

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

<b>THE GROUP</b>	<b>As at 30/09/2009 RM '000</b>	<b>As at 30/06/2009 RM '000</b>
<b><u>Assets</u></b>		
Cash and short term funds	8,592,260	19,500,176
Deposits and placements with financial institutions	8,541,652	5,726,818
Securities held at fair value through profit or loss	8,782,138	7,092,273
Securities available-for-sale	9,575,152	7,079,776
Securities held-to-maturity	8,609,865	6,566,779
Loans, advances and financing	35,828,447	35,498,266
Clients' and brokers' balances	187,293	220,152
Other receivables	1,948,030	1,931,216
Statutory deposits with Bank Negara Malaysia	340,425	368,564
Tax recoverable	5,983	12,056
Investment in associates	1,075,810	1,045,285
Prepaid land lease payments	10,075	10,123
Deferred tax asset	194,595	215,179
Property and equipment	616,668	602,362
Intangible assets	612,884	612,725
<b>Total Assets</b>	<b>84,921,277</b>	<b>86,481,750</b>
<b><u>Liabilities</u></b>		
Deposits from customers	63,603,352	67,262,086
Deposits and placements of banks and other financial institutions	3,655,373	2,413,979
Bills and acceptances payable	213,615	251,386
Clients' and brokers' balances	292,667	279,029
Payables and other liabilities	3,230,631	3,268,607
Provision for claims	206,287	201,424
Provision for taxation	92,381	73,704
Bank loans	177,900	177,900
Subordinated obligations	711,993	729,566
Capital market borrowing	589,294	419,228
Insurance funds	5,023,938	4,577,892
<b>Total Liabilities</b>	<b>77,797,431</b>	<b>79,654,801</b>
<b><u>Equity</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	1,449,631	1,435,615
Retained profits	2,325,933	2,179,261
Fair value reserves	15,317	(19,429)
Treasury shares held for ESOS	(78,171)	(78,171)
<b>Total shareholders' equity</b>	<b>4,765,478</b>	<b>4,570,044</b>
Minority interest	2,358,368	2,256,905
<b>Total Equity</b>	<b>7,123,846</b>	<b>6,826,949</b>
<b>Total Liabilities and Equity</b>	<b>84,921,277</b>	<b>86,481,750</b>
<b>Commitment and Contingencies</b>	<b>80,804,204</b>	<b>78,596,910</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009**

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2009 RM '000	quarter ended 30/09/2008 RM '000	ended 30/09/2009 RM '000	ended 30/09/2008 RM '000
<b>THE GROUP</b>				
Interest income	633,724	819,027	633,724	819,027
Interest expense	(295,864)	(459,112)	(295,864)	(459,112)
Net interest income	337,860	359,915	337,860	359,915
Income from Islamic banking business	48,080	43,457	48,080	43,457
Non interest income	176,647	167,320	176,647	167,320
Net income	562,587	570,692	562,587	570,692
Overhead expenses	(246,969)	(243,668)	(246,969)	(243,668)
Operating profit before allowances	315,618	327,024	315,618	327,024
Allowance for losses on loans, advances and financing and other losses	(43,510)	(11,233)	(43,510)	(11,233)
Impairment of goodwill	-	-	-	-
Impairment loss	191	(33,209)	191	(33,209)
	272,299	282,582	272,299	282,582
Share of results of associated companies	30,525	27,497	30,525	27,497
Profit before taxation and zakat	302,824	310,079	302,824	310,079
Taxation	(59,213)	(74,426)	(59,213)	(74,426)
Zakat	(13)	-	(13)	-
Net profit for the year	243,598	235,653	243,598	235,653
Attributable to :				
Equity holders of the company	157,595	147,253	157,595	147,253
Minority interests	86,003	88,400	86,003	88,400
Net profit for the year	243,598	235,653	243,598	235,653
Basic earnings per ordinary share (sen)	15.2	14.2	15.2	14.2
Diluted earnings per ordinary share (sen)	15.2	14.2	15.2	14.2

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

	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000
<b>THE COMPANY</b>		
<b><u>Assets</u></b>		
Cash and short term funds	4,232	2,791
Securities held at fair value through profit or loss	65,950	18,950
Other receivables	50,325	63,753
Tax recoverable	5,200	11,390
Investment in subsidiaries	2,183,249	2,048,249
Property and equipment	2,540	2,888
Intangible assets	202	230
<b>Total Assets</b>	<b>2,311,698</b>	<b>2,148,251</b>
<b><u>Liabilities</u></b>		
Payables and other liabilities	5,874	6,391
Bank loans	31,000	31,000
Capital market borrowing	589,294	419,228
<b>Total Liabilities</b>	<b>626,168</b>	<b>456,619</b>
<b><u>Financed by:</u></b>		
Share capital	1,052,768	1,052,768
Capital reserves	146,576	145,921
Retained profits	551,936	558,693
Treasury shares held for ESOS	(65,750)	(65,750)
<b>Total Equity</b>	<b>1,685,530</b>	<b>1,691,632</b>
<b>Total Liabilities and Equity</b>	<b>2,311,698</b>	<b>2,148,251</b>
<b>Commitment and Contingencies</b>	<b>250,000</b>	<b>250,000</b>

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED COMPANY INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009**

	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
<b>THE COMPANY</b>				
Interest income	289	48	289	48
Interest expense	(3,457)	(4,979)	(3,457)	(4,979)
Net interest expense	(3,168)	(4,931)	(3,168)	(4,931)
Non interest income	473	1,366	473	1,366
Net income	(2,695)	(3,565)	(2,695)	(3,565)
Overhead expenses	(4,062)	(4,547)	(4,062)	(4,547)
Profit before taxation and zakat	(6,757)	(8,112)	(6,757)	(8,112)
Taxation	-	-	-	-
Net profit for the year	(6,757)	(8,112)	(6,757)	(8,112)
Basic earnings per ordinary share (sen)	(0.7)	(0.8)	(0.7)	(0.8)
Diluted earnings per ordinary share (sen)	(0.7)	(0.8)	(0.7)	(0.8)



**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)  
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2009**

	Share						Total Equity RM '000
	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	
Opening balance as at 1 July 2008	1,052,768	117,229	18,484	10,208	558,693	(65,750)	1,691,632
Net profit for the financial year	-	-	-	-	(6,757)	-	(6,757)
Total recognised income/(expense) for the period	-	-	-	-	(6,757)	-	(6,757)
Dividend paid	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	655	-	-	655
Treasury Shares held for ESOS	-	-	-	-	-	-	-
<b>AT 30 SEPTEMBER 2009</b>	<b>1,052,768</b>	<b>117,229</b>	<b>18,484</b>	<b>10,863</b>	<b>551,936</b>	<b>(65,750)</b>	<b>1,685,530</b>

	Share						Total Equity RM '000
	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	
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 year	-	-	-	-	(8,112)	-	(8,112)
Total recognised income/(expense) for the period	-	-	-	-	(8,112)	-	(8,112)
Issue of shares arising from the exercise of Warrants 1997/2007	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-
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>

