

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED BALANCE SHEETS
AS AT 30 SEPTEMBER 2010

	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
THE GROUP		
Assets		
Cash and short term funds	15,134,493	17,181,501
Deposits and placements with financial institutions	6,862,419	7,698,751
Securities purchased under resale agreements	189,124	-
Securities held at fair value through profit or loss	12,395,866	9,308,836
Securities available-for-sale	9,611,804	8,096,680
Securities held-to-maturity	7,672,041	6,866,864
Loans, advances and financing	39,965,525	38,522,242
Clients' and brokers' balances	235,782	155,623
Other receivables	2,485,550	2,648,069
Assets classified as held for sale and discontinued operations	324,313	346,939
Statutory deposits with Bank Negara Malaysia	394,716	398,666
Tax recoverable	5,810	6,119
Investment in associates	1,209,026	1,172,175
Investment in jointly controlled company	75,762	76,023
Prepaid land lease payments	17,923	17,260
Deferred tax asset	145,606	176,138
Property and equipment	653,975	641,659
Intangible assets	629,843	628,823
Total Assets	98,009,578	93,942,368
Liabilities		
Deposits from customers	70,261,767	69,480,896
Deposits and placements of banks and other financial institutions	7,124,875	4,477,393
Bills and acceptances payable	827,585	304,140
Clients' and brokers' balances	385,183	262,415
Payables and other liabilities	4,200,375	4,942,138
Liabilities included in assets classified as held for sale and discontinued operations	318,922	320,102
Provision for claims	50,149	52,727
Provision for taxation	151,923	105,306
Bank loans	387,164	522,751
Subordinated obligations	691,003	650,454
Capital market borrowing	244,911	219,507
Insurance funds	5,419,909	5,175,709
Total Liabilities	90,063,766	86,513,538
Equity		
Share capital	1,052,768	1,052,768
Capital reserves	1,451,495	1,464,230
Retained profits	3,060,145	2,703,870
Fair value reserves	69,829	17,854
Treasury shares held for ESOS	(77,489)	(78,171)
Total shareholders' equity	5,556,748	5,160,551
Minority interest	2,389,064	2,268,279
Total Equity	7,945,812	7,428,830
Total Liabilities and Equity	98,009,578	93,942,368
Commitment and Contingencies	111,671,202	102,891,118
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	5.37	4.98

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

THE GROUP	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2010 RM '000	quarter ended 30/09/2009 RM '000	ended 30/09/2010 RM '000	ended 30/09/2009 RM '000
Interest income	726,895	633,724	726,895	633,724
Interest expense	(348,145)	(295,864)	(348,145)	(295,864)
Net interest income	378,750	337,860	378,750	337,860
Income from Islamic banking business	46,846	48,080	46,846	48,080
Non interest income	346,971	176,647	346,971	176,647
Net income	772,567	562,587	772,567	562,587
Overhead expenses	(261,849)	(246,969)	(261,849)	(246,969)
Operating profit before allowances	510,718	315,618	510,718	315,618
Allowance for losses on loans, advances and financing and other losses	(40,298)	(43,510)	(40,298)	(43,510)
Impairment loss	306	191	306	191
	470,726	272,299	470,726	272,299
Share of results of associated company	36,851	30,525	36,851	30,525
Share of results of joint venture company	(261)	-	(261)	-
Profit before taxation and zakat	507,316	302,824	507,316	302,824
Taxation	(94,829)	(59,213)	(94,829)	(59,213)
Zakat	(14)	(13)	(14)	(13)
Net profit for the year	412,473	243,598	412,473	243,598
Attributable to :				
Equity holders of the company	323,801	157,595	323,801	157,595
Minority interests	88,672	86,003	88,672	86,003
Net profit for the year	412,473	243,598	412,473	243,598
Basic earnings per ordinary share (sen)	31.3	15.2	31.3	15.2
Diluted earnings per ordinary share (sen)	31.3	15.2	31.3	15.2
Other comprehensive income:				
Net fair value changes on available-for- sale securities, net of tax	3,111	34,746	3,111	34,746
Currency translation differences	(27,556)	(136)	(27,556)	(136)
Total comprehensive income for the period, net of tax	388,029	278,208	388,029	278,208
Attributable to :				
Equity holders of the company	300,810	157,595	300,810	157,595
Minority interests	87,219	86,003	87,219	86,003
Net profit for the year	388,029	243,598	388,029	243,598

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY BALANCE SHEETS AS AT 30 SEPTEMBER 2010

	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	102,278	12,041
Securities held at fair value through profit or loss	64,959	23,014
Other receivables	44,464	288,513
Tax recoverable	4,700	4,700
Investment in subsidiaries	2,283,220	2,278,996
Property and equipment	1,783	1,954
Intangible assets	92	124
Total Assets	2,501,496	2,609,342
<u>Liabilities</u>		
Payables and other liabilities	8,091	5,252
Bank loans	365,164	500,751
Capital market borrowing	244,911	219,507
Total Liabilities	618,166	725,510
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	383,729	383,047
Retained profits	508,486	513,767
Treasury shares held for ESOS	(61,653)	(65,750)
Total Equity	1,883,330	1,883,832
Total Liabilities and Equity	2,501,496	2,609,342
Commitment and Contingencies	368,030	368,030

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY INCOME STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
THE COMPANY				
Interest income	1,294	289	1,294	289
Interest expense	(6,813)	(3,457)	(6,813)	(3,457)
Net interest expense	(5,519)	(3,168)	(5,519)	(3,168)
Non interest income	1,778	473	1,778	473
Net income	(3,741)	(2,695)	(3,741)	(2,695)
Overhead expenses	(4,362)	(4,062)	(4,362)	(4,062)
Impairment on investment	-	-	-	-
Profit before taxation and zakat	(8,103)	(6,757)	(8,103)	(6,757)
Taxation	-	-	-	-
Net profit for the year	(8,103)	(6,757)	(8,103)	(6,757)
Basic earnings per ordinary share (sen)	(0.8)	(0.7)	(0.8)	(0.7)
Diluted earnings per ordinary share (sen)	(0.8)	(0.7)	(0.8)	(0.7)

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

FOR THE FINANCIAL YEAR ENDED
30 SEPTEMBER 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 2010	1,052,768	117,229	1,190,262	133,258	26,655	17,854	(3,174)	2,703,870	(78,171)	5,160,551	2,268,279	7,428,830
Changes in accounting policies (Note 29)	-	-	-	-	-	52,304	-	38,750	-	91,054	10,061	101,115
Restated opening balance as at 1 July 2010	1,052,768	117,229	1,190,262	133,258	26,655	70,158	(3,174)	2,742,620	(78,171)	5,251,605	2,278,340	7,529,945
Exchange fluctuation differences	-	-	-	-	-	-	(22,662)	-	-	(22,662)	(4,894)	(27,556)
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	-	(329)	-	-	-	(329)	3,440	3,111
Other comprehensive income	-	-	-	-	-	(329)	(22,662)	-	-	(22,991)	(1,453)	(24,444)
Net profit for the financial year	-	-	-	-	-	-	-	323,801	-	323,801	88,672	412,473
Total comprehensive income/(expense) for the period	-	-	-	-	-	(329)	(22,662)	323,801	-	300,810	87,219	388,029
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	8,119	-	-	-	-	(8,119)	-	-	23,505	23,505
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	2,113	-	-	-	-	2,113	-	2,113
Option reserves arising from ESOS	-	-	-	-	(305)	-	-	1,843	682	2,220	-	2,220
Exercise of ESOS	-	-	-	-	28,463	69,829	(25,836)	3,060,145	(77,489)	5,556,748	2,389,064	7,945,812
AT 30 SEPTEMBER 2010	1,052,768	117,229	1,198,381	133,258	28,463	69,829	(25,836)	3,060,145	(77,489)	5,556,748	2,389,064	7,945,812

