>840,402</u>

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

	Group	
	As at 30/09/08 RM '000	As at 30/06/08 RM '000
At beginning	840,402	1,033,380
Non-performing during the period/year	617,610	2,594,538
Reclassified as performing	(529,935)	(2,195,316)
Amount written back in respect of recoveries	(74,427)	(332,256)
Amount written off	(23,888)	(261,664)
Exchange differences	64	1,720
Closing balance	<u>829,826</u>	<u>840,402</u>
Specific allowance	<u>(372,327)</u>	<u>(345,781)</u>
Net non-performing loans, advances and financing	<u>457,499</u>	<u>494,621</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.3%</u>	<u>1.4%</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 30/09/08	As at 30/06/08
	RM '000	RM '000
<u>General Allowance</u>		
At beginning	526,957	481,746
Net allowance made during the period/year	4,978	44,443
Exchange differences	39	768
Closing balance	<u>531,974</u>	<u>526,957</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	345,781	412,760
Allowance made during the period/year	69,939	298,603
Amount written back in respect of recoveries	(19,560)	(105,139)
Amount written off	(23,887)	(261,663)
Exchange differences	54	1,220
Closing balance	<u>372,327</u>	<u>345,781</u>

13. Other receivables

	Group	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
Interest/Income receivable	147,058	166,203
Investment properties	1,600	1,600
Other debtors, deposits and prepayments *	1,540,019	2,329,443
Assets held for sale	60	60
Foreclosed properties	2,595	2,595
	<u>1,691,332</u>	<u>2,499,901</u>

\* During the period, the partial payment for the subscription of shares in Chengdu Bank of RM738M in June 08 was reclassified to Investment in associate upon completion of the Proposed subscription of 20% Equity Interest in Chengdu on 21 July 2008

	Company	
	As at 30/09/08	As at 30/06/08
	RM '000	RM '000
Amount due from subsidiary companies	40,698	18,251
Amount due from related companies	4	50
Other debtors, deposits and prepayments	291	1,885
	<u>40,993</u>	<u>20,186</u>



#### 14. Deposits from customers

	Group	
	As at	As at
	30/09/08	30/06/08
	RM '000	RM '000
Fixed deposits	34,348,022	33,979,359
Negotiable instruments of deposit	2,521,455	1,697,204
Demand deposits	6,234,840	5,950,840
Savings deposits	7,502,509	7,491,714
Short term corporate placement	13,064,736	12,727,011
Other	229,417	215,397
	<u>63,900,979</u>	<u>62,061,525</u>

#### The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	30/09/08	30/06/08
	RM '000	RM '000
One year or less (short term)	35,631,408	34,732,418
More than one year (medium/long term)	1,238,069	944,145
	<u>36,869,477</u>	<u>35,676,563</u>

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

	Group	
	As at	As at
	30/09/08	30/06/08
	RM '000	RM '000
Government and statutory bodies	1,193,084	985,187
Business enterprises	30,380,545	29,601,029
Individuals	31,656,921	30,877,001
Others	670,429	598,308
	<u>63,900,979</u>	<u>62,061,525</u>

#### 15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	30/09/08	30/06/08
	RM '000	RM '000
Licensed banks	3,745,186	5,891,409
Other financial institutions	20,530	481,167
	<u>3,765,716</u>	<u>6,372,576</u>
<b>The maturity structure :</b>		
One year or less (short term)	3,765,716	6,372,576
More than one year (medium/long term)	-	-
	<u>3,765,716</u>	<u>6,372,576</u>

**16. Payables and other liabilities**

	<b>Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/08</b>	<b>30/06/08</b>
	<b>RM '000</b>	<b>RM '000</b>
Trade payables	596,937	561,746
Amount due to related companies	1,721	623
Other payables and accrued liabilities	2,179,458	2,240,883
Interest payable	305,130	206,169
Post employment benefits obligations - defined contribution plan	6,012	6,037
	<u>3,089,258</u>	<u>3,015,458</u>
	<b>Company</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/08</b>	<b>30/06/08</b>
	<b>RM '000</b>	<b>RM '000</b>
Amount due to subsidiary companies	665	665
Other payables and accrued liabilities	8,328	5,483
Interest payable	2,261	3,769
Post employment benefits obligations - defined contribution plan	71	76
	<u>11,325</u>	<u>9,993</u>

