



Financial Results

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Company Information

Main Market 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 Moh Suat Moi
* Designation	Company Secretary
* Contact number	03-21642501
E-mail address	SMMoh@hongleong.com.my

Part A1 : Quarterly Report

* Financial Year End	30/06/2009
* Quarter	4 Qtr
* Quarterly report for the financial period ended	30/06/2009
* The figures	have not been audited

Please attach the full Quarterly Report here

[Unaudited HLFM Annoucement \(30.06.09\).pdf](#)

Remarks

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency

Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended

https://bursalink.bursamalaysia.com/link/hlfg/plc_local.nsf/adca2b6c8485b2fd482... 18/08/2009

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 JUNE 2009

	As at 30/06/2009 RM '000	As at 30/06/2008 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	19,500,176	23,456,160
Deposits and placements with financial institutions	5,726,818	2,292,806
Securities purchased under resale agreements	-	972,742
Securities held at fair value through profit or loss	7,092,273	4,877,785
Securities available-for-sale	7,079,776	8,439,846
Securities held-to-maturity	6,566,779	3,161,818
Loans, advances and financing	35,498,266	35,090,636
Clients' and brokers' balances	220,152	202,187
Other receivables	1,931,216	2,499,901
Statutory deposits with Bank Negara Malaysia	368,564	1,315,464
Tax recoverable	12,056	13,024
Investment in associates	1,045,285	-
Prepaid land lease payments	10,123	9,117
Deferred tax asset	215,179	172,671
Property and equipment	602,362	508,466
Intangible assets	612,725	588,560
Total Assets	86,481,750	83,601,183
<u>Liabilities</u>		
Deposits from customers	67,262,086	62,061,525
Deposits and placements of banks and other financial institutions	2,413,979	6,372,576
Obligations on securities sold under repurchase agreements	-	-
Bills and acceptances payable	251,386	411,183
Clients' and brokers' balances	279,029	233,817
Payables and other liabilities	3,268,607	2,781,927
Provision for claims	201,424	199,086
Provision for taxation	73,704	91,078
Bank loans	177,900	25,600
Subordinated obligations	729,566	671,750
Capital market borrowing	419,228	424,714
Insurance funds	4,577,892	4,180,524
Total Liabilities	79,654,801	77,453,780
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	1,435,615	1,371,636
Retained profits	2,179,261	1,767,888
Fair value reserves	(19,429)	(11,256)
Treasury shares held for ESOS	(78,171)	(73,176)
Total shareholders' equity	4,570,044	4,107,860
Minority interest	2,256,905	2,039,543
Total Equity	6,826,949	6,147,403
Total Liabilities and Equity	86,481,750	83,601,183
Commitment and Contingencies	78,596,910	81,641,545

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
 CONDENSED FINANCIAL STATEMENTS
 UNAUDITED COMPANY BALANCE SHEETS AS AT 30 JUNE 2009

THE COMPANY	As at 30/06/2009 RM '000	As at 30/06/2008 RM '000
<u>Assets</u>		
Cash and short term funds	2,791	11,699
Securities held at fair value through profit or loss	18,950	-
Other receivables	63,753	20,186
Tax recoverable	11,390	12,988
Investment in subsidiaries	2,048,249	2,048,349
Property and equipment	2,888	3,525
Intangible assets	230	352
Total Assets	<u>2,148,251</u>	<u>2,097,099</u>
<u>Liabilities</u>		
Payables and other liabilities	6,391	10,279
Bank loans	31,000	1,000
Capital market borrowing	419,228	424,714
Total Liabilities	<u>456,619</u>	<u>435,993</u>
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	145,921	141,475
Retained profits	558,693	538,123
Treasury shares held for ESOS	(65,750)	(71,260)
Total Equity	<u>1,691,632</u>	<u>1,661,106</u>
Total Liabilities and Equity	<u>2,148,251</u>	<u>2,097,099</u>
Commitment and Contingencies	<u>250,000</u>	<u>-</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
 UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Share Capital		Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves		Share Options Reserves	Fair Value Reserves		Exchange Fluctuation Reserves		Retained Profits	Treasury Shares	Total Shareholders' Equity		Minority Interests	Total Equity
	RM '000	RM '000			RM '000	RM '000		RM '000	RM '000	RM '000	RM '000			RM '000	RM '000		
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	-	6,147,403	-	6,147,403
Exchange fluctuation differences	-	-	-	-	-	-	-	7,692	-	-	7,692	-	-	-	-	-	7,692
Net fair value changes in available-for-sale securities	-	-	-	-	-	-	(8,173)	-	-	-	(8,173)	-	-	-	(8,173)	-	(8,173)
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	(8,173)	7,692	-	-	(481)	-	-	-	(481)	-	(481)
Net profit for the financial year	-	-	-	-	-	-	-	-	632,020	-	632,020	-	-	-	632,020	-	632,020
Total recognised income/(expense) for the period	-	-	-	-	-	-	(8,173)	7,692	632,020	-	631,539	-	-	631,539	-	631,539	
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	(41,539)	-	-	-	-	-	(112,945)	-	(112,945)
Transfer to statutory reserves	-	-	-	41,539	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(70,086)	-	(70,086)	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-	-	(109,022)	-	(109,022)	-	-	-	(109,022)	-	(109,022)
- 2nd interim dividend	-	-	-	-	-	14,748	-	-	-	-	14,748	-	-	-	14,748	-	14,748
Option reserves arising from ESOS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	(4,995)	-	(4,995)	-	-	-	(4,995)	-	(4,995)
AT 30 JUNE 2009	1,052,768	-	117,229	1,141,486	133,258	23,229	(19,429)	20,413	2,179,261	(78,171)	4,570,044	2,256,905	6,826,949	-	6,826,949	-	6,826,949