FOR THE FINANCIAL YEAR ENDED
30 SEPTEMBER 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 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
Exchange fluctuation differences	-	-	-	-	-	-	(136)	-	-	(136)	-	(136)
Net fair value changes in available-for-sale securities, net of tax	-	-	-	-	-	34,746	-	-	-	34,746	-	34,746
Net income/(expense) recognised directly in equity	-	-	-	-	-	34,746	(136)	-	-	34,610	-	34,610
Net profit for the financial year	-	-	-	-	-	-	-	157,595	-	157,595	86,003	243,598
Total comprehensive income/(expense) for the period	-	-	-	-	-	34,746	(136)	157,595	-	192,205	86,003	278,208
Transfer to statutory reserves	-	-	10,923	-	-	-	-	(10,923)	-	-	-	-
Allocation of other reserves to minority interests	-	-	-	-	-	-	-	-	-	-	15,460	15,460
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-
- 1st interim dividend	-	-	-	-	-	-	-	-	-	-	-	-
- 2nd interim dividend	-	-	-	-	3,229	-	-	-	-	3,229	-	3,229
Option reserve arising from ESOS	-	-	-	-	-	-	-	-	-	-	-	-
Treasury Shares held for ESOS	-	-	-	-	-	-	-	-	-	-	-	-
AT 30 SEPTEMBER 2009	1,052,768	117,229	1,152,409	133,258	26,458	15,317	20,277	2,325,933	(78,171)	4,765,478	2,358,368	7,123,846

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
Opening balance as at 1 July 2010	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Changes in accounting policies (Note 29)	-	-	-	-	-	-	-
Net profit for the financial year	1,052,768	117,229	254,991	10,827	513,767	(65,750)	1,883,832
Total recognised income/(expense) for the period	-	-	-	-	(8,103)	-	(8,103)
Option reserves arising from ESOS Exercise of ESOS	-	-	-	682	206	682	1,570
Transfer of ESOS shares to HLIA	-	-	-	-	2,616	3,415	6,031
AT 30 SEPTEMBER 2010	1,052,768	117,229	254,991	11,509	508,486	(61,653)	1,883,330

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Retained Profits RM '000	Treasury Shares RM '000	Total Equity RM '000
Opening balance as at 1 July 2009	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)
Option reserves arising from ESOS	-	-	-	655	-	-	655
Treasury Shares held for ESOS	-	-	-	-	-	-	-
AT 30 SEPTEMBER 2009	1,052,768	117,229	18,484	10,863	551,936	(65,750)	1,685,530

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2010

	The Group		The Company	
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
Profit before taxation and zakat	507,316	302,824	(8,103)	(6,757)
Adjustment for non-cash items and others	211,287	73,200	11,866	4,797
Operating profit before working capital changes	718,603	376,024	3,763	(1,960)
Income tax recovered/(paid)	(47,825)	16,492	-	6,190
Interest received	960	724	960	289
Net changes in working capital	2,902,524	(6,899,071)	(43,070)	(38,457)
Net cash flow from operating activities	3,574,262	(6,505,831)	(38,347)	(33,937)
Net cash flow from investing activities	(5,445,053)	(4,397,749)	623	(134,688)
Net cash flow from financing activities	(153,555)	(4,198)	127,961	170,066
Changes in cash and cash equivalents	(2,024,346)	(10,907,778)	90,237	1,441
Effect of change in foreign exchange rate	(22,662)	(138)	-	-
Cash and cash equivalents as at 1 July	17,181,501	19,500,176	12,041	2,791
Cash and cash equivalents as at 30 September	15,134,493	8,592,260	102,278	4,232

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 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 (“BNM”) and should be read in conjunction with the Group’s audited annual financial statements for the year ended 30 June 2010.

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 2010 except for the first time adoption of the following standards, amendments to published standards and interpretations to existing standards:

FRS 3	Business Combinations
FRS 4	Insurance Contract
FRS 7	Financial Instruments: Disclosure
FRS 101	Presentation of Financial Statements
FRS 127	Consolidated and Separate Financial Statements
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 13	Customer Loyalty Programmes
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendment to FRS 117	Leases
Amendment to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 138	Intangible Assets
Amendments to FRS 2	Share-based Payment
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions

The adoption of the above do not give rise to any material effects to the Group, other than the effects and change in accounting policies arising from adoption of FRS 139 as disclosed in Note 29.

2. Status of matters giving rise to the auditor's qualified report in the annual financial statement for the financial year ended 30 June 2010 of HLFG

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2010.

3. Seasonality or cyclical nature 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 30 September 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.

The Company had previously 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.

During the financial period ended 30 September 2010, a total of 751,000 units was transferred to an insurance subsidiary company and a total of 150,000 ordinary shares of RM1 each were exercised pursuant to the Company's ESOS at the granter exercise price of RM5.92.

The remaining number of shares held by the appointed trustee for the Company as at 30 September 2010 was 13,560,408 units at an average price of RM4.45 per share and the total consideration paid, including transaction costs was RM61,653,300.

As at 30 September 2010, the insurance subsidiary company held a total of 3,519,992 units of the Company's shares at an average price of RM4.49 per share with total consideration paid, including transaction costs of RM16,534,704, which have been classified as treasury shares held for ESOS at the Group level

7. Dividends paid

There were no dividends paid during the period under review.