## 17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/08 RM '000	quarter ended 30/09/07 RM '000	ended 30/09/08 RM '000	ended 30/09/07 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	449,467	406,239	449,467	406,239
- recoveries from NPLs	27,227	31,427	27,227	31,427
Money at call and deposit placements				
with financial institutions	214,593	208,496	214,593	208,496
Securities purchased under resale agreement	1,088	17,427	1,088	17,427
Securities held at fair value through				
profit and loss	53,923	54,739	53,923	54,739
Securities available-for-sale	34,593	28,340	34,593	28,340
Securities held-to-maturity	36,592	9,262	36,592	9,262
Others	675	2,261	675	2,261
	<u>818,158</u>	<u>758,191</u>	<u>818,158</u>	<u>758,191</u>
Amortisation of premium less				
accretion of discount	4,001	(591)	4,001	(591)
Interest suspended	(3,132)	(2,254)	(3,132)	(2,254)
	<u>819,027</u>	<u>755,346</u>	<u>819,027</u>	<u>755,346</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/08 RM '000	quarter ended 30/09/07 RM '000	to date 30/09/08 RM '000	to date 30/09/07 RM '000
Money at call and deposit placements				
with financial institutions	48	228	48	228
Others	-	-	-	-
	<u>48</u>	<u>228</u>	<u>48</u>	<u>228</u>

## 18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/08 RM '000	quarter ended 30/09/07 RM '000	ended 30/09/08 RM '000	ended 30/09/07 RM '000
Deposits and placements of banks				
and other financial institutions	32,536	32,487	32,536	32,487
Deposits from customers	293,468	263,034	293,468	263,034
Borrowings	5,335	5,232	5,335	5,232
Subordinated bonds	8,588	8,872	8,588	8,872
Short term corporate placements	118,796	105,970	118,796	105,970
Others	389	8,297	389	8,297
	<u>459,112</u>	<u>423,892</u>	<u>459,112</u>	<u>423,892</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/08 RM '000	quarter ended 30/09/07 RM '000	to date 30/09/08 RM '000	to date 30/09/07 RM '000
Borrowings	4,979	5,133	4,979	5,133

## 19. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
Net income from Insurance Business	17,708	14,895	17,708	14,895
Net brokerage and commissions from Stockbroking Business	5,242	17,977	5,242	17,977
Net unit trust and asset management income	5,717	6,251	5,717	6,251
Fee income:				
Management fees	(1,363)	257	(1,363)	257
Commissions	19,507	21,657	19,507	21,657
Service charges and fees	6,223	9,295	6,223	9,295
Guarantee fees	1,456	1,543	1,456	1,543
Other fee income	43,987	41,666	43,987	41,666
	69,810	74,418	69,810	74,418
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	9,412	17,735	9,412	17,735
Net gain from sale of securities available-for-sale	17,737	5,917	17,737	5,917
Net gain/(loss) from redemption of securities held-to-maturity	78	2	78	2
	27,227	23,654	27,227	23,654
Gross dividend income from:				
Securities held at fair value through profit and loss	1,280	2,206	1,280	2,206
Securities available-for-sale	1,136	1,382	1,136	1,382
Securities held-to-maturity	3,183	2,340	3,183	2,340
	5,599	5,928	5,599	5,928
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	3,016	(1,602)	3,016	(1,602)
Net realised gains/(losses) on fair value changes arising from fair value hedge	1,230	(8,954)	1,230	(8,954)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(12,961)	(6,226)	(12,961)	(6,226)
Other income:				
Foreign exchange gain/(loss)	38,920	12,452	38,920	12,452
Rental income	63	211	63	211
Gain/(loss) on disposal of property and equipment	470	577	470	577
Profit from Takaful investments	1,383	1,278	1,383	1,278
Others	3,896	3,599	3,896	3,599
	44,732	18,117	44,732	18,117
Total non interest income	167,320	144,458	167,320	144,458

19. Non Interest Income (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended 30/09/08 RM '000	quarter ended 30/09/07 RM '000	ended 30/09/08 RM '000	ended 30/09/07 RM '000
Fee income:				
Management fees	1,677	1,183	1,677	1,183
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(19)	-	(19)	-
Gross dividend income from:				
Securities held at fair value through profit and loss	78	-	78	-
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(2,137)	-	(2,137)	-
Other income:				
Gain on disposal of subsidiary company	1,720	-	1,720	-
Others	47	91	47	91
<b>Total non interest income</b>	<b>1,366</b>	<b>1,274</b>	<b>1,366</b>	<b>1,274</b>