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

	Share Capital		Share Premium	Statutory Reserves	Other Capital Reserves & General Reserves		Share Options Reserves	Fair Value Reserves		Exchange Fluctuation Reserves		Retained Profits	Treasury Shares	Total Shareholders' Equity		Minority Interests	Total Equity
	RM '000	RM '000			RM '000	RM '000		RM '000	RM '000	RM '000	RM '000			RM '000	RM '000		
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	-	5,641,208	-	5,641,208
Exchange fluctuation differences	-	-	-	-	-	-	-	(6,778)	-	-	(6,778)	-	-	-	(6,778)	-	(6,778)
Net fair value changes in available-for-sale securities	-	-	-	-	-	-	(26,650)	-	-	-	(26,650)	-	-	-	(26,650)	-	(26,650)
Net income/(expense) recognised directly in equity	-	-	-	-	-	-	(26,650)	(6,778)	-	-	(33,428)	-	-	-	(33,428)	-	(33,428)
Net profit for the financial year	-	-	-	-	-	-	-	-	548,682	-	548,682	-	-	-	548,682	-	548,682
Total recognised income/(expense) for the period	-	-	-	-	-	-	(26,650)	(6,778)	548,682	-	515,254	-	-	515,254	-	515,254	
Transfer to statutory reserves	-	-	-	32,078	-	-	-	-	(32,078)	-	-	-	-	-	-	-	-
Issue of shares arising from the exercise of Warrants 1997/2007	317	-	1,212	-	-	-	-	-	-	-	1,529	-	-	1,529	-	1,529	
Dividend paid	-	-	-	-	-	-	-	-	(69,115)	-	(69,115)	-	-	(69,115)	-	(69,115)	
- 1st interim dividend	-	-	-	-	-	-	-	-	(107,749)	-	(107,749)	-	-	(107,749)	-	(107,749)	
- 2nd interim dividend	-	-	-	-	-	7,329	-	-	-	-	7,329	-	-	7,329	-	7,329	
Option reserve arising from ESOS	-	-	-	-	-	-	-	-	-	-	(5,510)	-	-	(5,510)	-	(5,510)	
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(113,193)	-	(113,193)
AT 30 JUNE 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	-	6,147,403	-	6,147,403

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	The Group		The Company	
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	1,150,204	1,120,165	252,492	233,796
Adjustment for non-cash items and others	277,310	101,819	(257,547)	(239,883)
Operating profit before working capital changes	1,427,514	1,221,984	(5,055)	(6,087)
Income tax recovered/(paid)	(269,862)	(337,757)	7,615	6,996
Interest received	234	534	234	534
Net changes in working capital	(2,228,731)	10,126,517	(67,402)	(23,815)
Net cash flow from operating activities	(1,070,845)	11,011,278	(64,608)	(22,372)
Net cash flow from investing activities	(2,770,956)	(3,499,888)	227,846	196,576
Net cash flow from financing activities	(178,606)	(814,824)	(172,146)	(178,981)
Changes in cash and cash equivalents	(4,020,407)	6,696,566	(8,908)	(4,777)
Effect of change in foreign exchange rate	64,423	(8,092)	-	-
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 June	19,500,176	23,456,160	2,791	11,699

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 2009 other than as mentioned below.