8. Segmental reporting

Segmental information is presented in respect of the Group's business segments. The primary format by business segments is based on the Group's management and internal reporting structure.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on arms length basis. These transactions are eliminated on consolidation. Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated item mainly comprise tax recoverable, tax payable and other corporate assets and other corporate liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

Business segments

The Group comprises the following main business segments:

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

GROUP 30 SEPTEMBER 2010	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
Revenue for the year ended												
External sales	521,509	21,505	209,390	20,163	-	-	-	-	-	-	-	772,567
Intersegment sales	18,278	2,651	3,328	8,132	(32,389)							-
	<u>539,787</u>	<u>24,156</u>	<u>212,718</u>	<u>28,295</u>	<u>(32,389)</u>							<u>772,567</u>
Results for the year ended												
Segment results	280,791	8,877	189,526	(8,468)	-							470,726
Share of results of associated company												36,851
Share of results of joint venture company												(261)
Profit before taxation and zakat												<u>507,316</u>
Taxation and zakat												<u>(94,843)</u>
Profit after taxation												<u>412,473</u>
Minority interest												<u>(88,672)</u>
Net profit for the year												<u>323,801</u>
Other information												
Segment assets	88,733,931	1,562,112	7,497,036	213,993	(182,405)							97,824,667
Other corporate assets												184,911
Total consolidated assets												<u>98,009,578</u>
Segment liabilities	82,061,007	1,339,392	6,542,270	53,816	(542,793)							89,453,692
Other corporate liabilities												610,074
Total consolidated liabilities												<u>90,063,766</u>
Capital expenditure	28,746	2,178	506	11	-							31,441
Depreciation of property and equipments	12,657	751	884	183	-							14,475
Amortisation of intangible assets	4,338	-	518	31	-							4,887
Amortisation of prepaid lease payment	140	-	-	-	-							140
Loan loss and other allowances	105,030	1,041	1,896	-	-							107,967
Impairment losses	(6,939)	-	(508)	-	-							(7,447)

GROUP 30 SEPTEMBER 2009	Commercial Banking		Investment Banking		Insurance	Others	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000				
Revenue for the year ended								
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>
Results for the year ended								
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								302,824
Taxation and zakat								(59,226)
Profit after taxation								243,598
Minority interest								(86,003)
Net profit for the year								<u>157,595</u>
Other information								
Segment assets	79,178,302	575,171	6,113,106	95,466	173,407			86,135,452
Other corporate assets								(1,214,175)
Total consolidated assets								<u>84,921,277</u>
Segment liabilities	71,003,928	673,895	5,879,960	52,571	(433,217)			77,177,137
Other corporate liabilities								620,294
Total consolidated liabilities								<u>77,797,431</u>
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

9. Securities held at fair value through profit or loss

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
<u>At Fair Value</u>		
Malaysian Government Treasury Bills	122,912	251,599
Malaysian Government Securities	1,269,048	1,107,934
Negotiable instruments of deposit	855,972	784,708
Bankers' acceptances and Islamic accepted bills	3,892,472	2,771,744
Bank Negara Malaysia bills	4,284,607	2,606,431
Malaysian Government Investment Certificates	1,273,261	1,116,703
Cagamas bonds/notes	200,000	254,998
Private debts securities	149,251	190,544
	12,047,523	9,084,661
Quoted securities :		
Shares/Loan stocks/Unit Trust	82,398	45,013
Foreign currency bonds	209,848	118,292
Unquoted securities :		
Private debt securities	56,097	60,870
Total securities held at fair value through profit and loss	12,395,866	9,308,836
	Company	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
<u>At Fair Value</u>		
Unit Trust	64,959	23,014

10. Securities available-for-sale

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
<u>At Fair Value</u>		
Government Treasury Bills	399,044	533,551
Malaysian Government Securities	926,131	1,571,027
Malaysian Government Investment Certificates	2,780,792	2,123,648
Cagamas bonds	249,684	129,476
Other Government securities	106,509	51,910
	4,462,160	4,409,612
Quoted securities :		
Shares/Loan stocks/Unit Trust	1,692,200	632,254
Foreign Currency Bonds	660,121	513,672
Unquoted securities :		
Foreign Currency Bonds	-	12,347
Private debt securities/shares/reits	2,797,323	2,528,795
Total securities available-for-sale	9,611,804	8,096,680

11. Securities held-to-maturity

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	3,816,244	4,144,712
Malaysian Government Investment Certificates	1,312,277	1,312,548
Negotiable instruments of deposit	1,789,294	690,588
Cagamas bonds	279,876	279,872
Bank Negara Malaysia bills	49,734	-
	<u>7,247,425</u>	<u>6,427,720</u>
Quoted securities :		
Foreign Currency Bonds	4,729	3,374
Unquoted securities :		
Private debt securities/shares/loan stocks	419,887	435,770
Total securities held-to-maturity	<u>7,672,041</u>	<u>6,866,864</u>

12. Loans, advances and financing

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
Overdrafts	2,109,753	2,036,810
Term loans :		
- Housing loans/financing	23,751,068	22,534,948
- Syndicated term loan/financing	2,525,212	2,270,838
- Hire purchase receivables	5,852,102	5,650,823
- Lease receivables	10,731	11,866
- Other term loans/financing	2,445,832	2,263,522
Credit/charge card receivables	2,298,355	2,210,438
Bills receivables	360,039	268,725
Trust receipts	91,139	98,419
Claims on customers under acceptance credits	3,471,950	3,619,054
Block discounting	8,261	8,244
Revolving credits	1,710,808	1,393,605
Policy and premium loans	660,222	655,246
Staff loans	87,782	99,531
Other loans/financing	81,026	87,416
	<u>45,464,280</u>	<u>43,209,485</u>
Unearned interest and income	(4,507,242)	(3,876,159)
	<u>40,957,038</u>	<u>39,333,326</u>
Fair value changes arising from fair value hedges	-	-
Unamortised fair value changes arising from terminated fair value hedges	40,876	46,725
Allowance for bad and doubtful debts and financing :		
- general	-	(579,618)
- specific	-	(278,191)
- collective assessment	(799,205)	-
- individual assessment	(233,184)	-
Net loans, advances and financing	<u>39,965,525</u>	<u>38,522,242</u>

12. Loans, advances and financing (continued)**(a) By type of customer**

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Domestic non-bank financial institutions	174,011	178,501
Domestic business enterprises		
- Small and medium enterprises	3,642,711	3,349,519
- Others	8,492,728	8,347,349
Government and statutory bodies	254	278
Individuals	27,059,240	26,220,188
Other domestic entities	13,619	14,395
Foreign entities	1,574,475	1,223,096
Gross loans, advances and financing	40,957,038	39,333,326

(b) By interest/profit rate sensitivity

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Fixed rate		
- Housing loans/financing	552,265	530,012
- Hire purchase receivables	5,066,961	4,924,898
- Other fixed rate loan/financing	4,330,088	3,981,846
Variable rate		
- Base lending rate plus	26,174,646	25,141,613
- Cost plus	4,727,722	4,682,310
- Other variables rates	105,356	72,647
Gross loans, advances and financing	40,957,038	39,333,326

(c) By economic purpose

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Purchase of securities	506,747	476,082
Purchase of transport vehicles	5,135,580	4,834,160
Purchase of landed properties		
- residential	16,639,775	14,930,332
- non-residential	4,938,909	4,436,355
Personal use	1,532,710	2,994,401
Credit card	2,298,355	2,210,438
Purchase of consumer durables	70	62
Construction	284,072	298,512
Working capital	8,665,230	8,449,753
Others	955,590	703,231
Gross loans, advances and financing	40,957,038	39,333,326

12. Loans, advances and financing (continued)

(d) Non-performing loans by purpose

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Purchase of securities	14,674	12,952
Purchase of transport vehicles	49,618	40,252
Purchase of landed properties		
- residential	240,374	201,359
- non-residential	64,547	55,633
Personal use	67,770	53,792
Credit card	27,245	27,859
Construction	24,251	15,907
Working capital	423,893	321,667
Others	2	2
Gross loans, advances and financing	912,374	729,423