20. Overhead expenses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/08 RM '000	quarter ended 30/09/07 RM '000	ended 30/09/08 RM '000	ended 30/09/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	113,020	108,581	113,020	108,581
- Others	12,592	8,433	12,592	8,433
<u>Establishment costs</u>				
- Depreciation of property and equipments	13,447	12,872	13,447	12,872
- Amortisation of intangible assets	4,363	5,724	4,363	5,724
- Amortisation of prepaid lease payment	28	36	28	36
- Rental	12,083	12,151	12,083	12,151
- Information technology expenses	12,226	10,230	12,226	10,230
- Others	11,182	10,363	11,182	10,363
<u>Marketing expenses</u>				
- Advertisement and publicity	17,521	11,423	17,521	11,423
- Handling fees	3,804	3,919	3,804	3,919
- Others	14,490	12,117	14,490	12,117
<u>Administration and general expenses</u>				
- Teletransmission expenses	2,929	2,368	2,929	2,368
- Stationery & printing	3,692	4,251	3,692	4,251
- Others	22,291	20,814	22,291	20,814
	<b>243,668</b>	<b>223,282</b>	<b>243,668</b>	<b>223,282</b>

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,360	2,071	2,360	2,071
- Others	1,211	1,233	1,211	1,233
<u>Establishment costs</u>				
- Depreciation	209	274	209	274
- Rental	169	161	169	161
- Others	93	31	93	31
<u>Administration and general expenses</u>				
- Teletransmission expenses	11	10	11	10
- Stationery & printing	3	12	3	12
- Others	491	602	491	602
	<u>4,547</u>	<u>4,394</u>	<u>4,547</u>	<u>4,394</u>

21. Allowance for losses on loans, advances and financing

	Group		Group	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
Allowance for bad and doubtful debts and financing:				
- general allowance (net)	4,978	5,728	4,978	5,728
- specific allowance	69,939	59,985	69,939	59,985
- specific allowance written back	(19,560)	(26,203)	(19,560)	(26,203)
Bad debts and financing written off	2,404	1,389	2,404	1,389
Bad debts and financing recovered	(46,528)	(21,414)	(46,528)	(21,414)
	<u>11,233</u>	<u>19,485</u>	<u>11,233</u>	<u>19,485</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 September 2008 and 30 June 2008 met the minimum requirement.

	As at 30/09/08 RM '000	As at 30/06/08 RM '000
<b><u>Components of Tier - 1 and Tier - 2 Capital</u></b>		
<b>Tier - 1 capital</b>		
Paid up share capital	1,580,107	1,580,107
Share premium	539,664	539,664
Retained profit, as restated	1,821,618	1,821,618
Other Reserves	1,864,468	1,861,893
Less : Treasury Shares	(699,041)	(699,041)
Less : Deferred Tax	(173,153)	(173,153)
Add : Minority interest	43,534	43,698
<b>Total tier 1 capital</b>	<b>4,977,197</b>	<b>4,974,786</b>
<b>Tier - 2 capital</b>		
General provision	531,974	526,957
Subordinated obligations	688,150	653,500
<b>Total tier 2 capital</b>	<b>1,220,124</b>	<b>1,180,457</b>
<b>Total capital</b>	<b>6,197,321</b>	<b>6,155,243</b>
Less : Investment in associated company	(974,057)	-
Less : Holdings of other banking institution's capital instrument	(131,265)	(31,858)
<b>Total capital base</b>	<b>5,091,999</b>	<b>6,123,385</b>
<b><u>Before deducting proposed dividends</u></b>		
Core Capital Ratio	13.77%	13.30%
Risk-weighted Capital Ratio	14.09%	16.36%
<b><u>After deducting proposed dividends</u></b>		
Core Capital Ratio	13.30%	12.86%
Risk-weighted Capital Ratio	13.62%	15.93%

## 23. Events after Balance Sheet date

There were no material events subsequent to the financial period ended 30 September 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 29 June 2006, Hong Leong Bank Berhad ("HLB") had announced that HLB Ventures Sdn Bhd ("HLBV"), Chew Geok Lin Nominees (Tempatan) Sendirian Berhad ("CGLN(T)", Chew Geok Lin Nominees (Asing) Sendirian Berhad ("CGLN(A)") and Wah Tat Properties ("WTP") were placed under Member's Voluntary Liquidation pursuant to Section 254(1) of the Companies Act, 1965.  
  