Purchase of shares pursuant to ESOS

A trust has been set up for the ESOS of HLFG and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet. Pursuant to the scheme, the number of shares bought by the appointed trustee was 14,461,408 at an average price of RM4.45 and the total consideration paid, including transaction costs was RM65,749,757.

Pursuant to the insurance subsidiary company's ESOS scheme, the insurance subsidiary company also held 2,768,992 units of the Company's shares at an average price of RM4.49 per share with total consideration paid, including transaction costs of RM10,504,243, which have been classified as treasury shares held for ESOS at the Group level.

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

7. Dividends paid

- (i) A first interim dividend of 9 sen per share less income tax, amounting to RM70,085,680 in respect of the financial year ended 30 June 2009 was paid on 18 December 2008 (2007/2008 : 9 sen per share less income tax).
- (ii) A second interim dividend of 14 sen per share less income tax, amounting to RM109,022,169 in respect of the financial year ended 30 June 2009 was paid on 26 June 2009 (2007/2008 : 14 sen per share less income tax).
- (iii) Total dividend paid for the financial year ended 30 June 2009 : 23 sen per share less tax (2007/2008 : 23 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:

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

GROUP 30 JUNE 2008	Commercial Banking		Investment Banking		Insurance	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	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								<u>1,120,165</u>
Taxation and zakat								<u>(293,833)</u>
Profit after taxation								<u>826,332</u>
Minority interest								<u>(277,650)</u>
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	(52,990)			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 of property and equipments	44,775	1,425	3,535	1,024	-			50,759
Amortisation of intangible assets	12,997	166	5,467	50	-			18,680
Amortisation of prepaid lease payment	84	-	44	-	-			128
Loan loss and other allowances	158,217	-	-	-	-			158,217

11. Securities held-to-maturity

	Group	
	As at 30/06/2009 RM '000	As at 30/06/2008 RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	1,670,241	752,186
Malaysian Government Investment Certificates	105,514	60,305
Negotiable instruments of deposit	4,073,323	1,718,179
Cagamas bonds	279,873	230,314
	<u>6,128,951</u>	<u>2,760,984</u>
Quoted securities :		
Foreign Currency Bonds	-	-
Unquoted securities :		
Private debt securities/shares/loan stocks	437,828	400,834
Total securities held-to-maturity	<u>6,566,779</u>	<u>3,161,818</u>

12. Loans, advances and financing

	Group	
	As at 30/06/2009 RM '000	As at 30/06/2008 RM '000
Overdrafts	2,091,226	2,435,782
Term loans :		
- Housing loans/financing	20,496,440	19,445,381
- Syndicated term loan/financing	1,685,228	1,422,294
- Hire purchase receivables	5,829,968	6,167,037
- Lease receivables	16,418	22,602
- Other term loans/financing	1,775,639	2,512,094
Credit/charge card receivables	2,017,519	1,925,986
Bills receivables	211,019	357,255
Trust receipts	92,982	139,725
Claims on customers under acceptance credits	3,230,902	3,057,364
Block discounting	8,218	8,422
Revolving credits	1,250,892	799,314
Policy and premium loans	620,281	556,612
Staff loans	96,686	102,020
Other loans/financing	100,014	48,339
	<u>39,523,432</u>	<u>39,000,227</u>
Unearned interest and income	<u>(3,219,240)</u>	<u>(3,001,136)</u>
	36,304,192	35,999,091
Fair value changes arising from fair value hedges	56,892	(52,978)
Unamortised fair value changes arising from terminated fair value hedges	13,381	17,261
Allowance for bad and doubtful debts and financing :		
- general	(546,080)	(526,957)
- specific	<u>(330,119)</u>	<u>(345,781)</u>
Net loans, advances and financing	<u>35,498,266</u>	<u>35,090,636</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 30/06/2009	As at 30/06/2008
	RM '000	RM '000
Purchase of securities	13,285	13,793
Purchase of transport vehicles	48,996	56,043
Purchase of landed properties		
- residential	235,867	229,221
- non-residential	62,761	79,537
Personal use	56,872	40,969
Credit card	36,446	28,751
Construction	32,662	38,592
Working capital	315,553	353,493
Others	2	3
Gross loans, advances and financing	<u>802,444</u>	<u>840,402</u>

