

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 31 MARCH 2010

	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	14,248,209	19,500,176
Deposits and placements with financial institutions	12,680,938	5,726,818
Securities held at fair value through profit or loss	5,748,188	7,092,273
Securities available-for-sale	8,542,122	7,079,776
Securities held-to-maturity	7,600,814	6,566,779
Loans, advances and financing	37,268,122	35,498,266
Clients' and brokers' balances	204,780	220,152
Other receivables	2,295,962	1,931,216
Statutory deposits with Bank Negara Malaysia	336,196	368,564
Tax recoverable	8,039	12,056
Investment in associates	1,130,009	1,045,285
Investment in jointly controlled company	76,711	-
Prepaid land lease payments	10,032	10,123
Deferred tax asset	183,338	215,179
Property and equipment	681,624	602,362
Intangible assets	625,468	612,725
Total Assets	91,640,552	86,481,750
<u>Liabilities</u>		
Deposits from customers	67,279,086	67,262,086
Deposits and placements of banks and other financial institutions	4,945,759	2,413,979
Bills and acceptances payable	513,572	251,386
Clients' and brokers' balances	308,886	279,029
Payables and other liabilities	4,131,972	3,268,607
Provision for claims	201,403	201,424
Provision for taxation	59,929	73,704
Bank loans	77,145	177,900
Subordinated obligations	660,846	729,566
Capital market borrowing	604,322	419,228
Insurance funds	5,435,082	4,577,892
Total Liabilities	84,218,002	79,654,801
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	1,459,534	1,435,615
Retained profits	2,513,668	2,179,261
Fair value reserves	22,466	(19,429)
Treasury shares held for ESOS	(78,171)	(78,171)
Total shareholders' equity	4,970,265	4,570,044
Minority interest	2,452,285	2,256,905
Total Equity	7,422,550	6,826,949
Total Liabilities and Equity	91,640,552	86,481,750
Commitment and Contingencies	93,733,810	78,596,910
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	4.80	4.41

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
THE GROUP				
Interest income	648,976	709,982	1,922,064	2,325,063
Interest expense	(307,493)	(375,410)	(895,596)	(1,265,366)
Net interest income	341,483	334,572	1,026,468	1,059,697
Income from Islamic banking business	42,064	34,470	138,033	116,265
Non interest income	158,818	156,712	494,707	519,235
Net income	542,365	525,754	1,659,208	1,695,197
Overhead expenses	(279,355)	(248,933)	(787,691)	(742,450)
Operating profit before allowances	263,010	276,821	871,517	952,747
Allowance for losses on loans, advances and financing and other losses	(35,356)	(29,139)	(103,647)	(66,003)
Impairment of goodwill	-	-	-	-
Impairment loss	376	-	6,589	(33,209)
	228,030	247,682	774,459	853,535
Share of results of associated companies	27,005	24,131	84,724	70,545
Profit before taxation and zakat	255,035	271,813	859,183	924,080
Taxation	(30,210)	(65,128)	(161,028)	(227,386)
Zakat	(13)	(12)	(406)	(41)
Net profit for the year	224,812	206,673	697,749	696,653
Attributable to :				
Equity holders of the company	141,923	131,994	445,901	440,604
Minority interests	82,889	74,679	251,848	256,049
Net profit for the year	224,812	206,673	697,749	696,653
Basic earnings per ordinary share (sen)	13.7	12.7	43.1	42.5
Diluted earnings per ordinary share (sen)	13.7	12.7	43.1	42.5

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 31 MARCH 2010

	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	63,368	2,791
Securities held at fair value through profit or loss	10,414	18,950
Other receivables	289,699	63,753
Tax recoverable	7,190	11,390
Investment in subsidiaries	2,280,361	2,048,249
Property and equipment	2,176	2,888
Intangible assets	154	230
Total Assets	2,653,362	2,148,251
<u>Liabilities</u>		
Payables and other liabilities	4,409	6,391
Bank loans	31,000	31,000
Capital market borrowing	604,322	419,228
Total Liabilities	639,731	456,619
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	147,887	145,921
Retained profits	878,726	558,693
Treasury shares held for ESOS	(65,750)	(65,750)
Total Equity	2,013,631	1,691,632
Total Liabilities and Equity	2,653,362	2,148,251
Commitment and Contingencies	250,000	250,000

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
THE COMPANY				
Interest income	1,423	687	2,055	1,382
Interest expense	(4,707)	(3,879)	(12,644)	(13,831)
Net interest expense	(3,284)	(3,192)	(10,589)	(12,449)
Non interest income	322,310	85,997	468,415	235,049
Net income	319,026	82,805	457,826	222,600
Overhead expenses	(4,648)	(3,715)	(12,603)	(13,011)
Profit before taxation and zakat	314,378	79,090	445,223	209,589
Taxation	(19,420)	(21,411)	(55,104)	(58,043)
Net profit for the year	294,958	57,679	390,119	151,546
Basic earnings per ordinary share (sen)	28.5	5.6	37.7	14.6
Diluted earnings per ordinary share (sen)	28.5	5.6	37.7	14.6

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010

FOR THE FINANCIAL PERIOD ENDED
31 MARCH 2010

	Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
Opening balance as at 1 July 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
Effect of changes in accounting policies							(8,369)			(8,369)		(8,369)
Opening balance as at 1 July 2009	1,052,768	117,229	1,141,486	133,258	23,229	(19,429)	20,413	2,170,892	(78,171)	4,561,675	2,256,905	6,818,580
after changes in accounting policies							(18,384)			(18,384)		(18,384)
Exchange fluctuation differences												
Net fair value changes in available-for-sale securities						41,895				41,895		41,895
Net income/(expense) recognised directly in equity						41,895	(18,384)			23,511		23,511
Net profit for the financial year								445,901		445,901	251,848	697,749
Total recognised income/(expense) for the period						41,895	(18,384)	445,901		469,412	251,848	721,260
Allocation of other reserves to minority interests											(56,468)	(56,468)
Transfer to statutory reserves			33,039					(33,039)				
Dividend paid												
- 1st interim dividend								(70,086)		(70,086)		(70,086)
Option reserves arising from ESOS					9,264					9,264		9,264
Treasury Shares held for ESOS												
AT 31 MARCH 2010	1,052,768	117,229	1,174,525	133,258	32,493	22,466	2,029	2,513,668	(78,171)	4,970,265	2,452,285	7,422,550

FOR THE FINANCIAL PERIOD ENDED
31 MARCH 2009

	Share Capital RM '000	Share Premium RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Shareholders' Equity RM '000	Minority Interests RM '000	Total Equity RM '000
Opening balance as at 1 July 2008	1,052,768	117,229	1,099,947	133,258	8,481	(11,256)	12,721	1,767,888	(73,176)	4,107,860	2,039,543	6,147,403
Exchange fluctuation differences							96,429			96,429		96,429
Net fair value changes in available-for-sale securities						(32,471)				(32,471)		(32,471)
Net income/(expense) recognised directly in equity						(32,471)	96,429			63,958		63,958
Net profit for the financial year								440,604		440,604	256,049	696,653
Total recognised income/(expense) for the period						(32,471)	96,429	440,604		504,562	256,049	760,611
Transfer to statutory reserves			27,489					(27,489)				
Allocation of other reserves to minority interests											(73,942)	(73,942)
Dividend paid												
- 1st interim dividend								(70,086)		(70,086)		(70,086)
- 2nd interim dividend					11,183					11,183		11,183
Option reserve arising from ESOS												
Treasury Shares held for ESOS									(4,994)	(4,994)		(4,994)
AT 31 MARCH 2009	1,052,768	117,229	1,127,436	133,258	19,664	(43,727)	109,150	2,110,917	(78,170)	4,548,525	2,221,650	6,770,175

**HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010**

	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	-	-	-	-	390,119	-	390,119
Total recognised income/(expense) for the period	-	-	-	-	390,119	-	390,119
Dividend paid	-	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	1,966	-	-	1,966
Treasury Shares held for ESOS	-	-	-	-	-	-	-
AT 31 MARCH 2010	1,052,768	117,229	18,484	12,174	878,726	(65,750)	2,013,631

	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	-	-	-	-	151,546	-	151,546
Total recognised income/(expense) for the period	-	-	-	-	151,546	-	151,546
Issue of shares arising from the exercise of Warrants 1997/2007	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(70,086)	-	(70,086)
- 1st interim dividend	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	-	-	-
Option reserves arising from ESOS	-	-	-	3,457	-	-	3,457
Treasury Shares held for ESOS	-	-	-	-	-	(4,994)	(4,994)
AT 31 MARCH 2009	1,052,768	117,229	18,484	9,219	619,583	(76,254)	1,741,029

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010

	The Group		The Company	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	859,183	924,080	445,223	209,589
Adjustment for non-cash items and others	540,091	15,475	(442,432)	(213,149)
Operating profit before working capital changes	1,399,274	939,555	2,791	(3,560)
Income tax recovered/(paid)	(71,243)	(225,390)	6,190	6,827
Interest received	14,064	9,348	2,055	1,382
Net changes in working capital	(4,216,735)	1,351,858	(233,108)	(121,933)
Net cash flow from operating activities	(2,874,640)	2,075,371	(222,072)	(117,284)
Net cash flow from investing activities	(2,251,188)	(156,905)	167,641	173,555
Net cash flow from financing activities	(107,755)	(104,457)	115,008	(62,086)
Changes in cash and cash equivalents	(5,233,583)	1,814,009	60,577	(5,815)
Effect of change in foreign exchange rate	(18,384)	(86)	-	-
Cash and cash equivalents as at 1 July	19,500,176	23,456,160	2,791	11,699
Cash and cash equivalents as at 31 March	14,248,209	25,270,083	63,368	5,884

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2010**

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 (“BNM”) 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’ and the implementation of the Risk-Based Capital Framework (“RBC Framework”).

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.

RBC Framework – This new framework requires all insurers licensed under the Insurance Act 1996 to classify and value the investment securities into three categories: securities held-for-trading, securities available-for-sale and securities held-to-maturity as well as to change the valuation basis of insurance liabilities. The RBC Framework had also introduced new features in the estimation of General insurance liabilities such as allowing discounting and diversification as well as requiring the actuary to take into account inflation. In addition, claims handling costs are included in the computation of the outstanding claims provision. For Life insurance liabilities, the RBC Framework had also introduced a new measurement basis, requiring insurers to assess insurance liabilities based on current assumptions, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. This includes the consideration of all cash flows, including estimates of future expenses.

The impact to the Group on the adoption of the RBC framework is only on the General insurance liabilities, as the Group already classifies its investments into 3 classes in accordance with Revised BNM/GP8, prior to 1 July 2009. There will be no direct impact of the new measurement of the Life insurance liabilities to the Group.

These changes in the accounting policies have been recognised as adjustments to the opening balances of the Group as at 1 July 2009 as follows:

	As previously stated	Effect from changes in accounting policies	As restated
	RM'000	RM'000	RM'000
At 1 July 2009			
Total liabilities	79,654,801	8,369	79,663,170
Retained profits	2,179,261	(8,369)	2,170,892

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 HLFG for the financial period ended 31 March 2010 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 per share and the total consideration paid, including transaction costs was RM65,749,757.

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.

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.

7. Dividends paid

An interim dividend of 9 sen per share less income tax of 25% amounted to RM70,085,680 was paid on 21 December 2009.

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 31 MARCH 2010	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue for the year ended						
External sales	1,530,029	61,768	88,401	(20,990)	-	1,659,208
Intersegment sales	9,098	-	2,465	6,411	(17,974)	-
	<u>1,539,127</u>	<u>61,768</u>	<u>90,866</u>	<u>(14,579)</u>	<u>(17,974)</u>	<u>1,659,208</u>
Results for the year ended						
Segment results	755,403	16,530	28,179	(25,653)	-	774,459
Share of results of associated company						84,724
Profit before taxation and zakat						<u>859,183</u>
Taxation and zakat						<u>(161,434)</u>
Profit after taxation						<u>697,749</u>
Minority interest						<u>(251,848)</u>
Net profit for the year						<u>445,901</u>
Other information						
Segment assets	83,000,939	873,846	164,297	366,245	(31,812)	84,373,515
Other corporate assets						<u>7,267,037</u>
Total consolidated assets						<u>91,640,552</u>
Segment liabilities	76,945,333	659,197	6,599,345	49,161	(670,356)	83,582,680
Other corporate liabilities						<u>635,322</u>
Total consolidated liabilities						<u>84,218,002</u>
Capital expenditure	178,862	2,014	54,215	58	-	235,149
Depreciation of property and equipments	36,243	1,351	5,294	571	-	43,459
Amortisation of intangible assets	9,719	476	-	92	-	10,287
Amortisation of prepaid lease payment	63	-	-	-	-	63
Loan loss and other allowances	103,647	-	-	-	-	103,647

GROUP 31 MARCH 2009	Commercial	Investment	Eliminations	Consolidated
	Banking	Banking		
	RM'000	RM'000	RM'000	RM'000
Revenue for the year ended				
External sales	1,603,611	33,384	79,276	(21,074)
Intersegment sales	1,751	2,232	4,593	6,745
	1,605,362	35,616	83,869	(15,321)
			(14,329)	(15,321)
				1,695,197
Results for the year ended				
Segment results	854,181	3,007	25,567	(29,220)
Share of results of associated company				-
Profit before taxation and zakat				853,535
Taxation and zakat				70,545
Profit after taxation				924,080
Minority interest				(227,427)
Net profit for the year				696,653
				(256,049)
				440,604
Other information				
Segment assets	79,893,084	315,641	5,814,395	132,259
Other corporate assets				(51,489)
Total consolidated assets				86,103,890
				297,925
				86,401,815
Segment liabilities	74,395,491	240,059	5,178,392	190,922
Other corporate liabilities				(667,224)
Total consolidated liabilities				79,337,640
				294,000
				79,631,640
Capital expenditure	61,061	1,736	77,596	367
Depreciation of property and equipments	34,710	1,144	2,485	634
Amortisation of intangible assets	10,371	247	3,445	95
Amortisation of prepaid lease payment	63	-	32	-
Net interest income suspended				-
Loan loss and other allowances	66,003	-	-	-
				66,003

9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	197,034	458,307
Malaysian Government Securities	48,619	838,842
Negotiable instruments of deposit	860,054	887,971
Bankers' acceptances and Islamic accepted bills	1,932,050	2,983,607
Bank Negara Malaysia bills	1,172,705	1,738,604
Malaysian Government Investment Certificates	1,320,382	136,143
Khazanah bonds	-	14,922
Sukuk bonds	34,984	-
Cagamas bonds/notes	55,044	-
Private debts securities	50,027	-
	5,670,899	7,058,396
Quoted securities :		
Shares/Loan stocks/Unit Trust	33,084	25,094
Foreign currency bonds	14,057	8,783
Unquoted securities :		
Private debt securities	30,148	-
Total securities held at fair value through profit and loss	5,748,188	7,092,273