HLBV, CGLN(T) and CGLN(A) were dissolved on 9 August 2007. The liquidation of WTP is pending completion.
- b. On 9 June 2008, Hong Leong Financial Group Berhad ("HLFG") released a press statement that approvals has 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 Sdn Bhd ("SBBS") by HLG Credit (a wholly owned subsidiary of HLGC which in turn is a subsidiary of HLFG) to be renamed "Hong Leong Investment Bank Berhad" subject to several regulatory requirements.
- c. On 8 September 2008, HLFG announced that the liquidation of Heritage Vest Sdn Bhd ("HV"), a wholly-owned subsidiary of HLFG had convened a Final Meeting to conclude the member's voluntary liquidation of HV and a Return by the Liquidator Relating to the Final Meeting was lodged on 8 September with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, HV will be dissolved.
- d. On 18 September 2008, HLFG announced that its wholly-owned subsidiary, HLFG Assets Sdn Bhd, had placed its own wholly-owned subsidiary, Autoweb Sdn Bhd ("Autoweb") under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965 and that Mr Ling Kam Hoong of Messrs Ling Kam Hoong & Co has been appointed as liquidator of Autoweb.



## 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 30/09/08			As at 30/06/08		
	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
<b><u>The Banking Group</u></b>						
Direct credit substitutes	208,016	208,016	194,949	207,396	207,396	193,849
Transaction-related contingent items	301,892	150,946	138,256	287,933	143,966	129,875
Short-term self liquidating trade-related contingencies	608,227	121,646	116,790	741,691	148,338	142,375
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting obligations	-	-	-	-	-	-
Irrevocable commitments to extend credit:						
-maturity more than 1 year	4,143,831	2,071,915	1,678,022	4,279,447	2,139,724	1,743,385
-maturity less than 1 year	13,542,649	2,708,530	2,235,394	13,458,683	2,691,736	2,189,391
Foreign exchange related contracts	29,835,141	1,239,569	738,888	24,024,375	1,016,617	601,625
Interest rate related contracts	35,770,452	717,712	354,679	38,339,797	411,764	165,943
Equity related contracts	219,735	15,886	7,779	302,223	22,243	12,583
Miscellaneous	-	-	-	-	-	-
<b>Total</b>	<b>84,629,943</b>	<b>7,234,220</b>	<b>5,464,757</b>	<b>81,641,545</b>	<b>6,781,784</b>	<b>5,179,026</b>

- 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 September 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 30/09/08					Non-Interest sensitive RM'000	Trading book RM'000	Total RM'000	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				
<b>Assets</b>									
Cash and short-term funds	23,497,406	-	-	-	-	457,213	-	23,954,619	3.5
Deposits and placements with banks and other financial institution	-	1,277,847	227,740	129,712	60,000	-	-	1,695,299	3.6
Securities held at fair value through profit or loss	-	-	-	-	-	-	5,886,574	5,886,574	3.7
Securities available-for-sale	255,221	360,864	919,631	2,899,843	1,370,662	412,023	-	6,218,244	4.6
Securities held-for-maturity	499,993	1,150,003	688,520	2,000,080	125,288	29,899	-	4,493,783	3.6
Loans, advances and financing									
- performing	24,513,882	1,124,860	671,008	3,732,185	5,531,777	(525,112)	-	35,048,600	6.4
- non performing	-	-	-	-	-	450,637	-	450,637	-
Trade receivables	-	-	-	-	-	176,835	-	176,835	-
Other receivables	-	-	-	-	-	1,691,332	-	1,691,332	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,201,864	-	1,201,864	-
Tax recoverable	-	-	-	-	-	5,683	-	5,683	-
Investment in associates	-	-	-	-	-	974,057	-	974,057	-
Prepaid land lease payments	-	-	-	-	-	9,109	-	9,109	-
Deferred tax assets	-	-	-	-	-	186,018	-	186,018	-
Property and equipment	-	-	-	-	-	582,392	-	582,392	-
Intangible assets	-	-	-	-	-	591,055	-	591,055	-
<b>Total assets</b>	<b>48,766,502</b>	<b>3,913,574</b>	<b>2,506,899</b>	<b>8,761,820</b>	<b>7,087,727</b>	<b>6,243,005</b>	<b>5,886,574</b>	<b>83,166,101</b>	
<b>Liabilities</b>									
Deposits from customers	36,065,372	4,223,957	16,401,676	1,286,740	-	5,923,234	-	63,900,979	2.7
Deposits and placements of banks and other financial institution	2,845,354	739,665	177,189	-	-	3,508	-	3,765,716	3.0
Bills and acceptance payable	18,585	64,379	41,627	-	-	304,875	-	429,466	3.5
Payables and other liabilities	-	-	-	-	-	3,089,258	-	3,089,258	-
Provision for claims	-	-	-	-	-	203,504	-	203,504	-
Provision for taxation	-	-	-	-	-	69,088	-	69,088	-
Bank loans	6,000	-	-	-	-	-	-	6,000	4.5
Subordinated Bonds	-	-	-	715,972	-	-	-	715,972	5.2
Capital market borrowing									
- Commercial paper	325,000	-	-	-	-	-	-	325,000	3.8
- Medium Term Notes	-	100,000	40,000	-	-	-	-	140,000	4.9
Insurance funds	-	-	-	-	-	4,167,171	-	4,167,171	-
<b>Total liabilities</b>	<b>39,260,311</b>	<b>5,128,001</b>	<b>16,660,492</b>	<b>2,002,712</b>	<b>-</b>	<b>13,760,638</b>	<b>-</b>	<b>76,812,154</b>	
Shareholder's equity	-	-	-	-	-	4,245,944	-	4,245,944	
Minority interest	-	-	-	-	-	2,108,003	-	2,108,003	
<b>Total liabilities and shareholder's equity</b>	<b>39,260,311</b>	<b>5,128,001</b>	<b>16,660,492</b>	<b>2,002,712</b>	<b>-</b>	<b>20,114,585</b>	<b>-</b>	<b>83,166,101</b>	
On-balance sheet interest sensitivity gap	<b>9,506,191</b>	<b>(1,214,427)</b>	<b>(14,153,593)</b>	<b>6,759,108</b>	<b>7,087,727</b>				