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

	Group	
	As at 30/06/2009	As at 30/06/2008
	RM '000	RM '000
At beginning	840,402	1,033,380
Non-performing during the period/year	2,793,986	2,594,538
Reclassified as performing	(2,314,165)	(2,195,316)
Amount written back in respect of recoveries	(257,924)	(332,256)
Amount written off	(261,211)	(261,664)
Amount transferred in respect of acquisition	1,114	-
Exchange differences	242	1,720
Closing balance	<u>802,444</u>	<u>840,402</u>
Specific allowance	<u>(330,119)</u>	<u>(345,781)</u>
Net non-performing loans, advances and financing	<u>472,325</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>

14. Deposits from customers

	Group	
	As at	As at
	30/06/2009	30/06/2008
	RM '000	RM '000
Fixed deposits	36,852,359	33,979,359
Negotiable instruments of deposit	3,526,455	1,697,204
Demand deposits	6,761,540	5,950,840
Savings deposits	7,841,769	7,491,714
Short term corporate placement	11,638,034	12,727,011
Other	641,929	215,397
	<u>67,262,086</u>	<u>62,061,525</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	30/06/2009	30/06/2008
	RM '000	RM '000
One year or less (short term)	39,683,232	34,732,418
More than one year (medium/long term)	695,582	944,145
	<u>40,378,814</u>	<u>35,676,563</u>

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

	Group	
	As at	As at
	30/06/2009	30/06/2008
	RM '000	RM '000
Government and statutory bodies	714,312	985,187
Business enterprises	32,943,191	29,601,029
Individuals	32,608,117	30,877,001
Others	996,466	598,308
	<u>67,262,086</u>	<u>62,061,525</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	30/06/2009	30/06/2008
	RM '000	RM '000
Licensed banks	2,202,304	5,891,409
Other financial institutions	211,675	481,167
	<u>2,413,979</u>	<u>6,372,576</u>
The maturity structure :		
One year or less (short term)	2,413,979	6,372,576
More than one year (medium/long term)	-	-
	<u>2,413,979</u>	<u>6,372,576</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2009	quarter ended 30/06/2008	ended 30/06/2009	ended 30/06/2008
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	384,592	430,751	1,704,732	1,673,909
- recoveries from NPLs	28,816	34,995	111,659	126,192
Money at call and deposit placements				
with financial institutions	110,487	207,544	676,498	798,827
Securities purchased under resale agreement	-	6,871	1,088	62,371
Securities held at fair value through				
profit and loss	7,316	6,193	22,078	35,241
Securities available-for-sale	25,041	33,161	103,132	120,618
Securities held-to-maturity	36,439	9,645	145,010	35,982
Others	484	1,090	2,845	7,251
	<u>593,175</u>	<u>730,250</u>	<u>2,767,042</u>	<u>2,860,391</u>
Amortisation of premium less				
accretion of discount	40,482	55,352	203,473	216,907
Interest suspended	(3,108)	(2,802)	(14,903)	(8,457)
	<u>630,549</u>	<u>782,800</u>	<u>2,955,612</u>	<u>3,068,841</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements				
with financial institutions	28	150	233	534
Others	359	125	1,536	125
	<u>387</u>	<u>275</u>	<u>1,769</u>	<u>659</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/06/2009	quarter ended 30/06/2008	ended 30/06/2009	ended 30/06/2008
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks				
and other financial institutions	14,456	27,990	71,274	112,620
Deposits from customers	247,111	275,202	1,120,990	1,078,637
Borrowings	4,800	4,302	21,212	18,672
Subordinated bonds	9,168	8,303	36,631	34,201
Short term corporate placements	50,191	123,671	339,039	428,529
Others	1,253	591	3,199	14,871
	<u>326,979</u>	<u>440,059</u>	<u>1,592,345</u>	<u>1,687,530</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/06/2009	30/06/2008	30/06/2009	30/06/2008
	RM '000	RM '000	RM '000	RM '000
Borrowings	3,924	4,168	17,010	18,365
Others	564	1	1,309	38
	<u>4,488</u>	<u>4,169</u>	<u>18,319</u>	<u>18,403</u>