	Company	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	10,414	18,950

10. Securities available-for-sale

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	661,601	379,600
Malaysian Government Securities	1,582,676	2,074,034
Malaysian Government Investment Certificates	2,023,550	728,237
Negotiable instruments of deposit	-	-
Khazanah bonds	-	9,948
Cagamas bonds	129,914	162,084
Singapore government securities	-	24,601
Other Government securities	54,514	94,384
	4,452,255	3,472,888
Quoted securities :		
Shares/Loan stocks/Unit Trust	685,929	499,460
Foreign Currency Bonds	848,103	979,272
Unquoted securities :		
Private debt securities/shares/reits	2,555,835	2,128,156
Total securities available-for-sale	8,542,122	7,079,776

11. Securities held-to-maturity

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	4,461,230	1,670,241
Malaysian Government Investment Certificates	1,312,856	105,514
Negotiable instruments of deposit	1,112,356	4,073,323
Cagamas bonds	279,876	279,873
	<u>7,166,318</u>	<u>6,128,951</u>
Quoted securities :		
Foreign Currency Bonds	-	-
Unquoted securities :		
Private debt securities/shares/loan stocks	434,496	437,828
Total securities held-to-maturity	<u>7,600,814</u>	<u>6,566,779</u>

12. Loans, advances and financing

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
Overdrafts	1,989,290	2,091,226
Term loans :		
- Housing loans/financing	22,029,014	20,496,440
- Syndicated term loan/financing	2,125,492	1,685,228
- Hire purchase receivables	5,647,260	5,829,968
- Lease receivables	13,004	16,418
- Other term loans/financing	2,088,957	1,775,639
Credit/charge card receivables	2,164,093	2,017,519
Bills receivables	226,352	211,019
Trust receipts	88,322	92,982
Claims on customers under acceptance credits	3,315,153	3,230,902
Block discounting	8,232	8,218
Revolving credits	1,221,964	1,250,892
Policy and premium loans	644,510	620,281
Staff loans	98,887	96,686
Other loans/financing	91,347	100,014
	<u>41,751,877</u>	<u>39,523,432</u>
Unearned interest and income	<u>(3,636,357)</u>	<u>(3,219,240)</u>
	38,115,520	36,304,192
Fair value changes arising from fair value hedges	-	56,892
Unamortised fair value changes arising from terminated fair value hedges	56,595	13,381
Allowance for bad and doubtful debts and financing :		
- general	(558,895)	(546,080)
- specific	(345,098)	(330,119)
Net loans, advances and financing	<u>37,268,122</u>	<u>35,498,266</u>

12. Loans, advances and financing (continued)

(a) By type of customer

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Domestic banking institutions	-	-
Domestic non-bank financial institutions	132,371	86,327
Domestic business enterprises		
- Small and medium enterprises	3,341,964	3,250,429
- Others	7,678,567	7,131,299
Government and statutory bodies	243	369
Individuals	25,840,021	24,721,865
Other domestic entities	17,173	16,185
Foreign entities	1,105,181	1,097,718
Gross loans, advances and financing	<u>38,115,520</u>	<u>36,304,192</u>

(b) By interest/profit rate sensitivity

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Fixed rate		
- Housing loans/financing	561,350	673,204
- Hire purchase receivables	4,406,679	5,087,484
- Other fixed rate loan/financing	3,908,095	3,720,728
Variable rate		
- Base lending rate plus	25,362,015	23,240,974
- Cost plus	3,846,826	3,531,706
- Other variables rates	30,555	50,096
Gross loans, advances and financing	<u>38,115,520</u>	<u>36,304,192</u>

(c) By economic purpose

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Purchase of securities	487,414	486,955
Purchase of transport vehicles	4,753,564	4,848,428
Purchase of landed properties		
- residential	14,645,942	13,922,382
- non-residential	4,332,726	4,257,268
Personal use	2,891,343	2,710,071
Credit card	2,164,093	2,017,519
Purchase of consumer durables	60	54
Construction	314,898	448,043
Working capital	7,854,079	6,989,520
Others	671,401	623,952
Gross loans, advances and financing	<u>38,115,520</u>	<u>36,304,192</u>

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
Purchase of securities	13,277	13,285
Purchase of transport vehicles	55,034	48,996
Purchase of landed properties		
- residential	212,412	235,867
- non-residential	61,711	62,761
Personal use	59,879	56,872
Credit card	28,600	36,446
Construction	15,995	32,662
Working capital	331,074	315,553
Others	2	2
Gross loans, advances and financing	<u>777,984</u>	<u>802,444</u>

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

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM '000	RM '000
At beginning	802,444	840,402
Non-performing during the period/year	2,121,074	2,793,986
Reclassified as performing	(1,796,379)	(2,314,165)
Amount written back in respect of recoveries	(210,595)	(257,924)
Amount written off	(136,726)	(261,211)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	(1,834)	242
Closing balance	<u>777,984</u>	<u>802,444</u>
Specific allowance	<u>(345,098)</u>	<u>(330,119)</u>
Net non-performing loans, advances and financing	<u>432,886</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>

12. Loans, advances and financing (continued)

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

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
<u>General Allowance</u>		
At beginning	546,080	526,957
Net allowance made during the period/year	13,356	17,892
Amount written back in respect of recoveries	-	-
Amount arising from acquisition of SIBB	-	524
Allowances arising from loans and advances acquired from SBBS	-	178
Exchange differences	(541)	529
Closing balance	<u>558,895</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	229,919	317,495
Amount written back in respect of recoveries	(77,080)	(73,641)
Amount written off	(136,726)	(260,857)
Amount transferred in respect of acquisition	-	1,114
Exchange differences	(1,134)	227
Closing balance	<u>345,098</u>	<u>330,119</u>

13. Other receivables

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Interest/Income receivable	166,363	130,742
Investment properties	1,600	1,600
Other debtors, deposits and prepayments	2,126,587	1,796,999
Assets held for sale	-	-
Foreclosed properties	1,412	1,875
	<u>2,295,962</u>	<u>1,931,216</u>
	<u>Company</u>	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Amount due from subsidiary companies	283,811	55,259
Amount due from related companies	264	9
Other debtors, deposits and prepayments	5,624	8,485
	<u>289,699</u>	<u>63,753</u>

14. Deposits from customers

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Fixed deposits	37,452,098	36,852,359
Negotiable instruments of deposit	2,469,562	3,526,455
Demand deposits	7,741,286	6,761,540
Savings deposits	8,460,858	7,841,769
Short term corporate placement	10,900,338	11,638,034
Other	254,944	641,929
	<u>67,279,086</u>	<u>67,262,086</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
One year or less (short term)	38,562,438	39,683,232
More than one year (medium/long term)	1,359,222	695,582
	<u>39,921,660</u>	<u>40,378,814</u>

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

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Government and statutory bodies	396,025	714,312
Business enterprises	32,444,991	32,943,191
Individuals	33,461,411	32,608,117
Others	976,659	996,466
	<u>67,279,086</u>	<u>67,262,086</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Licensed banks	4,091,812	2,202,304
Other financial institutions	853,947	211,675
	<u>4,945,759</u>	<u>2,413,979</u>

The maturity structure :

One year or less (short term)	4,945,759	2,413,979
More than one year (medium/long term)	-	-
	<u>4,945,759</u>	<u>2,413,979</u>

16. Payables and other liabilities

	Group	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Trade payables	517,431	460,349
Amount due to related companies	205	4,451
Other payables and accrued liabilities	2,418,959	1,732,464
Loan advance payment	952,441	802,123
Interest payable	237,466	263,238
Post employment benefits obligations - defined contribution plan	5,470	5,982
	<u>4,131,972</u>	<u>3,268,607</u>

	Company	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Amount due to subsidiary companies	427	100
Other payables and accrued liabilities	3,936	4,394
Interest payable	39	1,821
Post employment benefits obligations - defined contribution plan	7	76
	<u>4,409</u>	<u>6,391</u>