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

	<b>The Group</b>		<b>The Company</b>	
	<b>30/09/2009</b>	<b>30/09/2008</b>	<b>30/09/2009</b>	<b>30/09/2008</b>
	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>	<b>RM '000</b>
Profit before taxation and zakat	302,824	310,079	(6,757)	(8,112)
Adjustment for non-cash items and others	73,200	(82,035)	4,797	6,684
Operating profit before working capital changes	376,024	228,044	(1,960)	(1,428)
Income tax recovered/(paid)	16,492	(101,859)	6,190	7,615
Interest received	724	943	289	48
Net changes in working capital	(6,899,071)	482,618	(38,457)	(41,594)
Net cash flow from operating activities	(6,505,831)	609,746	(33,937)	(35,359)
Net cash flow from investing activities	(4,397,749)	(94,672)	(134,688)	(2,191)
Net cash flow from financing activities	(4,198)	(16,734)	170,066	39,000
<b>Changes in cash and cash equivalents</b>	<b>(10,907,778)</b>	<b>498,340</b>	<b>1,441</b>	<b>1,450</b>
<b>Effect of change in foreign exchange rate</b>	<b>(138)</b>	<b>119</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents as at 1 July</b>	<b>19,500,176</b>	<b>23,456,160</b>	<b>2,791</b>	<b>11,699</b>
<b>Cash and cash equivalents as at 30 September</b>	<b>8,592,260</b>	<b>23,954,619</b>	<b>4,232</b>	<b>13,149</b>

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2009**

**1. Basis of preparation**

The condensed financial statements of the Group have been prepared in accordance with Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting (previously known as MASB 26) issued by the Malaysian Accounting Standard Board (“MASB”), Chapter 9, Part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2009.

The accounting policies and presentation adopted by the Group for the interim financial statements are consistent with those adopted in the financial statements for the financial year ended 30 June 2009 except for the first time adoption of FRS 8, ‘Operating Segments’.

FRS 8: Operating Segments – This new standard replaces FRS 114 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments disclosure in the financial statements. The application of this standard would not have any impact to the financial statements of the Group.

**2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2009 of HLFG**

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2009.

**3. Seasonality or cyclicity of operations**

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

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

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

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

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



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

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFM 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 HLFM and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance to FRS 132: Financial Statements: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares held for ESOS" in the Shareholders' Equity on the Balance Sheet. Pursuant to the scheme, the number of shares bought by the appointed trustee was 14,461,408 at an average price of RM4.45 per share 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 RM12,420,243, 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 HLFM 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. Reserves (Other information)

As at 30 September 2009, subject to agreement with the Inland Revenue Board, the Company has tax credits under Section 108 of the Income Tax Act, 1967 to frank payment of dividends out of the Company's retained profits to the extent of RM185,667,000 (June 2009: RM185,667,000). In addition, the Company has tax exempt income of approximately RM92,347,000 (June 2009: RM92,347,000) available for future distribution of tax exempt dividends.

The above comparative numbers as at 30 June 2009, relating to the amount of available Section 108 tax credits to frank payment of dividends out of the Company's retained profits and tax exempt income, have been revised since the last published annual accounts.

## 9. 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	Commercial Banking		Investment Banking		Insurance		Others		Eliminations		Consolidated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 SEPTEMBER 2009</b>												
<b>Revenue for the year ended</b>												
External sales	504,902	19,430	31,691	(5,026)	-	-	-	-	-	-	-	550,997
Intersegment sales	6,775	292	2,496	2,027	-	-	-	-	-	-	-	11,590
	<u>511,677</u>	<u>19,722</u>	<u>34,187</u>	<u>(2,999)</u>	-	-	-	-	-	-	-	<u>562,587</u>
<b>Results for the year ended</b>												
Segment results	258,302	7,609	13,459	(7,071)	-	-	-	-	-	-	-	272,299
Share of results of associated company												30,525
Profit before taxation and zakat												<u>302,824</u>
Taxation and zakat												<u>(59,226)</u>
Profit after taxation												<u>243,598</u>
Minority interest												<u>(86,003)</u>
Net profit for the year												<u>157,595</u>
<b>Other information</b>												
Segment assets	76,877,479	765,945	6,284,172	130,081	196,873	84,254,550	666,727					
Other corporate assets												<u>84,921,277</u>
<b>Total consolidated assets</b>												
Segment liabilities	71,003,928	673,895	5,879,960	52,571	(433,217)	77,177,137	620,294					
Other corporate liabilities												<u>77,797,431</u>
<b>Total consolidated liabilities</b>												
Capital expenditure	79,767	1,931	79,279	351	-	161,328	-					
Depreciation of property and equipments	11,024	555	1,739	189	-	13,507	-					
Amortisation of intangible assets	2,991	-	-	30	-	3,021	-					
Amortisation of prepaid lease payment	21	-	-	-	-	21	-					
Loan loss and other allowances	43,510	-	-	-	-	43,510	-					

GROUP 30 SEPTEMBER 2008	Commercial Banking		Investment Banking		Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
	RM'000	RM'000	RM'000	RM'000				
Revenue for the year ended								
External sales	549,475	11,538	18,575	(11,161)	-	-	-	568,427
Intersegment sales	656	784	4,100	5,333	(8,608)	(8,608)	(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>(8,608)</u>	<u>(8,608)</u>	<u>570,692</u>
Results for the year ended								
Segment results	288,382	2,830	1,773	(8,584)	(1,819)	(1,819)	(1,819)	282,582
Share of results of associated company								27,497
Profit before taxation and zakat								<u>310,079</u>
Taxation and zakat								<u>(74,426)</u>
Profit after taxation								<u>235,653</u>
Minority interest								<u>(88,400)</u>
Net profit for the year								<u>147,253</u>
Other information								
Segment assets	76,694,353	442,254	5,560,486	79,997	179,034	179,034	179,034	82,956,124
Other corporate assets								209,977
Total consolidated assets								<u>83,166,101</u>
Segment liabilities	71,508,740	275,130	4,944,680	53,126	(434,522)	(434,522)	(434,522)	76,347,154
Other corporate liabilities								465,000
Total consolidated liabilities								<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
Net interest income suspended								-
Loan loss and other allowances	11,233	-	-	-	-	-	-	11,233

## 10. Securities held at fair value through profit or loss

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Malaysian Government Treasury Bills	723,004	458,307
Malaysian Government Securities	987,571	838,842
Negotiable instruments of deposit	1,029,281	887,971
Bankers' acceptances and Islamic accepted bills	3,523,618	2,983,607
Bank Negara Malaysia bills	1,274,057	1,738,604
Malaysian Government Investment Certificates	1,004,301	136,143
Khazanah bonds	32,799	14,922
Sukuk bonds	40,027	-
Cagamas bonds/notes	75,144	-
	8,689,802	7,058,396
Quoted securities :		
Shares/Loan stocks/Unit Trust	82,686	25,094
Foreign currency bonds	9,650	8,783
Unquoted securities :		
Private debt securities	-	-
	8,782,138	7,092,273
<b>Company</b>		
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
	65,950	18,950

## 11. Securities available-for-sale

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
<b><u>At Fair Value</u></b>		
Government Treasury Bills	491,414	379,600
Malaysian Government Securities	1,794,122	2,074,034
Malaysian Government Investment Certificates	3,103,077	728,237
Negotiable instruments of deposit	-	-
Khazanah bonds	-	9,948
Cagamas bonds	165,931	162,084
Singapore government securities	24,569	24,601
Other Government securities	54,709	94,384
	5,633,822	3,472,888
Quoted securities :		
Shares/Loan stocks/Unit Trust	560,593	499,460
Foreign Currency Bonds	940,925	979,272
Unquoted securities :		
Private debt securities/shares/reits	2,439,812	2,128,156
	9,575,152	7,079,776