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/06/2009 RM '000	Last year quarter ended 30/06/2008 RM '000	Current year ended 30/06/2009 RM '000	Last year ended 30/06/2008 RM '000
Fee income:				
Management fees	1,675	1,677	6,703	5,245
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	35	(45)	(8,108)	(21)
Gross dividend income from:				
Securities held at fair value through profit and loss	225	135	686	408
Subsidiary companies	43,500	30,000	278,822	263,007
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	5,888	-	6,317	-
Other income:				
Gain on disposal of subsidiary company	-	-	1,720	-
Others	135	45	367	346
Total non interest income	51,458	31,812	286,507	268,985

20. Overhead expenses

	Group		Group	
	Current quarter ended 30/06/2009 RM '000	Last year quarter ended 30/06/2008 RM '000	Current year ended 30/06/2009 RM '000	Last year ended 30/06/2008 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	118,605	121,180	462,202	454,355
- Others	15,872	18,312	52,038	46,096
<u>Establishment costs</u>				
- Depreciation of property and equipments	12,487	13,139	51,460	50,759
- Amortisation of intangible assets	3,958	4,924	18,116	18,680
- Amortisation of prepaid lease payment	32	57	127	128
- Rental	12,810	11,823	49,718	48,265
- Information technology expenses	10,747	12,560	52,516	49,942
- Others	12,495	12,547	47,352	49,416
<u>Marketing expenses</u>				
- Advertisement and publicity	11,589	22,289	66,023	62,515
- Handling fees	2,169	3,611	11,250	16,781
- Others	12,317	9,741	52,188	48,444
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,137	2,441	10,829	10,452
- Stationery & printing	3,326	5,147	13,994	18,230
- Others	9,728	(5,357)	85,601	71,084
	229,272	232,414	973,414	945,147

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 2009 and 30 June 2008 met the minimum requirement.

	Hong Leong Bank Berhad		Hong Leong Islamic Bank Berhad #		Hong Leong Investment Bank Berhad	
	As at 30/06/2009	As at 30/06/2008	As at 30/06/2009	As at 30/06/2008	As at 30/06/2009	As at 30/06/2008
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Components of Tier - 1 and Tier - 2 Capital						
Tier - 1 capital						
Paid up share capital	1,580,107	1,580,107	500,000	500,000	123,500	-
Share premium	539,664	539,664	-	-	-	-
Retained profit	2,136,060	1,737,205	119,207	82,031	3,963	-
Other Reserves	1,790,162	1,779,861	119,207	82,032	4,362	-
Less : Treasury Shares	(699,051)	(699,041)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,000)	-
Less : Deferred Tax	(134,681)	(155,303)	(18,932)	(17,850)	(58,192)	-
Total tier 1 capital	5,212,261	4,782,493	719,482	646,213	43,633	-
Tier - 2 capital						
General provision	471,305	461,900	73,486	65,025	1,308	-
Subordinated obligations	703,800	653,500	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	-
Share premium on redeemable preference shares	-	-	-	-	142,035	-
Total tier 2 capital	1,175,105	1,115,400	73,486	65,025	144,974	-
Total eligible tier-2 capital	1,175,105	1,115,400	73,486	65,025	43,633	-
Total capital	6,387,366	5,897,893	792,968	711,238	87,266	-
Less : Investment in associated company	(946,505)	-	-	-	(588)	-
Less : Investment in subsidiary companies	(575,746)	(592,041)	-	-	-	-
Less : Holdings of other banking institution's capital instrument	-	(31,858)	-	-	-	-
Total capital base	4,865,115	5,273,994	792,968	711,238	86,678	-
Before deducting proposed dividends						
Core Capital Ratio	15.18%	14.29%	20.86%	16.33%	17.59%	-
Risk-weighted Capital Ratio	15.18%	15.76%	22.99%	17.97%	34.94%	-
After deducting proposed dividends						
Core Capital Ratio	14.65% *	13.78%	20.72%	16.33%	17.59%	-
Risk-weighted Capital Ratio	14.65%	15.25%	22.85%	17.97%	34.94%	-

24. Changes in composition of the Group (Continued)

- d. On 18 September 2008, HFLG announced that its wholly-owned subsidiary, HFLG Assets Sdn Bhd, had placed its own wholly-owned subsidiary, Autoweb Sdn Bhd ("Autoweb") under Member's Voluntary Liquidation pursuant to Section 254(1)(b) of the Companies Act, 1965.
- e. On 9 January 2009, HLB announced that The State Bank of Vietnam has granted a license to HLB to incorporate and operate a 100% wholly-owned commercial bank in Vietnam. The 100% wholly-owned commercial bank shall be known as Hong Leong Bank Vietnam Limited ("HLBVN"). The charter capital of HLBVN is 1,000,000,000,000 (one trillion) Vietnamese Dong which is approximately equivalent to RM205 million at the current exchange rates. HLB is required to incorporate HLBVN and commence operations in Vietnam within 12 months from the date of issuance of the aforesaid license.