27. Interest/Profit rate risk (continued)

	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	%
<b>Assets</b>									
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	-
<b>Total assets</b>	<b>52,156,902</b>	<b>3,998,582</b>	<b>2,655,657</b>	<b>8,517,747</b>	<b>5,367,586</b>	<b>6,026,924</b>	<b>4,877,785</b>	<b>83,601,183</b>	
<b>Liabilities</b>									
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
Obligation of securities sold under repurchase agreements	-	-	-	-	-	-	-	-	3.6
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
Syndicated loan facility	-	-	-	-	-	-	-	-	5.1
Capital market borrowing - Medium Term Notes	-	70,000	100,000	40,000	-	-	-	210,000	5.6
Insurance funds	-	-	-	-	-	4,180,524	-	4,180,524	-
<b>Total liabilities</b>	<b>41,622,178</b>	<b>7,510,690</b>	<b>13,947,156</b>	<b>1,650,895</b>	<b>-</b>	<b>12,722,861</b>	<b>-</b>	<b>77,453,780</b>	
Shareholder's equity	-	-	-	-	-	4,107,860	-	4,107,860	
Minority interest	-	-	-	-	-	2,039,543	-	2,039,543	
<b>Total liabilities and shareholder's equity</b>	<b>41,622,178</b>	<b>7,510,690</b>	<b>13,947,156</b>	<b>1,650,895</b>	<b>-</b>	<b>18,870,264</b>	<b>-</b>	<b>83,601,183</b>	
On-balance sheet interest sensitivity gap	<u>10,534,724</u>	<u>(3,512,108)</u>	<u>(11,291,499)</u>	<u>6,866,852</u>	<u>5,367,586</u>				

27. Interest/Profit rate risk (continued)

The Company 30/09/08									
	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 %
<b>Assets</b>									
Cash and short-term funds	12,500	-	-	-	-	649	-	13,149	3.5
Securities held at fair value through profit or loss	-	-	-	-	-	-	15,000	15,000	-
Other receivables	-	-	-	-	-	40,993	-	40,993	-
Investment in subsidiaries	-	-	-	-	-	2,048,249	-	2,048,249	-
Tax recoverable	-	-	-	-	-	5,373	-	5,373	-
Property and equipment	-	-	-	-	-	3,349	-	3,349	-
Intangible assets	-	-	-	-	-	322	-	322	-
<b>Total assets</b>	<b>12,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,098,935</b>	<b>15,000</b>	<b>2,126,435</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	11,325	-	11,325	-
Capital market borrowing									
- Commercial paper	325,000	-	-	-	-	-	-	325,000	3.8
- Medium Term Notes	-	100,000	40,000	-	-	-	-	140,000	4.9
<b>Total liabilities</b>	<b>325,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>11,325</b>	<b>-</b>	<b>476,325</b>	
Shareholder's equity	-	-	-	-	-	1,650,110	-	1,650,110	
<b>Total liabilities and shareholder's equity</b>	<b>325,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>1,661,435</b>	<b>-</b>	<b>2,126,435</b>	
On-balance sheet interest sensitivity gap	(312,500)	(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 %
<b>Assets</b>									
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	-
<b>Total assets</b>	<b>11,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,085,499</b>	<b>-</b>	<b>2,097,099</b>	
<b>Liabilities</b>									
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
<b>Total liabilities</b>	<b>216,000</b>	<b>70,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>9,993</b>	<b>-</b>	<b>435,993</b>	
Shareholder's equity	-	-	-	-	-	1,661,106	-	1,661,106	
<b>Total liabilities and shareholder's equity</b>	<b>216,000</b>	<b>70,000</b>	<b>100,000</b>	<b>40,000</b>	<b>-</b>	<b>1,671,099</b>	<b>-</b>	<b>2,097,099</b>	
On-balance sheet interest sensitivity gap	(204,400)	(70,000)	(100,000)	(40,000)	-	-	-	-	