17. Interest income

	Group		Group	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Loan, advances and financing				
- Interest income other than recoveries from NPLs	374,951	413,968	1,142,857	1,319,602
- recoveries from NPLs	30,034	29,724	81,488	82,843
Money at call and deposit placements with financial institutions	101,701	157,503	255,114	566,011
Securities purchased under resale agreement	160	-	166	1,088
Securities held at fair value through profit and loss	14,124	53,466	45,694	166,386
Securities available-for-sale	35,605	19,363	119,403	78,091
Securities held-to-maturity	58,156	35,399	168,680	108,571
Others	1,861	1,717	2,586	2,899
	<u>616,592</u>	<u>711,140</u>	<u>1,815,988</u>	<u>2,325,491</u>
Amortisation of premium less accretion of discount	36,528	2,927	115,212	11,367
Interest suspended	(4,144)	(4,085)	(9,136)	(11,795)
	<u>648,976</u>	<u>709,982</u>	<u>1,922,064</u>	<u>2,325,063</u>
	Company		Company	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year to date 31/03/2010 RM '000	Last year to date 31/03/2009 RM '000
Money at call and deposit placements with financial institutions	32	69	135	205
Others	1,391	618	1,920	1,177
	<u>1,423</u>	<u>687</u>	<u>2,055</u>	<u>1,382</u>

18. Interest expense

	Group		Group	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Deposits and placements of banks and other financial institutions	9,304	6,881	22,722	56,818
Deposits from customers	224,466	276,818	670,347	873,879
Borrowings	4,486	5,397	13,190	16,412
Subordinated bonds	8,731	9,411	26,700	27,463
Short term corporate placements	59,775	76,408	160,053	288,848
Others	731	495	2,584	1,946
	<u>307,493</u>	<u>375,410</u>	<u>895,596</u>	<u>1,265,366</u>
	Company		Company	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year to date 31/03/2010 RM '000	Last year to date 31/03/2009 RM '000
Borrowings	4,204	3,615	11,140	13,086
Others	503	264	1,504	745
	<u>4,707</u>	<u>3,879</u>	<u>12,644</u>	<u>13,831</u>

19. Non Interest Income

	Group		Group	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Net income from Insurance Business	14,505	25,869	66,019	73,748
Net brokerage and commissions from Stockbroking Business	13,585	5,498	38,994	16,928
Net unit trust and asset management income	4,466	3,725	13,380	13,759
Fee income:				
Management fees	-	-	-	-
Commissions	17,608	5,482	53,308	40,173
Service charges and fees	3,806	5,178	12,861	16,794
Guarantee fees	1,956	1,203	4,854	4,029
Other fee income	50,568	65,391	147,610	154,112
	73,938	77,254	218,633	215,108
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(5,633)	(22,527)	39,406	(24,624)
Net gain from sale of securities available-for-sale	3,603	(1,764)	7,179	24,879
Net gain/(loss) from redemption of securities held-to-maturity	290	186	1,311	316
	(1,740)	(24,105)	47,896	571
Gross dividend income from:				
Securities held at fair value through profit and loss	168	1,301	413	3,381
Securities available-for-sale	1,570	1,429	5,227	3,474
Securities held-to-maturity	2,718	45	6,114	3,468
	4,456	2,775	11,754	10,323
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	17,096	17,210	(12,982)	29,338
Net realised gains/(losses) on fair value changes arising from fair value hedge	(2,447)	(1,778)	(12,587)	(4,057)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	4,460	12,492	21,503	8,206
Other income:				
Foreign exchange gain/(loss)	26,109	31,441	84,450	137,486
Rental income	303	121	668	290
Gain/(loss) on disposal of property and equipment	130	555	938	1,139
Gain/(loss) on liquidation	(1,474)	-	(2,676)	-
Profit from Takaful investments	-	2,232	1,758	4,868
Others	5,431	3,423	16,959	11,528
	30,499	37,772	102,097	155,311
Total non interest income	158,818	156,712	494,707	519,235

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Fee income:				
Management fees	1,759	1,676	5,277	5,028
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(25)	(8,153)	8	(8,143)
Gross dividend income from:				
Securities held at fair value through profit and loss	169	161	330	461
Subsidiary companies	85,642	85,642	228,378	235,322
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(137)	6,687	(1,115)	429
Other income:				
Gain on disposal of subsidiary company	234,880	-	234,880	1,720
Others	22	(16)	657	232
Total non interest income	322,310	85,997	468,415	235,049

20. Overhead expenses

	Group		Group	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	132,273	116,326	372,769	343,597
- Others	14,621	9,868	40,934	36,166
<u>Establishment costs</u>				
- Depreciation of property and equipments	15,758	12,679	43,459	38,973
- Amortisation of intangible assets	4,221	4,831	10,287	14,158
- Amortisation of prepaid lease payment	21	53	63	95
- Rental	13,051	11,991	39,569	36,908
- Information technology expenses	15,659	14,057	42,108	41,769
- Others	14,276	12,028	38,455	34,857
<u>Marketing expenses</u>				
- Advertisement and publicity	16,912	23,139	50,469	54,434
- Handling fees	641	2,420	918	9,081
- Others	15,607	12,090	41,834	39,871
<u>Administration and general expenses</u>				
- Teletransmission expenses	1,986	2,241	6,116	7,692
- Stationery & printing	1,686	2,733	7,626	10,668
- Others	32,643	24,477	93,084	74,181
	279,355	248,933	787,691	742,450

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,833	1,209	7,293	5,926
- Others	748	1,268	2,175	3,722
<u>Establishment costs</u>				
- Depreciation of property and equipments	191	279	571	634
- Amortisation of intangible assets	31	31	92	95
- Rental	174	167	520	505
- Others	63	27	243	267
<u>Administration and general expenses</u>				
- Teletransmission expenses	11	11	28	34
- Stationery & printing	10	3	47	23
- Others	587	720	1,634	1,805
	<u>4,648</u>	<u>3,715</u>	<u>12,603</u>	<u>13,011</u>

21. Allowance for losses on loans, advances and financing and other losses

	Group		Group	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	72,803	77,870	229,657	220,748
- written back	(26,056)	(18,368)	(77,069)	(57,241)
(b) General allowance				
- made during the financial year	11,635	(10,985)	15,956	(11,810)
Bad debts and financing written off	2,021	1,681	5,599	6,185
Bad debts and financing recovered	(25,269)	(21,059)	(70,718)	(91,879)
	<u>35,356</u>	<u>29,139</u>	<u>103,647</u>	<u>66,003</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 31 March 2010 and 30 June 2009 met the minimum requirement.

	Hong Leong Bank Berhad		Hong Leong Islamic Bank Berhad #		Hong Leong Investment Bank Berhad	
	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000	As at 31/03/2010 RM '000	As at 30/06/2009 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	265,535	123,500
Share premium	539,898	539,664	-	-	-	-
Retained profit	2,240,072	2,136,060	102,151	119,207	3,963	3,963
Other Reserves	1,797,458	1,790,162	131,690	119,207	4,362	4,362
Less : Treasury Shares	(694,618)	(699,051)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,236)	(30,000)
Less : Deferred Tax	(123,472)	(134,681)	(18,932)	(18,932)	(58,192)	(58,192)
Total tier 1 capital	5,339,445	5,212,261	714,909	719,482	185,432	43,633
Tier - 2 capital						
General provision	494,980	471,305	62,465	73,486	1,432	1,304
Subordinated obligations	652,400	703,800	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	-	-
Total tier 2 capital	1,147,380	1,175,105	62,465	73,486	3,063	142,035
Total eligible tier-2 capital	1,147,380	1,175,105	62,465	73,486	3,063	43,633
Total capital	6,486,825	6,387,366	777,374	792,968	188,495	87,266
Less : Investment in associated company	(946,505)	(946,505)	-	-	(588)	(588)
Less : Investment in subsidiary companies	(714,094)	(575,746)	-	-	-	-
Less : Investment in jointly controlled company	(76,711)	-	-	-	-	-
Total capital base	4,749,515	4,865,115	777,374	792,968	187,907	86,678
Before deducting proposed dividends						
Core Capital Ratio	13.13% *	15.18%	18.92%	20.86%	40.70%	17.59%
Risk-weighted Capital Ratio	13.13%	15.18%	20.57%	22.99%	41.30%	34.94%
After deducting proposed dividends						
Core Capital Ratio	13.13% *	14.65%	18.92%	20.72%	40.70%	17.59%
Risk-weighted Capital Ratio	13.13%	14.65%	20.57%	22.85%	41.30%	34.94%

22. 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 Bank 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.