## 12. Securities held-to-maturity

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
<b><u>At Amortised Cost</u></b>		
Malaysian Government Securities	4,024,930	1,670,241
Malaysian Government Investment Certificates	1,192,631	105,514
Negotiable instruments of deposit	2,673,612	4,073,323
Cagamas bonds	279,877	279,873
	<u>8,171,050</u>	<u>6,128,951</u>
Quoted securities :		
Foreign Currency Bonds	-	-
Unquoted securities :		
Private debt securities/shares/loan stocks	438,815	437,828
Total securities held-to-maturity	<u>8,609,865</u>	<u>6,566,779</u>

## 13. Loans, advances and financing

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
Overdrafts	2,027,562	2,091,226
Term loans :		
- Housing loans/financing	20,988,241	20,496,440
- Syndicated term loan/financing	1,811,088	1,685,228
- Hire purchase receivables	5,705,851	5,829,968
- Lease receivables	15,279	16,418
- Other term loans/financing	1,901,112	1,775,639
Credit/charge card receivables	2,065,607	2,017,519
Bills receivables	163,886	211,019
Trust receipts	106,521	92,982
Claims on customers under acceptance credits	3,144,472	3,230,902
Block discounting	8,225	8,218
Revolving credits	1,236,477	1,250,892
Policy and premium loans	620,801	620,281
Staff loans	95,775	96,686
Other loans/financing	100,613	100,014
	<u>39,991,510</u>	<u>39,523,432</u>
Unearned interest and income	(3,327,246)	(3,219,240)
	36,664,264	36,304,192
Fair value changes arising from fair value hedges	48,926	56,892
Unamortised fair value changes arising from terminated fair value hedges	11,008	13,381
Allowance for bad and doubtful debts and financing :		
- general	(550,801)	(546,080)
- specific	(344,950)	(330,119)
Net loans, advances and financing	<u>35,828,447</u>	<u>35,498,266</u>

### 13. Loans, advances and financing (continued)

#### (a) By type of customer

	Group	
	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000
Domestic banking institutions	45,074	86,327
Domestic non-bank financial institutions		
Domestic business enterprises	3,321,972	3,250,429
- Small and medium enterprises	7,119,327	7,131,299
- Others	339	369
Government and statutory bodies	25,043,174	24,721,865
Individuals	19,642	16,185
Other domestic entities	1,114,736	1,097,718
Foreign entities		
Gross loans, advances and financing	36,664,264	36,304,192

#### (b) By interest/profit rate sensitivity

	Group	
	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000
Fixed rate	702,213	673,204
- Housing loans/financing	4,974,016	5,087,484
- Hire purchase receivables	3,785,336	3,720,728
- Other fixed rate loan/financing		
Variable rate	23,620,186	23,240,974
- Base lending rate plus	3,532,417	3,531,706
- Cost plus	50,096	50,096
- Other variables rates		
Gross loans, advances and financing	36,664,264	36,304,192

#### (c) By economic purpose

	Group	
	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000
Purchase of securities	541,109	486,955
Purchase of transport vehicles	4,724,969	4,848,428
Purchase of landed properties		
- residential	14,195,899	13,922,382
- non-residential	4,278,636	4,257,268
Personal use	2,813,828	2,710,071
Credit card	2,065,607	2,017,519
Purchase of consumer durables	70	54
Construction	395,008	448,043
Working capital	7,025,291	6,989,520
Others	623,847	623,952
Gross loans, advances and financing	36,664,264	36,304,192

### 13. Loans, advances and financing (continued)

#### (d) Non-performing loans by purpose

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
Purchase of securities	13,467	13,285
Purchase of transport vehicles	51,774	48,996
Purchase of landed properties		
- residential	221,904	235,867
- non-residential	63,375	62,761
Personal use	60,397	56,872
Credit card	32,440	36,446
Construction	30,645	32,662
Working capital	304,244	315,553
Others	2	2
Gross loans, advances and financing	<u>778,248</u>	<u>802,444</u>

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

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
At beginning	802,444	840,402
Non-performing during the period/year	667,730	2,793,986
Reclassified as performing	(589,055)	(2,314,165)
Amount written back in respect of recoveries	(60,273)	(257,924)
Amount written off	(42,930)	(261,211)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	332	242
Closing balance	<u>778,248</u>	<u>802,444</u>
Specific allowance	<u>(344,950)</u>	<u>(330,119)</u>
Net non-performing loans, advances and financing	<u>433,298</u>	<u>472,325</u>
Net NPL as a % of gross loans, advances and financing less specific allowance	<u>1.2%</u>	<u>1.3%</u>

### 13. Loans, advances and financing (continued)

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

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
<u>General Allowance</u>		
At beginning	546,080	526,957
Net allowance made during the period/year	4,932	17,892
Amount written back in respect of recoveries	(327)	-
Amount arising from acquisition of SIBB	-	524
Allowances arising from loans and advances acquired from SBBS	-	178
Exchange differences	116	529
Closing balance	<u>550,801</u>	<u>546,080</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	330,119	345,781
Allowance made during the period/year	79,885	317,495
Amount written back in respect of recoveries	(22,623)	(73,641)
Amount written off	(42,659)	(260,857)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	228	227
Closing balance	<u>344,950</u>	<u>330,119</u>

### 14. Other receivables

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
Interest/Income receivable	164,698	130,742
Investment properties	1,600	1,600
Other debtors, deposits and prepayments	1,779,857	1,796,999
Assets held for sale	-	-
Foreclosed properties	1,875	1,875
	<u>1,948,030</u>	<u>1,931,216</u>
	Company	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
Amount due from subsidiary companies	44,936	55,259
Amount due from related companies	264	9
Other debtors, deposits and prepayments	5,125	8,485
	<u>50,325</u>	<u>63,753</u>



## 15. Deposits from customers

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
Fixed deposits	36,873,046	36,852,359
Negotiable instruments of deposit	1,387,323	3,526,455
Demand deposits	6,835,081	6,761,540
Savings deposits	7,990,871	7,841,769
Short term corporate placement	10,275,594	11,638,034
Other	241,437	641,929
	<u>63,603,352</u>	<u>67,262,086</u>

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

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
One year or less (short term)	37,673,804	39,683,232
More than one year (medium/long term)	586,565	695,582
	<u>38,260,369</u>	<u>40,378,814</u>

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

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
Government and statutory bodies	770,449	714,312
Business enterprises	29,013,078	32,943,191
Individuals	32,479,112	32,608,117
Others	1,340,713	996,466
	<u>63,603,352</u>	<u>67,262,086</u>

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

	Group	
	As at	As at
	30/09/2009	30/06/2009
	RM '000	RM '000
Licensed banks	3,398,276	2,202,304
Other financial institutions	257,097	211,675
	<u>3,655,373</u>	<u>2,413,979</u>

### The maturity structure :

One year or less (short term)	3,655,373	2,413,979
More than one year (medium/long term)	-	-
	<u>3,655,373</u>	<u>2,413,979</u>

## 17. Payables and other liabilities

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
Trade payables	444,507	460,349
Amount due to related companies	(5,341)	4,451
Other payables and accrued liabilities	1,682,614	1,732,464
Loan advance payment	869,192	802,123
Interest payable	233,767	263,238
Post employment benefits obligations - defined contribution plan	5,892	5,982
	<u>3,230,631</u>	<u>3,268,607</u>