## 28. Operations of Islamic Banking

### (a) Unaudited Balance Sheets as at 30 September 2008

	Group	
	As at 30/09/08 RM'000	As at 30/06/08 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,313,571	1,871,430
Deposits and placements with banks and other financial institutions	100,000	-
Securities held at fair value through profit or loss	1,659,724	927,570
Securities available-for-sale	435,816	780,812
Securities held-for-maturity	126,876	126,957
Financing, advances and other financing	4,190,587	4,242,329
Other receivables	15,422	7,054
Statutory deposits with Bank Negara Malaysia	174,764	144,964
Property, plant and equipment	1,786	1,854
Deferred tax assets	18,201	17,850
<b>Total Assets</b>	<b>8,036,747</b>	<b>8,120,820</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	6,971,789	6,208,081
Deposits and placements of banks and other financial institutions	10,000	779,000
Bills and acceptance payable	59,637	110,480
Payables and other liabilities	299,413	351,119
Provision for taxation	8,107	7,408
<b>Total Liabilities</b>	<b>7,348,946</b>	<b>7,456,088</b>
Islamic banking capital fund	500,000	500,000
Reserves	187,801	164,732
<b>Islamic Banking Funds</b>	<b>687,801</b>	<b>664,732</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>8,036,747</b>	<b>8,120,820</b>
<b>Commitments and Contingencies</b>	<b>806,471</b>	<b>966,378</b>

(b) Unaudited Income Statements for the 1st Quarter and Cumulative Three Months Ended 30 September 2008

	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
<b>Group</b>				
Income derived from investment of deposits' funds and others	93,621	71,660	93,621	71,660
Income derived from investment of shareholders' funds	12,083	7,963	12,083	7,963
Allowance for losses on financing	(199)	(5,507)	(199)	(5,507)
Profit equalisation reserve	(4,177)	1,043	(4,177)	1,043
Total distributable income	101,328	75,159	101,328	75,159
Income attributable to deposits	(58,070)	(41,436)	(58,070)	(41,436)
Total net income	43,258	33,723	43,258	33,723
Other operating expenses	(15,261)	(13,092)	(15,261)	(13,092)
Profit before taxation and zakat	27,997	20,631	27,997	20,631
Zakat	(16)	-	(16)	-
Taxation	(7,000)	(5,405)	(7,000)	(5,405)
Profit after taxation and zakat	20,981	15,226	20,981	15,226
Profit attributable to shareholders	20,981	15,226	20,981	15,226
Earnings per share - basic (sen)	4.20	3.05	4.20	3.05
Earnings per share - fully diluted (sen)	4.20	3.05	4.20	3.05

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

(i) **By type**

	Group	
	As at 30/09/08 RM'000	As at 30/06/08 RM'000
Cash line	7,567	11,230
Term financing		
- House financing	3,411,129	3,192,524
- Hire purchase receivable	2,870,480	2,971,414
- Lease receivable	19,770	21,080
- Other term financing	327,730	356,760
Claims on customers under acceptance credits	189,476	197,898
Staff financing	37	41
Revolving credit	-	26
Others	739	778
	<u>6,826,928</u>	<u>6,751,751</u>
Less: Unearned income	<u>(2,545,710)</u>	<u>(2,419,663)</u>
	4,281,218	4,332,088
Less: Allowance for bad and doubtful financing		
- General	(63,830)	(65,025)
- Specific	(26,801)	(24,734)
Total net financing, advances and other financing	<u>4,190,587</u>	<u>4,242,329</u>

(ii) **By contract**

	Group	
	As at 30/09/08 RM'000	As at 30/06/08 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,532,031	1,484,449
Ijarah (lease)	18,888	20,028
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,540,820	2,629,727
Murabahah (cost-plus)	189,479	197,884
	<u>4,281,218</u>	<u>4,332,088</u>