23. Events after Balance Sheet date

- a. On 6 January 2010, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB announced that Bank Negara Malaysia ("BNM") has, vide its letter dated 6 January 2010, no objection for HLB to commence negotiations with the Boards of EON Capital Berhad ("EON Cap") and EON Bank Berhad ("EON Bank") for the potential purchase of the assets and liabilities of EON Cap and EON Bank, including EON Cap's equity interest in EON Bank.

On 21 January 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had made an offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997.20 to be satisfied fully in cash ("Offer").

On 27 January 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB and EON Cap had mutually agreed to an extension of time until 2 February 2010 for EON Cap to confirm the following:

- (i) to table the Offer for consideration and approval by the shareholders of EON Cap at a general meeting and take steps to issue and despatch within 5 weeks from 21 January 2010 ("Date of Offer") the notice of the general meeting and the shareholders' circular; and
- (ii) to finalise and make submissions to the relevant authorities within 4 weeks from the Date of Offer.

On 2 February 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had received a letter from EON Cap informing HLB that the Board of Directors of EON Cap had resolved not to table the Offer for consideration and approval by EON Cap's shareholders, and not to submit any application to the relevant authorities for approval of the Offer. Accordingly, the Offer has lapsed.

On 30 March 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had made a new offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997.20 to be satisfied fully in cash.

On 1 April 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had made a revised offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM5,060,423,745.60 to be satisfied fully in cash. ("Revised Offer")

On 2 April 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced that HLB had received confirmation from EON Cap to, amongst others, table the Revised Offer for consideration and approval by EON Cap's shareholders and submit applications to the Minister of Finance and other relevant regulatory authority for approval of the Revised Offer, in accordance with the terms of the Revised Offer.

On 23 April 2010, CIMB Investment Bank Berhad, on behalf of HLB, announced the following:

- (i) details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,743.60 to be satisfied fully in cash ("Proposed Acquisition");
- (ii) that HLB proposed to undertake a renounceable rights issue of new HLB Shares ("Rights Shares") to the entitled shareholders of HLB to raise gross proceeds of up to RM1,600 million ("Proposed Rights Issue"); and
- (iii) HLB had on 23 April 2010 made an application to BNM the Proposed Acquisition and Proposed Rights Issue.

23. Events after Balance Sheet date (continued)

- b. On 15 April 2010, HLG Capital Berhad ("HLGC"), a subsidiary of HLFPG, announced the proposed merger of the business operations of its two (2) wholly-owned subsidiaries, namely HLG Unit Trust Berhad ("HLGUT") and HLG Asset Management Sdn Bhd ("HLGAM") ("Proposed Merger").

Pursuant to the Proposed Merger, HLGAM had on 15 April 2010 entered into a Business Transfer Agreement with HLGUT whereby HLGAM will transfer its assets, liabilities, activity, business and the undertaking of the business carried on by HLGAM as a going concern to HLGUT ("HLGAM Business") with effect from 1 June 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLGAM Business will be based on the value of the net assets of HLGAM as at the Transfer Date, and will be satisfied by HLGUT in cash.

- c. On 22 April 2010, HLGC announced that two of its wholly owned subsidiaries, namely Hong Leong Investment Bank Berhad ("HLIB") and HLG Futures Sdn Bhd ("HLG Futures") had, on 22 April 2010, entered into a Business Transfer Agreement, whereby HLG Futures will transfer all its assets, liabilities, activity, business and the undertaking of the business carried on by HLG Futures as a going concern ("HLG Futures Business") to HLIB ("Proposed Intergration") with effect from 31 July 2010 (or such other date as may be agreed by the parties hereto) ("Transfer Date").

The consideration for the transfer of the HLG Futures Business will be based on the value of the net assets of HLG Futures as at the Transfer Date, and will be satisfied by HLIB in cash.

The Proposed Intergration is subject to, inter alia, the following:

- (i) obtaining the order of the High Court for the vesting of HLG Futures Business in HLIB;
- (ii) the approval of the Minister of Finance through the Securities Commission ("SC"); and
- (iii) the approval of the SC for the application for a Capital Market Service licence to carry on the business of trading in futures contracts by HLIB.

24. Changes in composition of the Group

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

- a. On 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.

HLBVN was incorporated on 9 July 2009 and had commenced operations on 8 October 2009.

- b. On 8 April 2009, HLFPG 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 HLFPG.

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 Hong Leong Insurance (Asia) Limited ("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 would 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 HLIA Transfer was completed on 31 July 2009 and hence HLIA became an indirect wholly-owned subsidiary of HLFPG 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 HLFPG via HLAH on the same date.

24. Changes in composition of the Group (continued)

- c. On 16 December 2009, HLFG announced that it had entered into a SPA with HLAH for the transfer of 100% equity interest in HLA from HLFG to HLAH.

The consideration for the Transfer would be based on the consolidated net assets of HLA as at 31 December 2009 and would be satisfied via :

- (i) an issuance of new ordinary shares and/or redeemable preference shares at an issue price of RM1.00 each;
- (ii) cash

or any combination thereof.

The Transfer was completed on 1 January 2010 and hence HLA became an indirect wholly-owned subsidiary of HLFG via HLAH on even date.

- d. On 20 October 2009, HLFG announced that the liquidator of Autoweb Sdn Bhd ("Autoweb"), a wholly-owned subsidiary of HLFG Assets Sdn Bhd which was in turn a wholly-owned subsidiary of HLFG, had convened a Final Meeting on 20 October 2009 to conclude the member's voluntary liquidation of Autoweb and a Return by the Liquidator Relating to the Final Meeting was lodged on 20 October 2009 with the Companies Commission of Malaysia and the Official Receiver. On the expiration of 3 months after the said lodgement date, Autoweb will be dissolved. Hence, Autoweb was dissolved on 20 January 2010.
- e. On 7 January 2010, HLFG announced that the liquidator of Natcap Portfolio Sdn Bhd ("Natcap"), a wholly-owned subsidiary of HLFG Assets Sdn Bhd which was in turn a wholly-owned subsidiary of HLFG, had convened a Final Meeting on 4 January 2010 to conclude the member's voluntary liquidation of Natcap and a Return by the Liquidator Relating to the Final Meeting was lodged on 7 January 2010 with the Companies Commission of Malaysia and the Official Receiver. On the expiration of 3 months after the said lodgement date, Natcap will be dissolved. Hence, Natcap would be dissolved on 7 April 2010.
- f. The Rights Issue of HLGC was completed on 22 October 2009 and the shareholdings of HLFG had increased to 199,663,227 ordinary shares of RM1.00 each, representing 80.87% of the issued and paid-up share capital of HLGC.
- g. HLFG had on 25 March 2010 disposed 4,400,000 ordinary shares of RM1.00 each in HLGC ("the Disposal") and the shareholding of HLFG in HLGC after the Disposal had decreased to 195,263,177 ordinary shares of RM1.00 each, representing 79.09% of the issued and paid-up share capital of HLGC.
- h. On 23 February 2010, HLFG announced that HLA, a wholly-owned subsidiary of HLAH which is in turn a wholly-owned subsidiary of HLFG, had placed its wholly-owned subsidiary Allstate Health Benefits Sdn Bhd under Member's Voluntary Winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.
- i. On 2 November 2009, HLB announced that it had 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, Sichuan Jincheng Consumer Finance Limited Company, had been incorporated on 26 February 2010. The approved registered capital of the JV Co is RMB320 million. The shareholding structure and investment composition of the JV Co are BOCD at 51% (a contribution of RMB163.2 million) and HLB at 49% (a contribution of RMB156.8 million).