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

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
At beginning		
- as previously stated	729,423	802,444
- effect of adopting FRS 139	213,479	-
As restated	942,902	802,444
Non-performing during the period/year	161,758	2,910,248
Reclassified as performing	(93,569)	(2,482,001)
Amount written back in respect of recoveries	(65,948)	(287,549)
Amount written off	(33,287)	(211,708)
Amount transferred in respect of acquisition	-	-
Exchange differences	518	(2,011)
Closing balance	912,374	729,423
Specific allowance	-	(278,191)
Net non-performing loans, advances and financing	912,374	451,232
Net NPL as a % of gross loans, advances and financing less specific allowance	2.3%	1.2%

12. Loans, advances and financing (continued)

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

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
<u>Collective Assessment Allowance</u>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	769,545	-
As restated	769,545	-
Net allowance made during the period/year	83,421	-
Amount written back in respect of recoveries	(21,344)	-
Amount written off	(29,475)	-
Unwinding income	(3,106)	-
Exchange differences	164	-
Closing balance	799,205	-
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	2.0%	-
<u>Individual Assessment Allowance</u>		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	228,018	-
As restated	228,018	-
Net allowance made during the period/year	10,519	-
Amount written back in respect of recoveries	(2,457)	-
Amount written off	-	-
Unwinding income	(3,141)	-
Exchange differences	245	-
Closing balance	233,184	-
<u>General Allowance</u>		
At beginning		
- as previously stated	579,621	546,080
- effect of adopting FRS 139	(579,621)	-
As restated	-	546,080
Net allowance made during the period/year	-	34,135
Exchange differences	-	(594)
Closing balance	-	579,621
As % of gross loans, advances and financing less specific allowance	0.0%	1.5%
<u>Specific Allowance</u>		
At beginning		
- as previously stated	278,191	330,119
- effect of adopting FRS 139	(278,191)	-
As restated	-	330,119
Allowance made during the period/year	-	289,510
Amount written back in respect of recoveries	-	(128,463)
Amount written off	-	(211,708)
Exchange differences	-	(1,267)
Closing balance	-	278,191

13. Other receivables

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
Interest/Income receivable	215,783	215,058
Investment properties	1,680	1,600
Other debtors, deposits and prepayments	2,266,810	2,430,134
Foreclosed properties	1,277	1,277
	<u>2,485,550</u>	<u>2,648,069</u>

	Company	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
Amount due from subsidiary companies	43,894	282,038
Amount due from related companies	265	10
Other debtors, deposits and prepayments	305	6,465
	<u>44,464</u>	<u>288,513</u>

14. Deposits from customers

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
Fixed deposits	38,731,892	38,528,523
Negotiable instruments of deposit	3,300,616	2,580,634
Demand deposits	8,215,823	7,964,808
Savings deposits	8,482,498	8,392,327
Short term corporate placement	11,243,629	11,759,585
Other	287,309	255,019
	<u>70,261,767</u>	<u>69,480,896</u>

The maturity structure of fixed deposits and negotiable instruments :

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
One year or less (short term)	39,769,182	40,011,949
More than one year (medium/long term)	2,263,326	1,097,208
	<u>42,032,508</u>	<u>41,109,157</u>

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

	Group	
	As at	As at
	30/09/2010	30/06/2010
	RM '000	RM '000
Government and statutory bodies	1,493,104	856,715
Business enterprises	33,785,684	34,229,890
Individuals	33,944,604	33,353,132
Others	1,038,375	1,041,159
	<u>70,261,767</u>	<u>69,480,896</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Licensed banks	5,921,824	3,644,826
Other financial institutions	1,203,051	832,567
	<u>7,124,875</u>	<u>4,477,393</u>
The maturity structure :		
One year or less (short term)	7,124,875	4,477,393
More than one year (medium/long term)	-	-
	<u>7,124,875</u>	<u>4,477,393</u>

16. Payables and other liabilities

	Group	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Trade payables	552,702	521,257
Amount due to related companies	4,241	3,940
Other payables and accrued liabilities	2,303,550	3,051,056
Loan advance payment	1,036,963	982,043
Interest payable	297,385	378,423
Post employment benefits obligations - defined contribution plan	5,534	5,419
	<u>4,200,375</u>	<u>4,942,138</u>

	Company	
	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Amount due to subsidiary companies	44	22
Other payables and accrued liabilities	7,382	4,645
Interest payable	651	570
Post employment benefits obligations - defined contribution plan	15	15
	<u>8,091</u>	<u>5,252</u>

17. Interest income

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2010 RM '000	quarter ended 30/09/2009 RM '000	ended 30/09/2010 RM '000	ended 30/09/2009 RM '000
Loan, advances and financing				
- Interest income other than recoveries				
from NPLs	442,552	388,443	442,552	388,443
- recoveries from NPLs	-	25,427	-	25,427
Money at call and deposit placements				
with financial institutions	114,660	73,825	114,660	73,825
Securities purchased under resale agreement	253	6	253	6
Securities held at fair value through				
profit and loss	25,892	15,946	25,892	15,946
Securities available-for-sale	29,814	43,618	29,814	43,618
Securities held-to-maturity	108,159	48,833	108,159	48,833
Others	5,321	349	5,321	349
	<u>726,651</u>	<u>596,447</u>	<u>726,651</u>	<u>596,447</u>
Amortisation of premium less				
accretion of discount	244	39,872	244	39,872
Interest suspended	-	(2,595)	-	(2,595)
	<u>726,895</u>	<u>633,724</u>	<u>726,895</u>	<u>633,724</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements				
with financial institutions	256	21	256	21
Others	1,038	268	1,038	268
	<u>1,294</u>	<u>289</u>	<u>1,294</u>	<u>289</u>

18. Interest expense

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended 30/09/2010 RM '000	quarter ended 30/09/2009 RM '000	ended 30/09/2010 RM '000	ended 30/09/2009 RM '000
Deposits and placements of banks				
and other financial institutions	16,093	7,843	16,093	7,843
Deposits from customers	236,400	228,541	236,400	228,541
Borrowings	7,068	4,198	7,068	4,198
Subordinated bonds	8,718	9,104	8,718	9,104
Short term corporate placements	79,190	45,301	79,190	45,301
Others	676	877	676	877
	<u>348,145</u>	<u>295,864</u>	<u>348,145</u>	<u>295,864</u>
	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
Borrowings	6,636	2,984	6,636	2,984
Others	177	473	177	473
	<u>6,813</u>	<u>3,457</u>	<u>6,813</u>	<u>3,457</u>