Non-performing financing

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

	Group	
	As at 30/09/08 RM'000	As at 30/06/08 RM'000
At beginning	45,754	61,070
Non-performing during the period/year	44,562	185,715
Reclassified as performing	(36,126)	(153,442)
Amount written back in respect of recoveries	(5,332)	(29,708)
Amount written off	(8)	(17,881)
Closing balance	<u>48,850</u>	<u>45,754</u>
Net non-performing financing, advances and other financing	<u>22,049</u>	<u>21,020</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.5%</u>	<u>0.5%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/09/08 RM'000	As at 30/06/08 RM'000
General allowance		
At beginning	65,025	55,932
Net allowance made/(written back) during the year	(1,195)	9,093
Closing balance	<u>63,830</u>	<u>65,025</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.5%</u>
Specific allowance		
At beginning	24,734	29,917
Allowance made during the period/year	3,454	21,780
Amount written back in respect of recoveries	(1,379)	(9,082)
Amount written off	(8)	(17,881)
Closing balance	<u>26,801</u>	<u>24,734</u>



(e) Deposits from customer

By type of deposit

	Group	
	As at 30/09/08 RM'000	As at 30/06/08 RM'000
<b>Non-Mudharabah</b>		
Demand deposits	368,262	362,557
Savings deposits	576,756	555,853
Negotiable instruments of deposit	949,611	529,911
	<u>1,894,629</u>	<u>1,448,321</u>
<b>Mudharabah</b>		
Demand deposits	-	-
Saving deposits	509,972	478,049
General investment deposits	1,589,962	1,635,080
Specific investment deposits	2,977,226	2,646,631
	<u>5,077,160</u>	<u>4,759,760</u>
	<u>6,971,789</u>	<u>6,208,081</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 RM310.1 million for the quarter ended 30 September 2008 as compared to RM271.4 million in the preceding year's corresponding quarter, an increase of RM38.7 million or 14.3%. This was mainly due to higher contributions from the banking division.

The Banking division recorded a profit before tax of RM315.9 million for the quarter ended 30 September 2008 as compared to RM255.7 million in the preceding year's corresponding quarter, an increase of RM60.2 million or 23.5%. This was mainly due to higher foreign exchange gain and lower allowance for losses on loans, advances and financing of RM8.3 million in the current quarter as compared to the preceding year's corresponding quarter.

The Insurance division recorded a profit before tax of RM1.8 million for the quarter ended 30 September 2008 as compared to RM8.3 million in the preceding year's corresponding quarter, a decrease of RM6.6 million or 78.8%. The decrease was mainly due to lower net insurance premiums in the quarter.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM2.8 million for the quarter ended 30 September 2008 as compared to RM14.1 million in the preceding year's corresponding quarter, a decrease of RM11.3 million or 80.0%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes experienced during the period.

**2. Review of performance of current quarter against preceding quarter**

The Group recorded a profit before tax of RM310.1 million for the quarter ended 30 September 2008 as compared to RM256.2 million in the preceding quarter, an increase of RM53.9 million or 21.0%. The increase was mainly contributed by higher profits from the Banking division.

The Banking division recorded a profit before tax of RM315.9 million for the quarter ended 30 September 2008 as compared to RM184.3 million in the preceding quarter, an increase of RM131.6 million or 71.4%. This was mainly due to higher foreign exchange gain and lower allowance for losses on loans, advances and financing of RM61.1 million.

The Insurance division recorded a profit before tax of RM1.8 million for the quarter ended 30 September 2008 as compared to RM71.5 million in the preceding quarter, a decrease of RM69.7 million or 97.5%. The decrease was mainly due to lower net insurance premiums, higher claims and surplus transferred from Life Fund in the preceding quarter, which is done only in the fourth quarter of every financial year.

The Stockbroking and Asset Management divisions recorded a profit before tax of RM2.8 million as compared to RM6.9 million in the preceding quarter, a decrease of RM4.1 million or 58.9%. The decrease was mainly due to lower brokerage income arising from lower Bursa volumes experienced during the period.

**3. 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.

**4. Variance of actual profit from forecasted profit**

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

## 5. Taxation and zakat

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

	Group		Group	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
Tax and zakat expenses				
Malaysian – current	(78,287)	(74,927)	(78,287)	(74,927)
Overseas – current	(16)	-	(16)	-
Transfer (from) / to deferred tax	2,923	1,540	2,923	1,540
	<u>(75,380)</u>	<u>(73,387)</u>	<u>(75,380)</u>	<u>(73,387)</u>
Prior year over/(under) provision				
- Malaysian	954	(151)	954	(151)
	<u>(74,426)</u>	<u>(73,538)</u>	<u>(74,426)</u>	<u>(73,538)</u>

The effective tax rate for the Group for the current quarter is lower than the statutory rate of taxation due to non-taxability of certain income.

## 6. Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the quarter 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 quarter 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 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 Acquisition").

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.

#### 8. Status of corporate proposals (continued)

- (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, HLF 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 HLF) 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.  
  