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 31/03/10			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
The Group						
Direct credit substitutes	171,876	171,876	161,380	217,061	217,061	200,263
Transaction-related contingent items	244,268	122,134	110,227	247,102	123,551	110,598
Short-term self liquidating trade-related contingencies	509,303	101,861	99,097	578,754	115,750	113,434
Other assets sold with recourse and commitment	-	-	-	-	-	-
Underwriting obligations	-	-	-	-	-	-
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	21,137,032	-	-	19,134,149	-	-
Foreign exchange related contracts	33,295,305	1,849,471	1,483,551	20,674,995	897,994	497,304
Interest rate related contracts	37,032,401	1,103,024	555,868	37,497,746	1,223,825	618,039
Equity related contracts	1,343,625	13,206	33,054	247,103	17,830	6,726
Total	93,733,810	3,361,572	2,443,177	78,596,910	2,596,011	1,546,364

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

The size of each of the five funds was above the minimum of RM1 million as at 31 March 2010.

26. Related party transactions

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

27. Interest/Profit rate risk

	The Group 31/03/2010							Total RM'000	Effective interest rate %
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-Interest sensitive RM'000	Trading book RM'000		
Assets									
Cash and short-term funds	13,557,434	39,909	-	-	-	650,866	-	14,248,209	2.1
Deposits and placements with banks and other financial institution	72,809	9,842,128	2,154,694	542,376	68,867	64	-	12,680,938	2.2
Securities held at fair value through profit or loss	-	30,000	-	57,482	35,158	15,162	5,610,386	5,748,188	3.4
Securities available-for-sale	264,446	641,827	534,210	4,903,380	1,506,489	691,770	-	8,542,122	4.1
Securities held-for-maturity	469,549	369,573	722,596	5,424,453	586,870	27,773	-	7,600,814	3.3
Loans, advances and financing									
- performing	30,862,939	112,628	180,795	3,297,015	2,296,244	138,359	-	36,887,980	5.7
- non performing	-	-	-	-	-	380,142	-	380,142	-
Clients' and brokers' balances	-	-	-	-	-	204,780	-	204,780	-
Other receivables	-	-	-	-	-	2,295,962	-	2,295,962	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	336,196	-	336,196	-
Tax recoverable	-	-	-	-	-	8,039	-	8,039	-
Investment in associates	-	-	-	-	-	1,130,009	-	1,130,009	-
Investment in jointly controlled com	-	-	-	-	-	76,711	-	76,711	-
Prepaid land lease payments	-	-	-	-	-	10,032	-	10,032	-
Deferred tax assets	-	-	-	-	-	183,338	-	183,338	-
Property and equipment	-	-	-	-	-	681,624	-	681,624	-
Intangible assets	-	-	-	-	-	625,468	-	625,468	-
Total assets	45,227,177	11,036,065	3,592,295	14,224,706	4,493,628	7,456,295	5,610,386	91,640,552	
Liabilities									
Deposits from customers	23,431,400	5,831,179	29,193,096	1,412,483	-	7,410,928	-	67,279,086	1.8
Deposits and placements of banks and other financial institution	1,965,096	2,978,024	-	-	-	2,639	-	4,945,759	2.1
Bills and acceptance payable	37,042	189,347	5,717	-	-	281,466	-	513,572	2.2
Clients' and brokers' balances	-	-	-	-	-	308,886	-	308,886	-
Payables and other liabilities	-	-	-	-	-	4,131,972	-	4,131,972	-
Provision for claims	-	-	-	-	-	201,403	-	201,403	-
Provision for taxation	-	-	-	-	-	59,929	-	59,929	-
Bank loans	33,500	12,645	-	31,000	-	-	-	77,145	3.3
Subordinated obligations	-	-	-	660,846	-	-	-	660,846	5.2
Capital market borrowing									
- Medium Term Notes	-	-	-	-	-	-	-	-	-
- Commercial paper	604,322	-	-	-	-	-	-	604,322	2.5
Insurance funds	-	-	-	-	-	5,435,082	-	5,435,082	-
Total liabilities	26,071,360	9,011,195	29,198,813	2,104,329	-	17,832,305	-	84,218,002	
Shareholder's equity	-	-	-	-	-	4,970,265	-	4,970,265	
Minority interest	-	-	-	-	-	2,452,285	-	2,452,285	
Total liabilities and shareholder's equity	26,071,360	9,011,195	29,198,813	2,104,329	-	25,254,855	-	91,640,552	
On-balance sheet interest sensitivity gap	19,155,817	2,024,870	(25,606,518)	12,120,377	4,493,628				

27. 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 %
Assets									
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	-
Total assets	51,504,878	5,576,195	1,761,237	9,150,622	5,159,347	6,237,198	7,092,273	86,481,750	
Liabilities									
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	-
Total liabilities	39,484,192	9,758,085	13,779,283	1,504,819	-	15,128,422	-	79,654,801	
Shareholder's equity	-	-	-	-	-	4,570,044	-	4,570,044	
Minority interest	-	-	-	-	-	2,256,905	-	2,256,905	
Total liabilities and shareholder's equity	39,484,192	9,758,085	13,779,283	1,504,819	-	21,955,371	-	86,481,750	
On-balance sheet interest sensitivity gap	12,020,686	(4,181,890)	(12,018,046)	7,645,803	5,159,347				

27. Interest/Profit rate risk (continued)

The Company
31/03/2010

	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	63,150	-	-	-	-	218	-	63,368	2.0
Securities held at fair value through profit or loss	-	-	-	-	-	-	10,414	10,414	-
Other receivables	-	-	-	-	-	289,699	-	289,699	-
Investment in subsidiaries	-	-	-	-	-	2,280,361	-	2,280,361	-
Tax recoverable	-	-	-	-	-	7,190	-	7,190	-
Property and equipment	-	-	-	-	-	2,176	-	2,176	-
Intangible assets	-	-	-	-	-	154	-	154	-
Total assets	63,150	-	-	-	-	2,579,798	10,414	2,653,362	
Liabilities									
Payables and other liabilities	-	-	-	-	-	4,409	-	4,409	-
Bank loans	31,000	-	-	-	-	-	-	31,000	3.2
Capital market borrowing									
- Commercial paper	469,697	134,625	-	-	-	-	-	604,322	2.5
- Medium Term Notes	-	-	-	-	-	-	-	-	-
Total liabilities	500,697	134,625	-	-	-	4,409	-	639,731	
Shareholder's equity	-	-	-	-	-	2,013,631	-	2,013,631	
Total liabilities and shareholder's equity	500,697	134,625	-	-	-	2,018,040	-	2,653,362	
On-balance sheet interest sensitivity gap	(437,547)	(134,625)	-	-	-	-	-	-	

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 %
Assets									
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	-
Total assets	2,500	-	-	-	-	2,126,801	18,950	2,148,251	
Liabilities									
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
Total liabilities	289,757	129,471	31,000	-	-	6,391	-	456,619	
Shareholder's equity	-	-	-	-	-	1,691,632	-	1,691,632	
Total liabilities and shareholder's equity	289,757	129,471	31,000	-	-	1,698,023	-	2,148,251	
On-balance sheet interest sensitivity gap	(287,257)	(129,471)	(31,000)	-	-	-	-	-	