	Company	
	As at 30/09/2009	As at 30/06/2009
	RM '000	RM '000
Amount due to subsidiary companies	-	100
Other payables and accrued liabilities	5,136	4,394
Interest payable	672	1,821
Post employment benefits obligations - defined contribution plan	66	76
	<u>5,874</u>	<u>6,391</u>

## 18. Interest income

	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	388,443	449,467	388,443	449,467
- recoveries from NPLs	25,427	27,227	25,427	27,227
Money at call and deposit placements				
with financial institutions	73,825	214,593	73,825	214,593
Securities purchased under resale agreement	6	1,088	6	1,088
Securities held at fair value through				
profit and loss	15,946	53,923	15,946	53,923
Securities available-for-sale	43,618	34,593	43,618	34,593
Securities held-to-maturity	48,833	36,592	48,833	36,592
Others	349	675	349	675
	<u>596,447</u>	<u>818,158</u>	<u>596,447</u>	<u>818,158</u>
Amortisation of premium less				
accretion of discount	39,872	4,001	39,872	4,001
Interest suspended	(2,595)	(3,132)	(2,595)	(3,132)
	<u>633,724</u>	<u>819,027</u>	<u>633,724</u>	<u>819,027</u>

	Company		Company	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year to date 30/09/2009 RM '000	Last year to date 30/09/2008 RM '000
Money at call and deposit placements				
with financial institutions	21	48	21	48
Others	268	-	268	-
	<u>289</u>	<u>48</u>	<u>289</u>	<u>48</u>

## 19. Interest expense

	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Deposits and placements of banks and other financial institutions	7,843	32,536	7,843	32,536
Deposits from customers	228,541	293,468	228,541	293,468
Borrowings	4,198	5,335	4,198	5,335
Subordinated bonds	9,104	8,588	9,104	8,588
Short term corporate placements	45,301	118,796	45,301	118,796
Others	877	389	877	389
	<u>295,864</u>	<u>459,112</u>	<u>295,864</u>	<u>459,112</u>
	Company		Company	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year to date 30/09/2009 RM '000	Last year to date 30/09/2008 RM '000
Borrowings	2,984	4,979	2,984	4,979
Others	473	-	473	-
	<u>3,457</u>	<u>4,979</u>	<u>3,457</u>	<u>4,979</u>

## 20. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Net income from Insurance Business	26,642	17,708	26,642	17,708
Net brokerage and commissions from Stockbroking Business	13,321	5,242	13,321	5,242
Net unit trust and asset management income	4,289	5,717	4,289	5,717
Fee income:				
Management fees	1,759	(1,363)	1,759	(1,363)
Commissions	18,179	19,507	18,179	19,507
Service charges and fees	4,349	6,223	4,349	6,223
Guarantee fees	1,370	1,456	1,370	1,456
Other fee income	50,002	43,987	50,002	43,987
	75,659	69,810	75,659	69,810
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(12)	9,412	(12)	9,412
Net gain from sale of securities available-for-sale	1,348	17,737	1,348	17,737
Net gain/(loss) from redemption of securities held-to-maturity	3,396	78	3,396	78
	4,732	27,227	4,732	27,227
Gross dividend income from:				
Securities held at fair value through profit and loss	12,984	1,280	12,984	1,280
Securities available-for-sale	1,097	1,136	1,097	1,136
Securities held-to-maturity	974	3,183	974	3,183
	15,055	5,599	15,055	5,599
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	1,734	3,016	1,734	3,016
Net realised gains/(losses) on fair value changes arising from fair value hedge	(193)	1,230	(193)	1,230
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	165	(12,961)	165	(12,961)
Other income:				
Foreign exchange gain/(loss)	27,474	38,920	27,474	38,920
Rental income	227	63	227	63
Gain/(loss) on disposal of property and equipment	206	470	206	470
Profit from Takaful investments	1,758	1,383	1,758	1,383
Others	5,578	3,896	5,578	3,896
	35,243	44,732	35,243	44,732
<b>Total non interest income</b>	<b>176,647</b>	<b>167,320</b>	<b>176,647</b>	<b>167,320</b>

## 20. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Fee income:				
Management fees	1,759	1,677	1,759	1,677
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	65	78	65	78
Subsidiary companies	-	-	-	-
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(1,529)	(2,137)	(1,529)	(2,137)
Other income:				
Gain on disposal of subsidiary company	-	1,720	-	1,720
Others	178	47	178	47
<b>Total non interest income</b>	<b>473</b>	<b>1,366</b>	<b>473</b>	<b>1,366</b>

## 21. Overhead expenses

	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	118,902	113,020	118,902	113,020
- Others	10,398	12,592	10,398	12,592
<u>Establishment costs</u>				
- Depreciation of property and equipments	13,507	13,447	13,507	13,447
- Amortisation of intangible assets	3,021	4,363	3,021	4,363
- Amortisation of prepaid lease payment	21	28	21	28
- Rental	13,468	12,083	13,468	12,083
- Information technology expenses	13,313	12,226	13,313	12,226
- Others	11,877	11,182	11,877	11,182
<u>Marketing expenses</u>				
- Advertisement and publicity	15,204	17,521	15,204	17,521
- Handling fees	1,010	3,804	1,010	3,804
- Others	12,508	14,490	12,508	14,490
<u>Administration and general expenses</u>				
- Teletransmission expenses	1,684	2,929	1,684	2,929
- Stationery & printing	3,184	3,692	3,184	3,692
- Others	28,872	22,291	28,872	22,291
<b>Total</b>	<b>246,969</b>	<b>243,668</b>	<b>246,969</b>	<b>243,668</b>

## 21. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,272	2,360	2,272	2,360
- Others	761	1,211	761	1,211
<u>Establishment costs</u>				
- Depreciation of property and equipments	190	209	190	209
- Amortisation of intangible assets	30	-	30	-
- Rental	171	169	171	169
- Others	98	93	98	93
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	11	9	11
- Stationery & printing	20	3	20	3
- Others	511	491	511	491
	<u>4,062</u>	<u>4,547</u>	<u>4,062</u>	<u>4,547</u>

## 22. Allowance for losses on loans, advances and financing and other losses

	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	79,885	69,939	79,885	69,939
- written back	(22,623)	(19,560)	(22,623)	(19,560)
(b) General allowance				
- made during the financial year	4,932	4,978	4,932	4,978
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	-	-	-	-
- written back	-	-	-	-
(b) General allowance				
- made during the financial year	-	-	-	-
Bad debts and financing written off	1,764	2,404	1,764	2,404
Bad debts and financing recovered	(20,448)	(46,528)	(20,448)	(46,528)
	<u>43,510</u>	<u>11,233</u>	<u>43,510</u>	<u>11,233</u>