19. Non Interest Income

	Group		Group	
	Current quarter ended 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
Net income from Insurance Business	201,803	26,642	201,803	26,642
Net brokerage and commissions from Stockbroking Business	14,509	13,321	14,509	13,321
Net unit trust and asset management income	4,579	4,289	4,579	4,289
Fee income:				
Management fees	1,783	1,759	1,783	1,759
Commissions	17,282	18,179	17,282	18,179
Service charges and fees	4,271	4,349	4,271	4,349
Guarantee fees	1,395	1,370	1,395	1,370
Other fee income	59,287	50,002	59,287	50,002
	84,018	75,659	84,018	75,659
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	2,563	(12)	2,563	(12)
Net gain from sale of securities available-for-sale	8,598	1,348	8,598	1,348
Net gain/(loss) from redemption of securities held-to-maturity	-	3,396	-	3,396
	11,161	4,732	11,161	4,732
Gross dividend income from:				
Securities held at fair value through profit and loss	27,296	12,984	27,296	12,984
Securities available-for-sale	5,177	1,097	5,177	1,097
Securities held-to-maturity	60	974	60	974
	32,533	15,055	32,533	15,055
Net unrealised gains/(losses) on revaluation of securities held at fair value through profit or loss and derivatives	(12,048)	1,734	(12,048)	1,734
Net realised gains/(losses) on fair value changes arising from fair value hedge	(4,902)	(193)	(4,902)	(193)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	(4,617)	165	(4,617)	165
Other income:				
Foreign exchange gain/(loss)	14,957	27,474	14,957	27,474
Rental income	411	227	411	227
Gain/(loss) on disposal of property and equipment	(329)	206	(329)	206
Gain/(loss) on liquidation	-	-	-	-
Profit from Takaful investments	-	1,758	-	1,758
Others	4,896	5,578	4,896	5,578
	19,935	35,243	19,935	35,243
Total non interest income	346,971	176,647	346,971	176,647

19. Non Interest Income (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	ended	ended
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
Fee income:				
Management fees	1,783	1,759	1,783	1,759
Gain/(loss) arising from sale of securities:				
Net gain from sale of securities held at fair value through profit and loss and derivatives	(121)	-	(121)	-
Gross dividend income from:				
Securities held at fair value through profit and loss	761	65	761	65
Subsidiary companies	-	-	-	-
Unrealised gain/(loss) on revaluation of securities held at fair value through profit and loss and derivatives	(6,254)	(1,529)	(6,254)	(1,529)
Other income:				
Gain on disposal of subsidiary company	-	-	-	-
Others	5,609	178	5,609	178
Total non interest income	1,778	473	1,778	473

20. Overhead expenses

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	ended	ended
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	130,257	118,902	130,257	118,902
- Others	11,001	10,398	11,001	10,398
<u>Establishment costs</u>				
- Depreciation of property and equipments	14,475	13,507	14,475	13,507
- Amortisation of intangible assets	4,887	3,021	4,887	3,021
- Amortisation of prepaid lease payment	140	21	140	21
- Rental	13,536	13,468	13,536	13,468
- Information technology expenses	11,130	13,313	11,130	13,313
- Others	14,055	11,877	14,055	11,877
<u>Marketing expenses</u>				
- Advertisement and publicity	6,781	15,204	6,781	15,204
- Handling fees	-	1,010	-	1,010
- Others	17,515	12,508	17,515	12,508
<u>Administration and general expenses</u>				
- Teletransmission expenses	1,191	1,684	1,191	1,684
- Stationery & printing	2,560	3,184	2,560	3,184
- Others	34,321	28,872	34,321	28,872
	261,849	246,969	261,849	246,969

20. Overhead expenses (continued)

	Company		Company	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	ended	ended
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	2,275	2,272	2,275	2,272
- Others	792	761	792	761
<u>Establishment costs</u>				
- Depreciation of property and equipments	182	190	182	190
- Amortisation of intangible assets	31	30	31	30
- Rental	193	171	193	171
- Others	55	98	55	98
<u>Administration and general expenses</u>				
- Teletransmission expenses	8	9	8	9
- Stationery & printing	14	20	14	20
- Others	811	511	811	511
	<u>4,362</u>	<u>4,062</u>	<u>4,362</u>	<u>4,062</u>

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

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	ended	ended
	30/09/2010	30/09/2009	30/09/2010	30/09/2009
	RM '000	RM '000	RM '000	RM '000
Allowance for losses on loans, advances and financing:				
(a) Specific allowance				
- made during the financial year	-	79,885	-	79,885
- written back	-	(22,623)	-	(22,623)
(b) General allowance				
- made during the financial year	-	4,932	-	4,932
(c) Collective assessment allowance				
- made during the financial year	60,335	-	60,335	-
(d) Individual assessment allowance				
- made during the financial year	1,815	-	1,815	-
Allowance for losses on clients' and brokers' balances				
(a) Specific allowance				
- made during the financial year	(208)	-	(208)	-
- written back	-	-	-	-
(b) General allowance				
- made during the financial year	195	-	195	-
(c) Individual assessment allowance				
- written back	(449)	-	(449)	-
Bad debts and financing written off	2,066	1,764	2,066	1,764
Bad debts and financing recovered	(23,456)	(20,448)	(23,456)	(20,448)
	<u>40,298</u>	<u>43,510</u>	<u>40,298</u>	<u>43,510</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 30 June 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 30/09/2010 RM '000	As at 30/06/2010 RM '000	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000	As at 30/09/2010 RM '000	As at 30/06/2010 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	539,664	539,664	-	-	-	-
Retained profit	2,573,041	2,063,433	156,726	119,207	10,644	3,963
As previously stated	-	2,136,060	-	-	-	-
Prior year adjustments	-	(72,627)	-	-	-	-
Other Reserves	1,792,970	1,790,163	161,303	119,207	11,044	4,362
Less : Treasury Shares	(687,908)	(699,052)	-	-	-	-
Less : Goodwill	-	-	-	-	(30,236)	(30,000)
Less : Deferred Tax	(122,544)	(134,681)	(17,593)	(18,932)	(52,597)	(58,192)
Add : Minority interest	-	-	-	-	-	-
Total tier 1 capital	5,675,330	5,139,634	800,436	719,482	204,390	43,633
Tier - 2 capital						
General provision	511,615	471,305	66,175	73,486	1,805	1,304
Subordinated obligations	647,500	703,800	-	-	-	-
Redeemable preference shares	-	-	-	-	1,631	1,631
Share premium on redeemable preference shares	-	-	-	-	-	142,035
Total tier 2 capital	1,159,115	1,175,105	66,175	73,486	3,436	144,970
Total eligible tier-2 capital	1,159,115	1,175,105	66,175	73,486	3,436	43,633
Total capital	6,834,445	6,314,739	866,611	792,968	207,826	87,266
Less : Investment in associated company	(946,505)	(946,505)	-	-	-	-
Less : Investment in subsidiary companies	(714,092)	(575,746)	-	-	(588)	(588)
Less : Investment in jointly controlled company	(76,711)	-	-	-	-	-
Total capital base	5,097,137	4,792,488	866,611	792,968	207,238	86,678
Before deducting proposed dividends						
Core Capital Ratio	13.34% *	14.99%	19.74%	20.86%	33.06%	17.59%
Risk-weighted Capital Ratio	13.34%	14.99%	21.37%	22.99%	33.52%	34.94%
After deducting proposed dividends						
Core Capital Ratio	12.90% *	14.46%	19.15%	20.72%	33.06%	17.59%
Risk-weighted Capital Ratio	12.90%	14.46%	20.78%	22.85%	33.52%	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. At the adjourned extraordinary general meeting of the Hong Leong Bank ("HLB" or the "Bank") held on 4 October 2010, the shareholders had approved:
 - (i) the proposed acquisition of the entire assets and liabilities of EON Capital Berhad ("EON Cap") at an offer price of RM5,060,423,744 to be satisfied fully in cash;
 - (ii) the proposed renounceable rights issue of new ordinary shares of RM1.00 each in HLB to the entitled shareholders of HLB to raise gross proceeds of up to RM1.6 billion
- b. On 22 April 2010, HLG Capital Berhad ("HLG Capital"), a subsidiary of HLFGB, 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 would 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 Integration") 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 would be based on the value of the net assets of HLG Futures as at the Transfer Date, and would be satisfied by HLIB in cash.