With the establishment of HLBVN, HLB will be able to tap into the promising and expanding market of Vietnam, which has a population of over 85 million people. This is part of HLB's long term goal of establishing a bigger presence in Asia.

- f. On 11 February 2009, HFLG announced that it has incorporated a wholly-owned subsidiary known as HLA Holdings Sdn Bhd ("HLAH"). The intended business activity of HLAH is investment holding.

The initial authorised share capital of HLAH is RM100,000 divided into 100,000 ordinary shares of RM1.00 each. The initial issued and paid-up capital of HLAH is RM2.00 divided into two ordinary shares of RM1.00 each.

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 30/06/09			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
Banking Entities						
Direct credit substitutes	217,061	217,061	200,263	207,396	207,396	193,849
Transaction-related contingent items	247,102	123,551	110,598	287,933	143,966	129,875
Short-term self liquidating trade-related contingencies	578,754	115,750	113,434	741,691	148,338	142,375
Irrevocable commitments to extend credit:						
-maturity more than 1 year	-	-	-	4,279,447	2,139,724	1,743,385
-maturity less than 1 year	-	-	-	13,458,683	2,691,736	2,189,391
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	19,134,149	-	-	-	-	-
Foreign exchange related contracts	20,674,995	897,994	497,304	24,024,375	1,016,617	601,625
Interest rate related contracts	37,497,746	1,223,825	618,039	38,339,797	411,764	165,943
Equity related contracts	247,103	17,830	6,726	302,223	22,243	12,583
Total	78,596,910	2,596,011	1,546,364	81,641,545	6,781,784	5,179,026

- 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 2009.

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 (continued)

The Group
30/06/2008

	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	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	-
Clients' and brokers' balances	-	-	-	-	-	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
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
Clients' and brokers' balances	-	-	-	-	-	233,817	-	233,817	-
Payables and other liabilities	-	-	-	-	-	2,781,927	-	2,781,927	-
Provision for claims	-	-	-	-	-	199,086	-	199,086	-
Provision for taxation	-	-	-	-	-	91,078	-	91,078	-
Bank loans	25,600	-	-	-	-	-	-	25,600	4.5
Subordinated obligations	-	-	-	671,750	-	-	-	671,750	5.2
Syndicated loan facility	-	-	-	-	-	-	-	-	5.1
Capital market borrowing									
- Commercial paper	214,714	-	-	-	-	-	-	214,714	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	41,621,892	7,510,690	13,947,156	1,650,895	-	12,723,147	-	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	41,621,892	7,510,690	13,947,156	1,650,895	-	18,870,550	-	83,601,183	
On-balance sheet interest sensitivity gap	10,535,010	(3,512,108)	(11,291,499)	6,866,852	5,367,586				

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 30 June 2009

	Group	
	As at 30/06/2009 RM'000	As at 30/06/2008 RM'000
ASSETS		
Cash and short-term funds	2,511,864	1,871,430
Deposits and placements with banks and other financial institutions	125,167	-
Securities held at fair value through profit or loss	2,011,644	927,570
Securities available-for-sale	467,377	780,812
Securities held-for-maturity	126,623	126,957
Financing, advances and other financing	3,824,880	4,242,329
Other receivables	7,615	7,054
Statutory deposits with Bank Negara Malaysia	46,064	144,964
Property, plant and equipment	1,794	1,854
Deferred tax assets	18,932	17,850
Total Assets	9,141,960	8,120,820
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	7,979,898	6,208,081
Deposits and placements of banks and other financial institutions	30,000	779,000
Bills and acceptance payable	16,133	110,480
Payables and other liabilities	366,504	351,119
Provision for taxation	9,394	7,408
Total Liabilities	8,401,929	7,456,088
Islamic banking capital fund	500,000	500,000
Reserves	240,031	164,732
Islamic Banking Funds	740,031	664,732
Total Liabilities and Islamic Banking Funds	9,141,960	8,120,820
Commitments and Contingencies	1,092,217	966,378