### 23. 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 2009 and 30 June 2009 met the minimum requirement.

	Hong Leong Bank Berhad		Hong Leong Islamic Bank Berhad #		Hong Leong Investment Bank Berhad	
	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000
<b>Components of Tier - 1 and Tier - 2 Capital</b>						
<b>Tier - 1 capital</b>						
Paid up share capital	1,580,107	1,580,107	500,000	500,000	123,500	123,500
Share premium	539,671	539,664	-	-	-	-
Retained profit	2,136,060	2,136,060	119,207	119,207	3,963	3,963
Other Reserves	1,792,737	1,790,162	119,209	119,207	4,362	4,362
Less : Treasury Shares	(698,944)	(699,051)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,000)	(30,000)
Less : Deferred Tax	(134,681)	(134,681)	(18,932)	(18,932)	(58,192)	(58,192)
<b>Total tier 1 capital</b>	<b>5,214,950</b>	<b>5,212,261</b>	<b>719,484</b>	<b>719,482</b>	<b>43,633</b>	<b>43,633</b>
<b>Tier - 2 capital</b>						
General provision	476,170	471,305	73,397	73,486	1,226	1,308
Subordinated obligations	692,100	703,800	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	142,035	142,035
<b>Total tier 2 capital</b>	<b>1,168,270</b>	<b>1,175,105</b>	<b>73,397</b>	<b>73,486</b>	<b>144,892</b>	<b>144,974</b>
<b>Total eligible tier-2 capital</b>	<b>1,168,270</b>	<b>1,175,105</b>	<b>73,397</b>	<b>73,486</b>	<b>43,633</b>	<b>43,633</b>
<b>Total capital</b>	<b>6,383,220</b>	<b>6,387,366</b>	<b>792,881</b>	<b>792,968</b>	<b>87,266</b>	<b>(588)</b>
Less : Investment in associated company	(946,505)	(946,505)	-	-	(588)	(588)
Less : Investment in subsidiary companies	(714,094)	(575,746)	-	-	-	-
Less : Holdings of other banking institution's capital instrument	-	-	-	-	-	-
<b>Total capital base</b>	<b>4,722,621</b>	<b>4,865,115</b>	<b>792,881</b>	<b>792,968</b>	<b>86,678</b>	<b>86,678</b>
<b>Before deducting proposed dividends</b>						
Core Capital Ratio	14.22%*	15.18%	19.74%	20.86%	17.01%	17.59%
Risk-weighted Capital Ratio	14.22%	15.18%	21.75%	22.99%	33.80%	34.94%
<b>After deducting proposed dividends</b>						
Core Capital Ratio	13.71%*	14.65%	19.61%	20.72%	17.01%	17.59%
Risk-weighted Capital Ratio	13.71%	14.65%	21.62%	22.85%	33.80%	34.94%

### 23. Capital adequacy (continued)

- \* As stipulated under Bank Negara Guidelines, the Bank's Core Capital Ratio is equal to the Risk-weighted Capital Ratio as the deduction from Total Capital is more than Eligible Tier 2 Capital.
- # The capital adequacy ratios of Hong Leong Islamic Berhad is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. Hong Leong Islamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy approach requirement is 8% for the risk-weighted capital ratio.

### 24. Events after Balance Sheet date

On 2 November 2009, Hong Leong Bank ("HLB") announced that it has entered into a joint venture agreement with Bank of Chengdu Co., Ltd ("BOCD") to form a joint venture company to be known as Sichuan Jincheng Consumer Finance Limited Liability Company ("JV Co") to operate a licensed consumer finance company in Chengdu, Sichuan, the People's Republic of China ("PRC") ("Proposed JV"). HLB will have 49% equity interest whilst BOCD will have the balance 51% equity interest in the JV Co.

The JV Co's business will principally be in consumer financing. The registered capital of the JV Co shall be Renminbi ("RMB") 320 million (approximately RM160 million) and HLB's contribution shall be RMB156.8 million (approximately RM78.4 million).

Bank Negara Malaysia's approval for the Proposed JV was obtained on 12 October 2009. The Proposed JV is now subject to the approval of the China Banking Regulatory Commission and other relevant regulatory authorities, where applicable.

### 25. 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 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 a bank in Vietnam, 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.

HLBVN was incorporated on 9 July 2009.

- b. On 8 April 2009, HCFG 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 HCFG.

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.



## 25. Changes in composition of the Group (continued)

The Proposed HLIA Transfer was completed on 31 July 2009 and hence HLIA became a indirect wholly-owned subsidiary of HLFV via HLAH on even date. The Proposed Transfer of 10% of HLTMT and Proposed Acquisition were completed on 1 September 2009 and hence, HLTMT became an indirect subsidiary of HLFV via HLAH on the save date.

## 26. 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 30/09/09			As at 30/06/09		
	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>Banking Entities</b>						
Direct credit substitutes	181,862	181,862	171,875	217,061	217,061	200,263
Transaction-related contingent items	247,518	123,759	111,732	247,102	123,551	110,598
Short-term self liquidating trade-related contingencies	421,630	84,326	80,493	578,754	115,750	113,434
Irrevocable commitments to extend credit:						
-maturity more than 1 year	-	-	-	-	-	-
-maturity less than 1 year	-	-	-	-	-	-
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	19,748,912	-	-	19,134,149	-	-
Foreign exchange related contracts	23,578,295	914,809	470,361	20,674,995	897,994	497,304
Interest rate related contracts	36,364,024	1,258,595	635,108	37,497,746	1,223,825	618,039
Equity related contracts	261,963	18,314	12,752	247,103	17,830	6,726
<b>Total</b>	<b>80,804,204</b>	<b>2,581,665</b>	<b>1,482,321</b>	<b>78,596,910</b>	<b>2,596,011</b>	<b>1,546,364</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 2009.

## 27. 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.

## 28. Interest/Profit rate risk

	The Group						Trading book RM'000	Total RM'000	Effective interest rate %
	30/09/2009	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	7,792,509	35,724	-	-	-	764,027	-	8,592,260	2.0
Deposits and placements with banks and other financial institution	-	5,440,158	2,881,116	153,489	66,859	30	-	8,541,652	2.1
Securities held at fair value through profit or loss	-	-	-	7,677	1,973	16,782	8,755,706	8,782,138	3.9
Securities available-for-sale	212,445	361,731	433,136	6,162,881	1,661,777	743,182	-	9,575,152	4.1
Securities held-for-maturity	1,429,999	1,069,999	740,142	4,821,509	518,544	29,672	-	8,609,865	3.0
Loans, advances and financing									
- performing	29,419,668	92,724	230,002	3,324,869	2,881,262	(531,447)	-	35,417,078	5.7
- non performing	-	-	-	-	-	411,369	-	411,369	-
Clients' and brokers' balances	-	-	-	-	-	187,293	-	187,293	-
Other receivables	-	-	-	-	-	1,948,030	-	1,948,030	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	340,425	-	340,425	-
Tax recoverable	-	-	-	-	-	5,983	-	5,983	-
Investment in associates	-	-	-	-	-	1,075,810	-	1,075,810	-
Prepaid land lease payments	-	-	-	-	-	10,075	-	10,075	-
Deferred tax assets	-	-	-	-	-	194,595	-	194,595	-
Property and equipment	-	-	-	-	-	616,668	-	616,668	-
Intangible assets	-	-	-	-	-	612,884	-	612,884	-
<b>Total assets</b>	<b>38,854,621</b>	<b>7,000,336</b>	<b>4,284,396</b>	<b>14,470,425</b>	<b>5,130,415</b>	<b>6,425,378</b>	<b>8,755,706</b>	<b>84,921,277</b>	
<b>Liabilities</b>									
Deposits from customers	36,011,525	6,412,308	13,797,931	639,932	-	6,741,656	-	63,603,352	2.0
Deposits and placements of banks and other financial institution	2,908,265	742,914	-	-	-	4,194	-	3,655,373	2.0
Bills and acceptance payable	894	5,371	2,675	-	-	204,675	-	213,615	3.5
Clients' and brokers' balances	-	-	-	-	-	292,667	-	292,667	-
Payables and other liabilities	-	-	-	-	-	3,230,631	-	3,230,631	-
Provision for claims	-	-	-	-	-	206,287	-	206,287	-
Provision for taxation	-	-	-	-	-	92,381	-	92,381	-
Bank loans	77,000	-	-	100,900	-	-	-	177,900	3.3
Subordinated obligations	-	-	-	711,993	-	-	-	711,993	5.4
Capital market borrowing									
- Medium Term Notes	-	-	-	-	-	-	-	589,294	2.3
- Commercial paper	589,294	-	-	-	-	-	-	5,023,938	-
Insurance funds	-	-	-	-	-	15,796,429	-	77,797,431	-
<b>Total liabilities</b>	<b>39,586,978</b>	<b>7,160,593</b>	<b>13,800,606</b>	<b>1,452,825</b>	<b>-</b>	<b>15,796,429</b>	<b>-</b>	<b>77,797,431</b>	
Shareholder's equity	-	-	-	-	-	4,765,478	-	4,765,478	
Minority interest	-	-	-	-	-	2,358,368	-	2,358,368	
<b>Total liabilities and shareholder's equity</b>	<b>39,586,978</b>	<b>7,160,593</b>	<b>13,800,606</b>	<b>1,452,825</b>	<b>-</b>	<b>22,920,275</b>	<b>-</b>	<b>84,921,277</b>	
On-balance sheet interest sensitivity gap	(732,357)	(160,257)	(9,516,210)	13,017,600	5,130,415				