The Proposed Integration was 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; and
- (iii) the approval of the SC for the application for a Capital Market Service licence to carry on the business of trading futures contracts by HLIB.

The SC had, vide its letter dated 18 June 2010, informed that the transfer of HLG Futures Business to HLIB has been approved pursuant to Section 139 of the Capital Markets and Services Act 2007.

On 12 July 2010, HLIB and HLG Futures entered into a Supplemental Business Transfer Agreement to revise the Transfer Date to 2 October 2010.

On 28 July 2010, High Court has granted the approval for the Proposed Integration.

The Proposed Integration was completed on 2 October 2010.

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 2 July 2010, HLB announced that it had acquired 2 ordinary shares of RM1.00 each fully paid, representing the entire equity interest in Prominic Sdn Bhd ("Prominic"), for a total cash consideration of RM2.00

Prominic was incorporated on 25 March 2010 in Malaysia. The authorised capital of Prominic is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

Prominic is currently dormant and its intended business activity is to issue Subordinated Notes under a Stapled Securities structure and to on-lend the proceeds from the issuance to HLB, the issuer of the Capital Securities.

Prominic was converted into a public company on 12 July 2010 and is now known as Prominic Berhad.

- b. HLA Holding Sdn Bhd ("HLAH"), which is a wholly-owned subsidiary of HLFGB and Hong Leong Assurance Bhd ("HLA"), which is a wholly-owned subsidiary of HLAH, had on 18 June 2010 entered into various agreements with Mitsui Sumitomo Insurance Company, Limited ("MSIJ") and its subsidiary, MSIG Insurance (Malaysia) Bhd ("MSIM"), in relation to the insurance businesses of HLA and MSIM ("Proposed Strategic Partnership").

The Proposed Strategic Partnership involved the following:

(a) Proposed merger of both Non-Life Businesses of HLA and MSIM via a transfer of the Non-Life Business of HLA (except for certain excluded assets and liabilities) to MSIM for a consideration of RM618,646,291 to be satisfied via the issuance of such number of new shares as shall represent 30% of the ordinary issued and paid-up capital of MSIM, in accordance with the terms of the conditional business transfer agreement dated 18 June 2010 ("Proposed Non-Life Business Merger"); and

(b) Upon completion of the Proposed Non-Life Business Merger, HLAH will dispose of 60,000,000 ordinary shares of RM1.00 each (representing a 30% equity interest) in HLA to MSIJ for a cash consideration of RM940 million in accordance with the terms of the conditional sale and purchase agreement dated 18 June 2010 ("Proposed Disposal").

The Proposed Non-Life Business Merger and Proposed Disposal were completed on 1 October 2010, and on even date, the equity interest of HLAH in HLA was reduced from 100% to 70% and MSIM has become an associated company of HLAH.

25. Commitments and contingencies

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

The commitments and contingencies constitute the following:

	As at 30/09/10			As at 30/06/10		
	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	163,331	163,331	153,653	175,141	175,141	164,268
Transaction-related contingent items	263,512	131,756	119,091	257,429	128,715	117,040
Short-term self liquidating trade-related contingencies	491,265	98,253	95,149	533,384	106,677	104,316
Other assets sold with recourse and commitment	8,868.00	-	-	-	-	-
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	22,710,839	-	-	21,415,746	-	-
Foreign exchange related contracts	42,680,337	1,370,503	729,725	38,854,571	1,508,811	955,252
Interest rate related contracts	45,191,413	5,078,066	1,702,832	41,466,597	1,404,961	706,729
Equity related contracts	161,637	10,587	4,565	188,250	12,159	3,388
Total	111,671,202	6,852,496	2,805,015	102,891,118	3,336,464	2,050,993

- 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 30 September 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 30/09/2010							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	2,109,189	30,400	-	-	-	12,994,904	-	15,134,493	2.5
Deposits and placements with banks and other financial institution	64,052	5,007,929	1,750,888	27,991	11,481	78	-	6,862,419	2.4
Securities purchased under resale agreements	-	-	-	-	-	189,124	-	189,124	-
Securities held at fair value through profit or loss	-	-	-	2,912	11,377	9,474	12,372,103	12,395,866	3.6
Securities available-for-sale	1,198,822	354,088	347,811	5,581,527	1,372,141	757,415	-	9,611,804	5.9
Securities held-for-maturity	1,175,874	1,041,824	1,238,797	4,101,230	113,061	1,255	-	7,672,041	3.4
Loans, advances and financing									
- performing	33,136,244	79,502	334,165	3,202,564	2,285,181	41,731	-	39,079,387	4.2
- non performing	-	-	-	-	-	886,138	-	886,138	-
Clients' and brokers' balances	-	-	-	-	-	235,782	-	235,782	-
Other receivables	-	-	-	-	-	2,485,550	-	2,485,550	-
Assets held for sale	-	-	-	-	-	324,313	-	324,313	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	394,716	-	394,716	-
Tax recoverable	-	-	-	-	-	5,810	-	5,810	-
Investment in associates	-	-	-	-	-	1,209,026	-	1,209,026	-
Investment in jointly controlled company	-	-	-	-	-	75,762	-	75,762	-
Prepaid land lease payments	-	-	-	-	-	17,923	-	17,923	-
Deferred tax assets	-	-	-	-	-	145,606	-	145,606	-
Property and equipment	-	-	-	-	-	653,975	-	653,975	-
Intangible assets	-	-	-	-	-	629,843	-	629,843	-
Total assets	37,684,181	6,513,743	3,671,661	12,916,224	3,793,241	21,058,425	12,372,103	98,009,578	
Liabilities									
Deposits from customers	35,687,776	11,413,875	-	13,131,723	2,177,055	7,851,338	-	70,261,767	2.0
Deposits and placements of banks and other financial institution	4,742,067	1,991,135	388,859	-	-	2,814	-	7,124,875	1.8
Bills and acceptance payable	2,510	15,592	7,112	-	-	802,371	-	827,585	2.7
Clients' and brokers' balances	-	-	-	-	-	385,183	-	385,183	-
Payables and other liabilities	-	-	-	-	-	4,014,332	-	4,014,332	-
Liabilities held for sale	-	-	-	-	-	318,922	-	318,922	-
Provision for claims	-	-	-	-	-	236,192	-	236,192	-
Provision for taxation	-	-	-	-	-	151,923	-	151,923	-
Bank loans	73,001	-	200,000	114,163	-	-	-	387,164	3.5
Subordinated obligations	-	-	-	696,100	-	(5,097)	-	691,003	4.9
Capital market borrowing									
- Commercial paper	244,911	-	-	-	-	-	-	244,911	3.0
Insurance funds	-	-	-	-	-	5,419,909	-	5,419,909	-
Total liabilities	40,750,265	13,420,602	595,971	13,941,986	2,177,055	19,177,887	-	90,063,766	
Shareholder's equity	-	-	-	-	-	5,556,748	-	5,556,748	
Minority interest	-	-	-	-	-	2,389,064	-	2,389,064	
Total liabilities and shareholder's equity	40,750,265	13,420,602	595,971	13,941,986	2,177,055	27,123,699	-	98,009,578	
On-balance sheet interest sensitivity gap	(3,066,084)	(6,906,859)	3,075,690	(1,025,762)	1,616,186				