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 31 March 2010

	Group	
	As at	As at
	31/03/2010	30/06/2009
	RM'000	RM'000
ASSETS		
Cash and short-term funds	1,991,331	2,511,864
Deposits and placements with banks and other financial institutions	564,986	125,167
Securities held at fair value through profit or loss	1,502,192	2,011,644
Securities available-for-sale	472,403	467,377
Securities held-for-maturity	461,856	126,623
Financing, advances and other financing	4,013,044	3,824,880
Other receivables	65,591	7,615
Statutory deposits with Bank Negara Malaysia	44,850	46,046
Property, plant and equipment	2,168	1,794
Deferred tax assets	15,942	18,932
Total Assets	9,134,363	9,141,942
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	6,817,620	7,979,898
Deposits and placements of banks and other financial institutions	1,185,163	30,000
Bills and acceptance payable	29,198	16,133
Payables and other liabilities	294,377	366,504
Provision for taxation	7,640	9,394
Total Liabilities	8,333,998	8,401,929
Islamic banking capital fund	500,000	500,000
Reserves	300,365	240,031
Islamic Banking Funds	800,365	740,031
Total Liabilities and Islamic Banking Funds	9,134,363	9,141,960
Commitments and Contingencies	1,273,697	1,092,217

(b) Unaudited Income Statements for the 3rd Quarter and Cumulative Nine Months Ended 31 March 2010

	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Group				
Income derived from investment of deposits' funds and others	145,193	71,392	218,376	255,410
Income derived from investment of shareholders' funds	19,900	9,848	29,290	29,398
Allowance for losses on financing	6,446	2,220	4,302	2,075
Profit equalisation reserve	(595)	(6,658)	2,507	(17,885)
Total distributable income	<u>170,944</u>	<u>76,802</u>	<u>254,475</u>	<u>268,998</u>
Income attributable to deposits	<u>(74,546)</u>	<u>(40,115)</u>	<u>(112,141)</u>	<u>(150,658)</u>
Total net income	<u>96,398</u>	<u>36,687</u>	<u>142,334</u>	<u>118,340</u>
Other operating expenses	<u>(37,339)</u>	<u>(13,918)</u>	<u>(54,135)</u>	<u>(45,006)</u>
Profit before taxation and zakat	<u>59,059</u>	<u>22,769</u>	<u>88,199</u>	<u>73,334</u>
Zakat	(24)	(12)	(37)	(41)
Taxation	<u>(14,803)</u>	<u>(5,655)</u>	<u>(22,085)</u>	<u>(18,315)</u>
Profit after taxation and zakat	<u>44,232</u>	<u>17,102</u>	<u>66,077</u>	<u>54,978</u>
Profit attributable to shareholders	<u>44,232</u>	<u>17,102</u>	<u>66,077</u>	<u>54,978</u>
Earnings per share - basic (sen)	<u>4.99</u>	<u>3.42</u>	<u>9.36</u>	<u>11.00</u>
Earnings per share - fully diluted (sen)	<u>4.99</u>	<u>3.42</u>	<u>9.36</u>	<u>11.00</u>

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

(i) **By type**

	Group	
	As at 31/03/2010 RM'000	As at 30/06/2009 RM'000
Cash line	4,520	5,421
Term financing		
- House financing	4,116,489	3,562,624
- Hire purchase receivable	2,472,969	2,545,281
- Lease receivable	12,944	16,357
- Other term financing	474,024	348,544
Claims on customers under acceptance credits	64,194	46,206
Staff financing	6	18
Revolving credit	-	-
Others	504	623
	<u>7,145,650</u>	<u>6,525,074</u>
Less: Unearned income	<u>(3,040,090)</u>	<u>(2,605,681)</u>
	4,105,560	3,919,393
Less: Allowance for bad and doubtful financing		
- General	(62,465)	(73,486)
- Specific	(30,051)	(21,027)
Total net financing, advances and other financing	<u>4,013,044</u>	<u>3,824,880</u>

(ii) **By contract**

	Group	
	As at 31/03/2010 RM'000	As at 30/06/2009 RM'000
Bai' Bithaman Ajil (deferred payment sale)	1,847,124	1,602,357
Ijarah (lease)	12,762	15,895
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,181,480	2,254,935
Murabahah (cost-plus)	64,194	46,206
	<u>4,105,560</u>	<u>3,919,393</u>

Non-performing financing

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

	Group	
	As at 31/03/2010 RM'000	As at 30/06/2009 RM'000
At beginning	46,260	45,754
Non-performing during the period/year	164,385	204,631
Reclassified as performing	(145,758)	(166,739)
Amount written back in respect of recoveries	(19,398)	(24,237)
Amount written off	(165)	(13,149)
Closing balance	<u>45,324</u>	<u>46,260</u>
Net non-performing financing, advances and other financing	<u>15,273</u>	<u>25,233</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>0.4%</u>	<u>0.6%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 31/03/2010 RM'000	As at 30/06/2009 RM'000
General allowance		
At beginning	73,486	65,025
Net allowance made/(written back) during the year	(11,021)	8,461
Closing balance	<u>62,465</u>	<u>73,486</u>
As % of gross financing, advances and other financing less specific allowance	<u>1.5%</u>	<u>1.9%</u>
Specific allowance		
At beginning	21,027	24,734
Allowance made during the period/year	14,749	15,949
Amount written back in respect of recoveries	(5,560)	(6,507)
Amount written off	(165)	(13,149)
Closing balance	<u>30,051</u>	<u>21,027</u>

(e) Deposits from customer

By type of deposit

	Group	
	As at 31/03/2010 RM'000	As at 30/06/2009 RM'000
Non-Mudharabah		
Demand deposits	472,277	375,930
Savings deposits	635,525	580,875
Negotiable instruments of deposit	905,903	1,215,890
	<u>2,013,705</u>	<u>2,172,695</u>
Mudharabah		
Demand deposits	-	-
Saving deposits	638,663	569,063
General investment deposits	1,928,535	1,864,865
Specific investment deposits	2,236,717	3,373,275
	<u>4,803,915</u>	<u>5,807,203</u>
	<u>6,817,620</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 RM255.0 million for the current financial quarter ended 31 March 2010 as compared to RM271.8 million in the preceding year's corresponding quarter, a decrease of RM16.8 million or 6.2%. This was mainly due to lower contributions from the Commercial Banking and Insurance division.

The Commercial Banking division recorded a profit before tax of RM260.0 million for the current financial quarter ended 31 March 2010, a decrease of RM8.7 million or 3.3% as compared to preceding year's corresponding quarter. The decrease was due to higher other operating expenses and higher allowance for losses on loans, advances and financing. This is mitigated by higher net interest income, higher share of profit in associate and higher net income from Islamic banking business.

The Investment Banking divisions recorded a higher profit before tax of RM4.6 million compared to a profit before tax of RM0.01 million in the previous corresponding financial quarter. This was due to better business performance from stockbroking caused by the higher Bursa Malaysia volume during the financial quarter.

The Insurance division recorded a pre-tax loss of RM1.6 million for the quarter ended 31 March 2010 as compared to profit before tax of RM10.0 million in the preceding year's corresponding quarter. The losses incurred in the current quarter are due a year-to-date adjustment for claims liabilities provided under the RBC Framework in HLA General.

2. Financial year-to-date against preceding financial year-to-date

The Group recorded a profit before tax of RM859.2 million for the nine months ended 31 March 2010 as compared to RM924.1 million in the preceding financial year-to-date, a decrease of RM64.9 million or 7.0%. This was mainly due to lower contributions from Commercial Banking division.