## 28. Interest/Profit rate risk (continued)

The Group  
30/06/2009

	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	18,740,909	-	-	-	-	759,267	-	19,500,176	3.4
Deposits and placements with banks and other financial institution	-	4,650,864	846,035	167,870	62,000	49	-	5,726,818	3.1
Securities purchased under resale agreements	-	-	-	-	-	-	-	-	-
Securities held at fair value through profit or loss	-	-	-	-	-	-	7,092,273	7,092,273	3.7
Securities available-for-sale	185,810	367,370	388,403	4,060,319	1,573,577	504,297	-	7,079,776	4.5
Securities held-for-maturity	3,889,641	464,024	264,532	1,645,005	273,898	29,679	-	6,566,779	3.6
Loans, advances and financing									
- performing	28,688,518	93,937	262,267	3,277,428	3,249,872	(344,727)	-	35,227,295	6.4
- non performing	-	-	-	-	-	270,971	-	270,971	-
Clients' and brokers' balances	-	-	-	-	-	220,152	-	220,152	-
Other receivables	-	-	-	-	-	1,931,216	-	1,931,216	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	368,564	-	368,564	-
Tax recoverable	-	-	-	-	-	12,056	-	12,056	-
Investment in associate	-	-	-	-	-	1,045,285	-	1,045,285	-
Prepaid land lease payments	-	-	-	-	-	10,123	-	10,123	-
Deferred tax assets	-	-	-	-	-	215,179	-	215,179	-
Property and equipment	-	-	-	-	-	602,362	-	602,362	-
Intangible assets	-	-	-	-	-	612,725	-	612,725	-
<b>Total assets</b>	<b>51,504,878</b>	<b>5,576,195</b>	<b>1,761,237</b>	<b>9,150,622</b>	<b>5,159,347</b>	<b>6,237,198</b>	<b>7,092,273</b>	<b>86,481,750</b>	
<b>Liabilities</b>									
Deposits from customers	36,973,828	9,287,234	13,770,330	744,253	-	6,486,441	-	67,262,086	2.7
Deposits and placements of banks and other financial institution	2,073,131	337,014	1,477	-	-	2,357	-	2,413,979	3.0
Obligation of securities sold under repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptance payable	576	4,366	7,476	-	-	238,968	-	251,386	3.5
Clients' and brokers' balances	-	-	-	-	-	279,029	-	279,029	-
Payables and other liabilities	-	-	-	-	-	3,268,607	-	3,268,607	-
Provision for claims	-	-	-	-	-	201,424	-	201,424	-
Provision for taxation	-	-	-	-	-	73,704	-	73,704	-
Bank loans	146,900	-	-	31,000	-	-	-	177,900	3.3
Subordinated obligations	-	-	-	729,566	-	-	-	729,566	5.2
Syndicated loan facility	-	-	-	-	-	-	-	-	5.1
Capital market borrowing									
- Commercial paper	249,757	129,471	-	-	-	-	-	379,228	2.7
- Medium Term Notes	40,000	-	-	-	-	-	-	40,000	7.6
Insurance funds	-	-	-	-	-	4,577,892	-	4,577,892	-
<b>Total liabilities</b>	<b>39,484,192</b>	<b>9,758,085</b>	<b>13,779,283</b>	<b>1,504,819</b>	<b>-</b>	<b>15,128,422</b>	<b>-</b>	<b>79,654,801</b>	
Shareholder's equity	-	-	-	-	-	4,570,044	-	4,570,044	
Minority interest	-	-	-	-	-	2,256,905	-	2,256,905	
<b>Total liabilities and shareholder's equity</b>	<b>39,484,192</b>	<b>9,758,085</b>	<b>13,779,283</b>	<b>1,504,819</b>	<b>-</b>	<b>21,955,371</b>	<b>-</b>	<b>86,481,750</b>	
On-balance sheet interest sensitivity gap	12,020,686	(4,181,890)	(12,018,046)	7,645,803	5,159,347	-	-	-	

## 28. Interest/Profit rate risk (continued)

The Company  
30/09/2009

	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	2,700	-	-	-	-	1,532	-	4,232	2.0
Securities held at fair value through profit or loss	-	-	-	-	-	-	65,950	65,950	-
Other receivables	-	-	-	-	-	50,325	-	50,325	-
Investment in subsidiaries	-	-	-	-	-	2,183,249	-	2,183,249	-
Tax recoverable	-	-	-	-	-	5,200	-	5,200	-
Property and equipment	-	-	-	-	-	2,540	-	2,540	-
Intangible assets	-	-	-	-	-	202	-	202	-
<b>Total assets</b>	<b>2,700</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,243,048</b>	<b>65,950</b>	<b>2,311,698</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	5,874	-	5,874	-
Bank loans	-	-	31,000	-	-	-	-	31,000	-
Capital market borrowing									
- Commercial paper	589,294	-	-	-	-	-	-	589,294	2.3
- Medium Term Notes	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>589,294</b>	<b>-</b>	<b>31,000</b>	<b>-</b>	<b>-</b>	<b>5,874</b>	<b>-</b>	<b>626,168</b>	
Shareholder's equity	-	-	-	-	-	1,685,530	-	1,685,530	
<b>Total liabilities and shareholder's equity</b>	<b>589,294</b>	<b>-</b>	<b>31,000</b>	<b>-</b>	<b>-</b>	<b>1,691,404</b>	<b>-</b>	<b>2,311,698</b>	
On-balance sheet interest sensitivity gap	(586,594)	-	(31,000)	-	-	-	-	-	