27. Interest/Profit rate risk (continued)

The Group
30/06/2010

	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	16,366,214	-	-	-	-	815,287	-	17,181,501	2.3
Deposits and placements with banks and other financial institution	-	5,801,949	1,695,492	143,758	57,482	70	-	7,698,751	2.3
Securities held at fair value through profit or loss	-	-	-	-	-	-	9,308,836	9,308,836	3.6
Securities available-for-sale	139,216	422,083	292,034	4,922,251	1,681,510	639,586	-	8,096,680	4.4
Securities held-for-maturity	594,875	735,699	484,542	4,904,880	118,521	28,347	-	6,866,864	3.4
Loans, advances and financing									
- performing	32,198,018	72,047	324,176	3,171,795	2,884,592	(572,850)	-	38,077,778	6.4
- non performing	-	-	-	-	-	444,464	-	444,464	-
Clients' and brokers' balances	-	-	-	-	-	155,623	-	155,623	-
Other receivables	-	-	-	-	-	2,648,069	-	2,648,069	-
Statutory deposits with									
Bank Negara Malaysia	-	-	-	-	-	398,666	-	398,666	-
Tax recoverable	-	-	-	-	-	6,119	-	6,119	-
Investment in associate	-	-	-	-	-	1,172,175	-	1,172,175	-
Investment in jointly controlled company	-	-	-	-	-	76,023	-	76,023	-
Prepaid land lease payments	-	-	-	-	-	17,260	-	17,260	-
Deferred tax assets	-	-	-	-	-	176,138	-	176,138	-
Property and equipment	-	-	-	-	-	641,659	-	641,659	-
Intangible assets	-	-	-	-	-	628,823	-	628,823	-
Non-current assets held for sale	-	-	-	-	-	346,939	-	346,939	-
Total assets	49,298,323	7,031,778	2,796,244	13,142,684	4,742,105	7,275,459	9,308,836	93,942,368	
Liabilities									
Deposits from customers	35,616,326	8,716,843	15,951,132	1,659,228	-	7,537,367	-	69,480,896	2.0
Deposits and placements of banks and other financial institution	2,676,793	1,722,634	71,213	-	-	6,753	-	4,477,393	1.7
Bills and acceptance payable	2,510	15,592	7,112	-	-	278,926	-	304,140	2.7
Clients' and brokers' balances	-	-	-	-	-	262,415	-	262,415	-
Payables and other liabilities	-	-	-	-	-	4,942,138	-	4,942,138	-
Provision for claims	-	-	-	-	-	52,727	-	52,727	-
Provision for taxation	-	-	-	-	-	105,306	-	105,306	-
Bank loans	53,000	-	350,000	119,751	-	-	-	522,751	3.3
Subordinated obligations	-	-	-	650,454	-	-	-	650,454	-
Capital market borrowing									
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
Insurance funds	-	-	-	-	-	5,175,709	-	5,175,709	-
Liabilities directly associated with non-current assets held for sale	-	-	-	-	-	320,102	-	320,102	-
Total liabilities	38,458,495	10,564,710	16,379,457	2,429,433	-	18,361,341	-	86,513,538	
Shareholder's equity	-	-	-	-	-	5,160,551	-	5,160,551	
Minority interest	-	-	-	-	-	2,268,279	-	2,268,279	
Total liabilities and shareholder's equity	38,458,495	10,564,710	16,379,457	2,429,433	-	25,790,171	-	93,942,368	
On-balance sheet interest sensitivity gap	10,839,828	(3,532,932)	(13,583,213)	10,713,251	4,742,105				

27. Interest/Profit rate risk (continued)

The Company
30/09/2010

	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	102,139	-	-	-	-	139	-	102,278	2.8
Securities held at fair value through profit or loss	-	-	-	-	-	-	64,959	64,959	-
Other receivables	-	-	-	-	-	44,464	-	44,464	-
Investment in subsidiaries	-	-	-	-	-	2,283,220	-	2,283,220	-
Tax recoverable	-	-	-	-	-	4,700	-	4,700	-
Property and equipment	-	-	-	-	-	1,783	-	1,783	-
Intangible assets	-	-	-	-	-	92	-	92	-
Total assets	102,139	-	-	-	-	2,334,398	64,959	2,501,496	
Liabilities									
Payables and other liabilities	-	-	-	-	-	8,091	-	8,091	-
Bank loans	51,000	-	200,000	114,164	-	-	-	365,164	3.5
Capital market borrowing									
- Commercial paper	244,911	-	-	-	-	-	-	244,911	3.0
- Medium Term Notes	-	-	-	-	-	-	-	-	-
Total liabilities	295,911	-	200,000	114,164	-	8,091	-	618,166	
Shareholder's equity	-	-	-	-	-	1,883,330	-	1,883,330	
Total liabilities and shareholder's equity	295,911	-	200,000	114,164	-	1,891,421	-	2,501,496	
On-balance sheet interest sensitivity gap	(193,772)	-	(200,000)	(114,164)	-	-	-	-	

The Company
30/06/2010

	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	11,990	-	-	-	-	51	-	12,041	2.1
Securities held at fair value through profit or loss	-	-	-	-	-	-	23,014	23,014	-
Other receivables	-	-	-	-	-	288,513	-	288,513	-
Investment in subsidiaries	-	-	-	-	-	2,278,996	-	2,278,996	-
Tax recoverable	-	-	-	-	-	4,700	-	4,700	-
Property and equipment	-	-	-	-	-	1,954	-	1,954	-
Intangible assets	-	-	-	-	-	124	-	124	-
Total assets	11,990	-	-	-	-	2,574,338	23,014	2,609,342	
Liabilities									
Payables and other liabilities	-	-	-	-	-	5,252	-	5,252	-
Bank loans	31,000	-	350,000	119,751	-	-	-	500,751	3.3
Capital market borrowing									
- Commercial paper	109,866	109,641	-	-	-	-	-	219,507	2.7
- Medium Term Notes	-	-	-	-	-	-	-	-	-
Total liabilities	140,866	109,641	350,000	119,751	-	5,252	-	725,510	
Shareholder's equity	-	-	-	-	-	1,883,832	-	1,883,832	
Total liabilities and shareholder's equity	140,866	109,641	350,000	119,751	-	1,889,084	-	2,609,342	
On-balance sheet interest sensitivity gap	(128,876)	(109,641)	(350,000)	(119,751)	-	-	-	-	