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

(i) **By type**

	Group	
	As at 30/06/2009 RM'000	As at 30/06/2008 RM'000
Cash line	5,421	11,230
Term financing		
- House financing	3,562,624	3,192,524
- Hire purchase receivable	2,545,281	2,971,414
- Lease receivable	16,357	21,080
- Other term financing	348,544	356,760
Claims on customers under acceptance credits	46,206	197,898
Staff financing	18	41
Revolving credit	-	26
Others	623	778
	<u>6,525,074</u>	<u>6,751,751</u>
Less: Unearned income	<u>(2,605,681)</u>	<u>(2,419,663)</u>
	<u>3,919,393</u>	<u>4,332,088</u>
Less: Allowance for bad and doubtful financing		
- General	(73,486)	(65,025)
- Specific	(21,027)	(24,734)
Total net financing, advances and other financing	<u>3,824,880</u>	<u>4,242,329</u>

(ii) **By contract**

	Group	
	As at 30/06/2009 RM'000	As at 30/06/2008 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,602,357	1,484,449
Ijarah (lease)	15,895	20,028
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,254,935	2,629,727
Murabahah (cost-plus)	46,206	197,884
	<u>3,919,393</u>	<u>4,332,088</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 30/06/2009 RM'000	As at 30/06/2008 RM'000
Non-Mudharabah		
Demand deposits	375,930	362,557
Savings deposits	580,875	555,853
Negotiable instruments of deposit	1,215,890	529,911
	<u>2,172,695</u>	<u>1,448,321</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	569,063	478,049
General investment deposits	1,864,865	1,635,080
Specific investment deposits	3,373,275	2,646,631
	<u>5,807,203</u>	<u>4,759,760</u>
	<u>7,979,898</u>	<u>6,208,081</u>

3. Review of performance of current quarter against preceding quarter

The Group recorded a profit before tax of RM226.1 million for the quarter ended 30 June 2009 as compared to RM271.8 million in the preceding quarter, a decrease of RM45.7 million or 16.8%. The decrease was mainly contributed by lower profits from the Commercial Banking and Investment Banking division.

The Commercial Banking division recorded a profit before tax of RM207.5 million for the quarter ended 30 June 2009 as compared to RM268.8 million in the preceding quarter, a decrease of RM61.2 million or 22.8%. This was mainly due to the impact of OPR cut/BLR downward revision coupled with higher allowance on losses on loans, advances and financing.

The Insurance division recorded a profit before tax of RM66.0 million for the quarter ended 30 June 2009 as compared to RM10.0 million in the preceding quarter, an increase of RM56.0 million. The increase was mainly due to actuarial surplus transferred from the Life fund of RM57.0 million which is only transferred in June 09.

The Investment Banking divisions recorded a pre-tax loss of RM46.6 million as compared to profit before tax of RM0.01 million in the preceding quarter, a decrease of RM46.7 million. The decrease was mainly due to impairment of goodwill of RM57.2 million in the current period.

4. Prospects for the next financial year

Despite current financial turmoil and economic slowdown, and barring unforeseen circumstances, the Group is expected to perform satisfactorily for the next 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 and opportunities.

5. Variance of actual profit from forecasted profit

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

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 18 December 2008, HLB announced that its wholly-owned subsidiary, HLF Credit (Perak) Berhad ("HLFCP") proposed to issue up to RM1,096.326 million nominal value of unsecured and unsubordinated bonds ("Bonds") to raise funds to subscribe for foreign currency denominated principal protected investments through its subsidiaries ("Proposed Bonds Issue").

The tenure of the Bonds will be for four (4) years from the date of issuance. The Bonds will be issued via private placement basis. HLB will be assuming the role of Principal Adviser/Lead Arranger on the Proposed Bond Issue.

The Proposed Bonds Issue is subject to the approval of the Securities Commission ("SC"). SC's approval was obtained on 27 February 2009.

- (b) On 19 January 2009, HLG Capital Berhad ("HLGC") announced that HLGC is proposing to undertake the following proposals:-

(i) a renounceable rights issue of up to 123,448,334 ordinary shares of RM1.00 each ("Rights Shares") in HLGC at an indicative issue price of RM1.00 per Rights Share on the basis of one (1) Rights Share for every one (1) existing ordinary share of RM1.00 each ("HLGC Shares") held in HLGC;

(ii) increase in the authorised share capital of HLGC from RM200,000,000 comprising 200,000,000 Shares to RM500,000,000 comprising 500,000,000 Shares ("Proposed Increase"); and

(iii) amendment to the Memorandum of Association of HLGC.