The Company  
30/06/2009

	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	2,500	-	-	-	-	291	-	2,791	2.0
Securities held at fair value through profit or loss	-	-	-	-	-	-	18,950	18,950	-
Other receivables	-	-	-	-	-	63,753	-	63,753	-
Investment in subsidiaries	-	-	-	-	-	2,048,249	-	2,048,249	-
Tax recoverable	-	-	-	-	-	11,390	-	11,390	-
Property and equipment	-	-	-	-	-	2,888	-	2,888	-
Intangible assets	-	-	-	-	-	230	-	230	-
<b>Total assets</b>	<b>2,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,126,801</b>	<b>18,950</b>	<b>2,148,251</b>	
<b>Liabilities</b>									
Payables and other liabilities	-	-	-	-	-	6,391	-	6,391	-
Bank loans	-	-	31,000	-	-	-	-	31,000	-
Capital market borrowing									
- Commercial paper	249,757	129,471	-	-	-	-	-	379,228	2.7
- Medium Term Notes	40,000	-	-	-	-	-	-	40,000	7.6
<b>Total liabilities</b>	<b>289,757</b>	<b>129,471</b>	<b>31,000</b>	<b>-</b>	<b>-</b>	<b>6,391</b>	<b>-</b>	<b>456,619</b>	
Shareholder's equity	-	-	-	-	-	1,691,632	-	1,691,632	
<b>Total liabilities and shareholder's equity</b>	<b>289,757</b>	<b>129,471</b>	<b>31,000</b>	<b>-</b>	<b>-</b>	<b>1,698,023</b>	<b>-</b>	<b>2,148,251</b>	
On-balance sheet interest sensitivity gap	(287,257)	(129,471)	(31,000)	-	-	-	-	-	

## 29. Operations of Islamic Banking

### (a) Unaudited Balance Sheets as at 30 September 2009

	Group	
	As at 30/09/2009 RM'000	As at 30/06/2009 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,586,716	2,511,864
Deposits and placements with banks and other financial institutions	215,334	125,167
Securities held at fair value through profit or loss	2,101,056	2,011,644
Securities available-for-sale	451,205	467,377
Securities held-for-maturity	376,415	126,623
Financing, advances and other financing	3,840,148	3,824,880
Other receivables	10,802	7,615
Statutory deposits with Bank Negara Malaysia	54,900	46,046
Property, plant and equipment	1,701	1,794
Deferred tax assets	18,131	18,932
<b>Total Assets</b>	<b>8,656,408</b>	<b>9,141,942</b>
<b>LIABILITIES AND SHAREHOLDERS' FUNDS</b>		
Deposits from customers	7,036,231	7,979,898
Deposits and placements of banks and other financial institutions	456,075	30,000
Bills and acceptance payable	20,209	16,133
Payables and other liabilities	370,363	366,504
Provision for taxation	10,769	9,394
<b>Total Liabilities</b>	<b>7,893,647</b>	<b>8,401,929</b>
Islamic banking capital fund	500,000	500,000
Reserves	262,761	240,031
<b>Islamic Banking Funds</b>	<b>762,761</b>	<b>740,031</b>
<b>Total Liabilities and Islamic Banking Funds</b>	<b>8,656,408</b>	<b>9,141,960</b>
<b>Commitments and Contingencies</b>	<b>1,182,857</b>	<b>1,092,217</b>

**(b) Unaudited Income Statements for the 1st Quarter and Cumulative Three Months Ended 30 September 2009**

	<b>Current quarter ended 30/09/2009 RM '000</b>	<b>Last year quarter ended 30/09/2008 RM '000</b>	<b>Current year ended 30/09/2009 RM '000</b>	<b>Last year ended 30/09/2008 RM '000</b>
<b>Group</b>				
Income derived from investment of deposits' funds and others	73,183	93,621	73,183	93,621
Income derived from investment of shareholders' funds	9,390	12,083	9,390	12,083
Allowance for losses on financing	(2,144)	(199)	(2,144)	(199)
Profit equalisation reserve	3,102	(4,177)	3,102	(4,177)
Total distributable income	83,531	101,328	83,531	101,328
Income attributable to deposits	(37,595)	(58,070)	(37,595)	(58,070)
Total net income	45,936	43,258	45,936	43,258
Other operating expenses	(16,796)	(15,261)	(16,796)	(15,261)
Profit before taxation and zakat	29,140	27,997	29,140	27,997
Zakat	(13)	(16)	(13)	(16)
Taxation	(7,282)	(7,000)	(7,282)	(7,000)
Profit after taxation and zakat	21,845	20,981	21,845	20,981
Profit attributable to shareholders	21,845	20,981	21,845	20,981
Earnings per share - basic (sen)	4.37	4.20	4.37	4.20
Earnings per share - fully diluted (sen)	4.37	4.20	4.37	4.20

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

**(i) By type**

	Group	
	As at 30/09/2009 RM'000	As at 30/06/2009 RM'000
Cash line	5,083	5,421
Term financing		
- House financing	3,717,435	3,562,624
- Hire purchase receivable	2,507,054	2,545,281
- Lease receivable	15,219	16,357
- Other term financing	374,915	348,544
Claims on customers under acceptance credits	43,339	46,206
Staff financing	18	18
Revolving credit	-	-
Others	581	623
	<u>6,663,644</u>	<u>6,525,074</u>
Less: Unearned income	<u>(2,726,225)</u>	<u>(2,605,681)</u>
	3,937,419	3,919,393
Less: Allowance for bad and doubtful financing		
- General	(73,397)	(73,486)
- Specific	(23,874)	(21,027)
	<u>(97,271)</u>	<u>(94,513)</u>
Total net financing, advances and other financing	<u>3,840,148</u>	<u>3,824,880</u>

**(ii) By contract**

	Group	
	As at 30/09/2009 RM'000	As at 30/06/2009 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,662,704	1,602,357
Ijarah (lease)	14,866	15,895
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,216,510	2,254,935
Murabahah (cost-plus)	43,339	46,206
	<u>3,937,419</u>	<u>3,919,393</u>

Non-performing financing

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

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM'000	RM'000
At beginning	46,260	45,754
Non-performing during the period/year	53,787	204,631
Reclassified as performing	(47,346)	(166,739)
Amount written back in respect of recoveries	(6,457)	(24,237)
Amount written off	(165)	(13,149)
Closing balance	<u>46,079</u>	<u>46,260</u>
Net non-performing financing, advances and other financing	<u>22,205</u>	<u>25,233</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.6%</u>	<u>0.6%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/09/2009	As at 30/06/2009
	RM'000	RM'000
General allowance		
At beginning	73,486	65,025
Net allowance made/(written back) during the year	(89)	8,461
Closing balance	<u>73,397</u>	<u>73,486</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.9%</u>	<u>1.9%</u>
Specific allowance		
At beginning	21,027	24,734
Allowance made during the period/year	5,183	15,949
Amount written back in respect of recoveries	(2,171)	(6,507)
Amount written off	(165)	(13,149)
Closing balance	<u>23,874</u>	<u>21,027</u>



(e) Deposits from customer

By type of deposit

	Group	
	As at 30/09/2009 RM'000	As at 30/06/2009 RM'000
<b>Non-Mudharabah</b>		
Demand deposits	394,454	375,930
Savings deposits	601,464	580,875
Negotiable instruments of deposit	784,486	1,215,890
	<u>1,780,404</u>	<u>2,172,695</u>
<b>Mudharabah</b>		
Demand deposits	-	-
Saving deposits	602,654	569,063
General investment deposits	1,938,067	1,864,865
Specific investment deposits	2,715,106	3,373,275
	<u>5,255,827</u>	<u>5,807,203</u>
	<u>7,036,231</u>	<u>7,979,898</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 RM302.8 million for the quarter ended 30 September 2009 as compared to RM310.1 million in the preceding year's corresponding quarter, a decrease of RM7.3 million or 2.4%. This was mainly due to lower contributions from Banking division.