The Commercial Banking division recorded a profit before tax of RM840.1 million for the period, a decrease of RM84.6 million as compared to RM924.7 million in the previous corresponding period. The decrease was due to lower net interest income and non interest income as well as higher other operating expenses. This is however mitigated by higher share of profit from associate, higher net income from Islamic banking business and writeback of impairment.

The Investment Banking division recorded a higher profit before tax of RM16.5 million for the period compared to a profit before tax of RM3.0 million in the previous corresponding financial period. This was due to higher income from stockbroking caused by the higher Bursa Malaysia volume.

The Insurance division recorded a profit before tax of RM28.2 million for the period ended 31 March 2010 as compared to RM25.6 million in the preceding year, an increase of RM2.6 million. The increase is mainly from lower claims incurred.

3. Current quarter against preceding financial quarter

The Group recorded a profit before tax of RM255.0 million for the financial quarter ended 31 March 2010 as compared to RM301.3 million in the previous corresponding financial quarter, a decrease of RM46.3 million or 15.4%. This was mainly due to lower contributions from the Commercial Banking and Insurance division.

The Commercial Banking division recorded a profit before tax of RM260.0 million for the financial quarter ended 31 March 2010 as compared to RM291.3 million in the previous corresponding financial quarter, a decrease of RM31.3 million mainly from lower net interest income and higher allowance for losses on loans, advances and financing.

3. Current quarter against preceding financial quarter (Continued)

The Investment Banking divisions recorded a profit before tax of RM4.5 million for the financial quarter ended 31 March 2010 as compared to RM4.3 million in the previous corresponding financial quarter. The marginally higher profit arises from higher Bursa volume in the current quarter.

The Insurance division recorded a pre-tax loss of RM1.6 million for the financial quarter ended 31 March 2010 as compared to a profit before tax of RM16.3 million in the previous corresponding financial quarter. The losses incurred in the current quarter is due to a year-to-date adjustment claims liabilities provided under the RBC Framework.

4. Prospects for the current financial year

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

5. Variance of actual profit from forecasted profit

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

6. Taxation

Provision based on profits for the financial period 31 March 2010

	Group		Group	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Tax expense				
Malaysian – current	(30,262)	(66,629)	(158,930)	(230,422)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	51	1,502	(2,418)	2,083
	<u>(30,211)</u>	<u>(65,127)</u>	<u>(161,348)</u>	<u>(228,339)</u>
Prior year over/(under) provision				
- Malaysian	1	(1)	320	953
	<u>(30,210)</u>	<u>(65,128)</u>	<u>(161,028)</u>	<u>(227,386)</u>

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

	Company		Company	
	Current quarter ended 31/03/2010 RM '000	31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	31/03/2009 RM '000
Tax expenses				
Malaysian – current	(19,420)	(21,411)	(55,104)	(58,043)
Transfer (from) / to deferred tax	-	-	-	-
	<u>(19,420)</u>	<u>(21,411)</u>	<u>(55,104)</u>	<u>(58,043)</u>
Prior year over/(under) provision				
- Malaysian	-	-	-	-
	<u>(19,420)</u>	<u>(21,411)</u>	<u>(55,104)</u>	<u>(58,043)</u>

The effective tax rate for the Company for the financial period is higher than the statutory rate of taxation due to non-deductible expenses.

7. Sale of properties/unquoted investments

There was no sale of properties and / or unquoted investments during the year under review other than that disclosed in Note 24b.

8. 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 and that disclosed in Note 24g.

9. Status of corporate proposals

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report.

10. Group borrowings

The Group borrowings include:

	As at 31/03/2010 RM '000	As at 30/06/2009 RM '000
Bank loans	77,145	177,900
Capital market borrowing	604,322	419,228
Total Borrowings	<u>681,467</u>	<u>597,128</u>
Subordinated obligations - USD200 million	<u>660,846</u>	<u>729,566</u>

Subordinated bonds

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

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

11. Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2010

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	18,083,309	277,482	(289,649)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	5,400,199	35,445	(27,445)
(ii) 1 year to 3 years	5,797,686	241,420	(176,717)
(iii) More than 3 years	736,314	29,248	(23,065)
- Options			
(i) Less than 1 year	3,277,797	8,177	(4,380)
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
Interest rate related contracts			
- Forwards			
(i) Less than 1 year	-	-	-
(ii) 1 year to 3 years	-	-	-
(iii) More than 3 years	-	-	-
- Futures			
(i) Less than 1 year	4,110,798	13,025	-
(ii) 1 year to 3 years	2,849,410	10,687	56
(iii) More than 3 years	450,000	-	-
- Swaps			
(i) Less than 1 year	6,796,074	44,521	(29,772)
(ii) 1 year to 3 years	12,100,012	125,003	(146,625)
(iii) More than 3 years	11,896,107	157,591	(161,256)
Equity related contracts			
(i) Less than 1 year	142,849	252	(252)
(ii) 1 year to 3 years	30,776	-	-
(iii) More than 3 years	-	-	-
Total	71,671,331	942,851	(859,105)

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 RM342,430,957 (FYE June 2009 : RM77,554,000) and RM32,308,801,243 (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 RM1,106,581,679 (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 HLG undertaking to give HLG 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, HLG was deemed interested in the Proposed Acquisition and in compliance with the rules on related party transactions of the Bursa Malaysia Securities Berhad, HLG had to abstain from voting at the extraordinary general meeting (“EGM”) of HLG convened to consider the Proposed Acquisition. BSH alleged that HLG 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. HLG Dividends

A second interim dividend of 8 sen per share less income tax of 25% and 6 sen per share tax exempt had been declared by the Company for the current financial quarter.

- (i) Amount per share : 8 sen per share less income tax of 25% and 6 sen per share tax exempt
- (ii) Previous corresponding period : 14 sen per share less income tax of 25%
- (iii) Entitlement date : 10 June 2010
- (iv) Payment date : 29 June 2010

For the financial period ended 31 March 2010, a total dividend of 17 sen per share less income tax of 25% and 6 sen per share tax exempt was declared (31 March 2009 : 23 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.

	Group		Group	
	Current quarter ended	Last year quarter ended	Current year ended	Last year ended
Weighted Average Number Of Ordinary Shares	31/03/2010 RM '000	31/03/2009 RM '000	31/03/2010 RM '000	31/03/2009 RM '000
Weighted average number of ordinary shares	1,035,538	1,035,538	1,035,538	1,035,538
Net profit attributable to shareholders of the company	141,923	131,994	445,901	440,604
Basic earnings per share (Sen)	13.7	12.7	43.1	42.5

14. Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Weighted average number of ordinary shares	1,035,538	1,036,077	1,035,538	1,036,077
Net profit attributable to shareholders of the company	294,958	57,679	390,119	151,546
Basic earnings per share (Sen)	28.5	5.6	37.7	14.6

(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 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Weighted average no. of shares as at end of financial period	1,035,538	1,035,538	1,035,538	1,035,538
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,035,538	1,035,538	1,035,538
Net profit attributable to shareholders of the company	141,923	131,994	445,901	440,604
Fully diluted earnings per share (Sen)	13.7	12.7	43.1	42.5

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/03/2010 RM '000	Last year quarter ended 31/03/2009 RM '000	Current year ended 31/03/2010 RM '000	Last year ended 31/03/2009 RM '000
Weighted average no. of shares as at end of financial period	1,035,538	1,036,077	1,035,538	1,036,077
Effect of Warrant 1997/2007	-	-	-	-
Weighted average number of ordinary shares (Diluted)	1,035,538	1,036,077	1,035,538	1,036,077
Net profit attributable to shareholders of the company	294,958	57,679	390,119	151,546
Fully diluted earnings per share (Sen)	28.5	5.6	37.7	14.6

Dated this 24 May 2010