On 21 July 2008, HLB announced that the subscription of new shares in Chengdu Bank has been completed.
- (f) On 28 August 2008, HLB announced that it will be carrying out an internal reorganisation of certain of its direct and indirect wholly-owned subsidiaries to streamline the corporate structure of HLB for better efficiency.

Pursuant to the Internal Reorganisation, HLF Credit (Perak) Bhd ("HLF Credit"), currently an indirect wholly-owned subsidiary of HLB, will be transferred to become a direct wholly-owned subsidiary of HLB. Thereafter, certain direct wholly-owned subsidiaries of HLB, namely Gensource Sdn Bhd, Hong Leong Leasing Sdn Bhd, HLB Realty Sdn Bhd, HL Leasing Sdn Bhd and WTB Corporation Sdn Bhd will be transferred to become direct wholly-owned subsidiaries of HLF Credit. In addition, Chew Geok Lin Finance Sdn Bhd, a direct wholly-owned subsidiary of WTB Corporation Sdn Bhd, will be transferred to also become a direct wholly-owned subsidiary of HLF Credit. The considerations for the transfer of all the companies concerned will be calculated based on the net assets of the companies as at 30 June 2008 and satisfied by way of intercompany loans.

## 9. Group borrowings

The Group borrowings include:

	As at 30/09/08 RM '000	As at 30/06/08 RM '000
Bank loans	6,000	25,600
Capital market borrowing	465,000	425,000
Total Borrowings	<u>471,000</u>	<u>450,600</u>
Subordinated Bonds - USD200 million	<u>715,972</u>	<u>671,750</u>

### Subordinated bonds

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

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

## 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	18,818,057	8,747,773	4,773,389	4,020,568	1,276,327	-	-
- swaps	8,436,900	2,255,367	1,304,438	295,320	783,138	3,286,708	511,929
- options	2,580,184	1,383,681	811,507	371,563	13,433	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	10,711,276	-	1,775,788	1,587,238	2,508,250	4,840,000	-
- swaps	25,059,176	57,800	480,880	2,341,000	2,346,038	19,030,946	802,512
Total	65,605,593	12,444,621	9,146,002	8,615,689	6,927,186	27,157,654	1,314,441

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 RM183,157,062 (FYE June 2008: RM881,960,520) and RM33,288,915,580 (FYE June 2008: RM30,084,196,890) 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 RM474,262,144 (FYE June 2008: RM640,117,890). 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

A interim dividend of 9 sen per share less income tax of 25% had been proposed by the Company during the financial quarter.

- (i) Amount per share : 9 sen per share less income tax of 25%
- (ii) Previous corresponding period : 9 sen per share less income tax of 26%
- (iii) Entitlement date : (to be advised)
- (iv) Payment date : (to be advised)

Total proposed HLFG dividend for the current quarter is 9 sen per share less income tax of 25%

#### 14. Earnings per share

##### (a) Basic earnings per share

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

	Group		Group	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,035,751	1,037,768	1,035,751	1,037,768
Net profit attributable to shareholders of the company	147,253	126,598	147,253	126,598
Basic earnings per share (Sen)	14.2	12.2	14.2	12.2

  

	Company		Company	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
Weighted Average Number Of Ordinary Shares				
Weighted average number of ordinary shares	1,036,290	1,038,307	1,036,290	1,038,307
Net profit attributable to shareholders of the company	(8,112)	(8,025)	(8,112)	(8,025)
Basic earnings per share (Sen)	(0.8)	(0.8)	(0.8)	(0.8)

#### 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 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,035,751	1,037,768	1,035,751	1,037,768
<u>Effect of Warrant 1997/2007</u>	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,751	1,037,768	1,035,751	1,037,768
Net profit attributable to shareholders of the company	147,253	126,598	147,253	126,598
<b>Fully diluted earnings per share (Sen)</b>	<b>14.2</b>	<b>12.2</b>	<b>14.2</b>	<b>12.2</b>

  

	Company		Company	
	Current quarter ended 30/09/08 RM '000	Last year quarter ended 30/09/07 RM '000	Current year ended 30/09/08 RM '000	Last year ended 30/09/07 RM '000
<b>Fully Diluted Weighted Average Number Of Ordinary Shares</b>				
Weighted average no. of shares as at end of financial period	1,036,290	1,038,307	1,036,290	1,038,307
<u>Effect of Warrant 1997/2007</u>	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,036,290	1,038,307	1,036,290	1,038,307
Net profit attributable to shareholders of the company	(8,112)	(8,025)	(8,112)	(8,025)
<b>Fully diluted earnings per share (Sen)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.8)</b>	<b>(0.8)</b>