The Commercial Banking division recorded a profit before tax of RM288.8 million for the quarter ended 30 September 2009 as compared to RM315.9 million in the preceding year's corresponding quarter, a decrease of RM27.1 million or 8.6% as compared to previous corresponding quarter. The decrease was due to lower net interest income and non interest income, mitigated by lower impairment loss, operating expenses and higher net income from Islamic Banking business.

The Investment Banking divisions recorded a profit before tax of RM7.6 million for the quarter ended 30 September 2009 as compared to RM2.8 million in the preceding year's corresponding quarter, an increase of RM4.8 million due to higher net brokerage and commission fees.

The Insurance division recorded a profit before tax of RM13.5 million for the quarter ended 30 September 2009 as compared to RM1.8 million in the preceding year's corresponding quarter, an increase of RM11.7 million. The increase is mainly due to higher underwriting profits from HLA General.

**2. Current quarter against preceding financial quarter**

The Group recorded a profit before tax of RM302.8 million for the financial quarter ended 30 September 2009 as compared to RM226.1 million in the previous corresponding financial quarter, an increase of RM76.7 million or 2.7%. This was mainly due to higher contributions from the Commercial Banking division.

The Commercial Banking division recorded a profit before tax of RM288.8 million for the financial quarter ended 30 September 2009 as compared to RM207.5 million in the previous corresponding financial quarter, an increase of RM81.3 million or 39.2%, mainly from lower loan loss provision which was lower by RM48.3 million coupled with higher net interest income.

The Investment Banking divisions recorded a profit before tax of RM7.6 million for the financial quarter ended 30 September 2009 as compared to pre-tax loss of RM46.6 million in the previous corresponding financial quarter. The losses in June 2009 was due impairment of goodwill of RM57.2 million made in that period.

The Insurance division recorded a profit before tax of RM13.5 million for the financial quarter ended 30 September 2009 as compared to RM66.0 million in the previous corresponding financial quarter, a decrease of RM52.5 million or 79.6%. The decrease was mainly due to actuarial surplus transferred from the Life fund of RM57.0 million which is only transferred in June 2009.

### 3. Prospects for the current financial year

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

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

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

### 5. Taxation and zakat

Provision based on profits for the financial year 30 September 2009

	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Tax and zakat expenses				
Malaysian – current	(34,568)	(78,287)	(34,568)	(78,287)
Overseas – current	-	(16)	-	(16)
Transfer (from) / to deferred tax	(24,965)	2,923	(24,965)	2,923
	<u>(59,533)</u>	<u>(75,380)</u>	<u>(59,533)</u>	<u>(75,380)</u>
Prior year over/(under) provision				
- Malaysian	320	954	320	954
	<u>(59,213)</u>	<u>(74,426)</u>	<u>(59,213)</u>	<u>(74,426)</u>

The effective tax rate for the Group for the financial year is lower than the statutory rate of taxation as certain income was not subjected to tax.

### 6. Sale of properties/unquoted investments

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

### 7. Purchase / sale of quoted securities of the Group

There was no other purchase or disposal of quoted securities for the year 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 18 December 2008, HLB announced that its wholly-owned subsidiary, HLF Credit (Perak) Berhad ("HLFCP") proposed to issue up to RM1,096.3 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 Bonds Issue.

The Proposed Bonds Issue is subject to the approval of the Securities Commission ("SC"). SC's approval was obtained on 27 February 2009. The Proposed Bonds Issue was completed on 8 October 2009.

## 8. Status of corporate proposals (Continued)

(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 ("Proposed Rights Issue");
- (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 ("Proposed Amendment").

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. At the Extraordinary General Meeting held on 31 July 2009 the shareholders approved the Proposed Rights Issue, Proposed Increase and Proposed Amendment.

On the 8 October 2009 ("Closing Date"), the total valid acceptances and excess applications received for the Proposed Rights Issue were for 141,044,149 Rights Shares. This represents a subscription level of 114.25% of the total number of Rights Shares available under the Rights Issue.

The 123,448,334 Rights Shares were granted listing of and quotation on the Main Market of Bursa Securities on 22 October 2009 and the Proposed Rights Issue was completed on even date.

(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 ("Proposed Rationalisation").

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. The Proposed Rationalisation was completed on 1 September 2009.

(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.

## 9. Group borrowings

The Group borrowings include:

	As at 30/09/2009 RM '000	As at 30/06/2009 RM '000
Bank loans	177,900	177,900
Capital market borrowing	589,294	419,228
Total Borrowings	<u>767,194</u>	<u>597,128</u>
Subordinated obligations - USD200 million	711,993	729,566

### 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	13,969,315	5,969,178	2,933,830	3,962,464	1,103,029	814.00	-
- swaps	8,552,715	1,412,519	1,021,601	1,592,691	1,024,441	3,202,795	298,668
- options	1,056,265	666,631	385,287	4,347	-	-	-
Interest rate related contracts							
- forwards	-	-	-	-	-	-	-
- futures	4,998,159	-	1,110,524	927,635	1,540,000	1,420,000	-
- swaps	31,365,865	2,770,000	260,000	823,224	2,827,880	21,783,193	2,901,568
<b>Total</b>	<b>59,942,319</b>	<b>10,818,328</b>	<b>5,711,242</b>	<b>7,310,361</b>	<b>6,495,350</b>	<b>26,406,802</b>	<b>3,200,236</b>

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 RM132,218,961 (FYE June 2009 : RM77,554,000) and RM35,071,823,502 (FYE June 2009: RM36,134,979,496) 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 RM718,546,924 (FYE June 2009: RM739,996,514). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited annual financial statements.

## 12. Material litigation

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

An interim dividend of 9 sen per share less income tax of 25% had been declared by the company for 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 25%
- (iii) Entitlement date : 3 December 2009
- (iv) Payment date : 21 December 2009

Total declared HFLG dividend for the current financial year to-date 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 year.

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Weighted average number of ordinary shares	1,035,538	1,035,751	1,035,538	1,035,751
Net profit attributable to shareholders of the company	157,595	147,253	157,595	147,253
Basic earnings per share (Sen)	15.2	14.2	15.2	14.2

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Weighted average number of ordinary shares	1,035,538	1,036,290	1,035,538	1,036,290
Net profit attributable to shareholders of the company	(6,757)	(8,112)	(6,757)	(8,112)
Basic earnings per share (Sen)	(0.7)	(0.8)	(0.7)	(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 year.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Weighted average no. of shares as at end of financial period	1,035,538	1,035,751	1,035,538	1,035,751
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,035,751	1,035,538	1,035,751
Net profit attributable to shareholders of the company	157,595	147,253	157,595	147,253
Fully diluted earnings per share (Sen)	15.2	14.2	15.2	14.2

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2009 RM '000	Last year quarter ended 30/09/2008 RM '000	Current year ended 30/09/2009 RM '000	Last year ended 30/09/2008 RM '000
Weighted average no. of shares as at end of financial period	1,035,538	1,036,290	1,035,538	1,036,290
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,036,290	1,035,538	1,036,290
Net profit attributable to shareholders of the company	(6,757)	(8,112)	(6,757)	(8,112)
Fully diluted earnings per share (Sen)	(0.7)	(0.8)	(0.7)	(0.8)