On 25 May 2009, HLGC announced that the issue price of the Rights Shares had been fixed at RM1.00 per Rights Share ("Rights Issue Price"). The Rights Issue Price was arrived at after taking into consideration the weighted average market price of HLGC Shares for the past five (5) market days up to and including 22 May 2009 (being the market day immediately preceding the price fixing date of 25 May 2009) of approximately RM1.0903.

The theoretical ex-rights price based on the above was approximately RM1.045 ("TERP"). The Rights Issue Price represented a discount of 4.5 sen or approximately 4.31% over the TERP.

- (c) On 8 April 2009, HLFG announced its proposal to undertake a rationalisation scheme to streamline and consolidate its equity holdings in its insurance company in Hong Kong and takaful operator under HLA Holdings Sdn Bhd ("HLAH"), an intermediate insurance holding company, wholly-owned by HLFG.

Pursuant to the Proposed Rationalisation, the relevant parties had on 8 April 2009 entered into sale and purchase agreements ("SPAs") in relation to the transfers/acquisition of the following equity interests:

(i) Proposed transfer of 100% equity interest in HLIA from Allstate Health Benefits Sdn Bhd, a wholly-owned subsidiary of Hong Leong Assurance Berhad ("HLA"), to HLAH ("Proposed HLIA Transfer");

(ii) Proposed transfer of 10% equity interest in Hong Leong Tokio Marine Takaful Berhad ("HLTMT") from HLA to HLAH ("Proposed Transfer of 10% in HLTMT"); and

(iii) Proposed acquisition by HLAH of 55% equity interest in HLTMT from HLB ("Proposed Acquisition").

The considerations for the Proposed Rationalisation will be based on the net assets of the respective companies as at the last day of the calendar month on which all the conditions precedent under the SPAs have been fulfilled and/or waived or such other date as may be agreed by the parties thereto. The considerations for the Proposed Rationalisation would be paid wholly in cash.

- (d) On 22 May 2009, HLFG announced that Bank Negara Malaysia ("BNM") has no objection in principal for HLFG and its wholly-owned subsidiary, HLA, to commence negotiation with Mitsui Sumitomo Insurance Company, Limited Japan and its subsidiary, MSIG Insurance (Malaysia) Bhd ("MISG") towards a potential partnership in relation to the insurance business of HLA.

The prior approval of the Minister of Finance, based on the recommendation of BNM, was required before the relevant parties enter into any agreement to effect the proposed partnership.

12. 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 RM77,554,000 (FYE June 2008: RM881,960,520) and RM36,134,979,496 (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 RM739,996,514 (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.

13. Material litigation

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

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

- (b) On 26 November 2008, Hytex Integrated Berhad ("Hytex") obtained a judgment in default of appearance ("JID") against Hong Leong Assurance Berhad ("HLA") in respect of a fire insurance claim amounting to about RM30 million.

HLA has filed an application to set aside the JID and has procured a stay of execution pending final disposal of said application. HLA has been advised by its solicitors that it has good grounds to set aside the JID.

On 9 July 2009, HLFG announced that the Senior Assistant Registrar of the High Court has allowed the application by HLA to set aside the judgement in default.

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

15. 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 year.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/06/2009 RM '000	Last year quarter ended 30/06/2008 RM '000	Current year ended 30/06/2009 RM '000	Last year ended 30/06/2008 RM '000
Weighted average no. of shares as at end of financial period	1,035,538	1,036,627	1,035,538	1,036,627
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,036,627	1,035,538	1,036,627
Net profit attributable to shareholders of the company	191,416	144,449	632,020	548,682
Fully diluted earnings per share (Sen)	18.5	13.9	61.0	52.9

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/06/2009 RM '000	Last year quarter ended 30/06/2008 RM '000	Current year ended 30/06/2009 RM '000	Last year ended 30/06/2008 RM '000
Weighted average no. of shares as at end of financial period	1,038,307	1,037,165	1,038,307	1,037,165
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,038,307	1,037,165	1,038,307	1,037,165
Net profit attributable to shareholders of the company	48,132	29,699	199,678	179,375
Fully diluted earnings per share (Sen)	4.6	2.9	19.2	17.3