28. Operations of Islamic Banking

(a) Unaudited Balance Sheets as at 30 September 2010

	Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
ASSETS		
Cash and short-term funds	1,910,698	2,096,269
Deposits and placements with banks and other financial institutions	844,073	469,178
Securities held at fair value through profit or loss	2,156,986	2,133,529
Securities available-for-sale	1,282,004	569,403
Securities held-for-maturity	461,061	461,739
Financing, advances and other financing	4,312,528	4,138,867
Other receivables	14,886	26,791
Statutory deposits with Bank Negara Malaysia	45,850	47,000
Property, plant and equipment	2,914	1,977
Deferred tax assets	19,094	17,593
Total Assets	11,050,094	9,962,346
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	8,865,058	7,731,615
Deposits and placements of banks and other financial institutions	1,081,116	865,979
Bills and acceptance payable	22,460	18,774
Payables and other liabilities	227,396	521,766
Provision for taxation	8,962	5,402
Total Liabilities	10,204,992	9,143,536
Islamic banking capital fund	500,000	500,000
Reserves	345,102	318,810
Islamic Banking Funds	845,102	818,810
Total Liabilities and Islamic Banking Funds	11,050,094	9,962,346
Commitments and Contingencies	1,468,416	1,468,416

(b) Unaudited Income Statements for the 1st Quarter Ended 30 September 2010

	Current quarter ended 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
Group				
Income derived from investment of deposits' funds and others	86,600	73,183	86,600	73,183
Income derived from investment of shareholders' funds	9,344	9,390	9,344	9,390
Allowance for losses on financing	(7,872)	(2,144)	(7,872)	(2,144)
Profit equalisation reserve	(1,014)	3,102	(1,014)	3,102
Total distributable income	<u>87,058</u>	<u>83,531</u>	<u>87,058</u>	<u>83,531</u>
Income attributable to deposits	<u>(48,084)</u>	<u>(37,595)</u>	<u>(48,084)</u>	<u>(37,595)</u>
Total net income	<u>38,974</u>	<u>45,936</u>	<u>38,974</u>	<u>45,936</u>
Other operating expenses	<u>(17,304)</u>	<u>(16,796)</u>	<u>(17,304)</u>	<u>(16,796)</u>
Profit before taxation and zakat	<u>21,670</u>	<u>29,140</u>	<u>21,670</u>	<u>29,140</u>
Zakat	(14)	(13)	(14)	(13)
Taxation	<u>(5,419)</u>	<u>(7,282)</u>	<u>(5,419)</u>	<u>(7,282)</u>
Profit after taxation and zakat	<u>16,237</u>	<u>21,845</u>	<u>16,237</u>	<u>21,845</u>
Profit attributable to shareholders	<u>16,237</u>	<u>21,845</u>	<u>16,237</u>	<u>21,845</u>
Earnings per share - basic (sen)	<u>3.43</u>	<u>4.37</u>	<u>16.70</u>	<u>4.37</u>
Earnings per share - fully diluted (sen)	<u>3.43</u>	<u>4.37</u>	<u>16.70</u>	<u>4.37</u>

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

(i) **By type**

	Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Cash line	1,729	3,613
Term financing		
- House financing	5,046,841	4,334,789
- Hire purchase receivable	2,524,398	2,466,921
- Lease receivable	10,671	11,806
- Other term financing	567,500	560,441
Claims on customers under acceptance credits	67,214	103,135
Staff financing	15	3
Revolving credit	-	-
Others	428	467
	<u>8,218,936</u>	<u>7,481,175</u>
Less: Unearned income	(3,811,370)	(3,253,426)
	<u>4,407,566</u>	<u>4,227,749</u>
Less: Allowance for bad and doubtful financing		
- Collective assessment	(94,071)	-
- Individual assessment	(967)	-
- General	-	(66,175)
- Specific	-	(22,707)
Total net financing, advances and other financing	<u>4,312,528</u>	<u>4,138,867</u>

(ii) **By contract**

	Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Bai' Bithaman Ajil (deferred payment sale)	2,125,673	1,941,026
Ijarah (lease)	10,599	11,687
Ijarah Muntahia Bittamlik/AITAB (lease ended with ownership)	2,203,940	2,171,901
Murabahah (cost-plus)	67,354	103,135
	<u>4,407,566</u>	<u>4,227,749</u>

Non-performing financing

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

	Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
At beginning		
- as previously stated	36,324	46,260
- effect of adopting FRS 139	6,432	-
As restated	42,756	46,260
Non-performing during the period/year	14,397	235,161
Reclassified as performing	(9,526)	(211,205)
Amount written back in respect of recoveries	(6,268)	(24,167)
Amount written off	-	(9,725)
Closing balance	<u>84,115</u>	<u>36,324</u>
Net non-performing financing, advances and other financing	<u>84,115</u>	<u>13,617</u>
Ratio of net non-performing financing, advances and other financing to total net financing, advances and other financing	<u>2.0%</u>	<u>0.3%</u>

(d) Movements in allowance for bad and doubtful financing

	Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Collective assessment allowance		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	84,875	-
As restated	84,875	-
Net allowance made/(written back) during the year	9,447	-
Unwinding income	(251)	-
Closing balance	94,071	-
Individual assessment allowance		
At beginning		
- as previously stated	-	-
- effect of adopting FRS 139	1,294	-
As restated	1,294	-
Net allowance made/(written back) during the year	(303)	-
Unwinding income	(24)	-
Closing balance	967	-
General allowance		
At beginning		
- as previously stated	66,175	73,486
- effect of adopting FRS 139	(66,175)	-
As restated	-	73,486
Net allowance made/(written back) during the year	-	(7,311)
Closing balance	-	66,175
As % of gross financing, advances and other financing less specific allowance	0.0%	1.9%
Specific allowance		
At beginning		
- as previously stated	22,707	21,027
- effect of adopting FRS 139	(22,707)	-
As restated	-	21,027
Allowance made during the period/year	-	19,831
Amount written back in respect of recoveries	-	(8,426)
Amount written off	-	(9,725)
Closing balance	-	22,707

(e) Deposits from customer

By type of deposit

	Group	
	As at 30/09/2010 RM'000	As at 30/06/2010 RM'000
Non-Mudharabah		
Demand deposits	493,586	453,133
Savings deposits	644,967	631,211
Negotiable instruments of deposit	1,272,342	1,254,754
	2,410,895	2,339,098
Mudharabah		
Saving deposits	648,156	636,172
General investment deposits	3,657,905	2,287,927
Specific investment deposits	2,148,102	2,468,418
	6,454,163	5,392,517
	8,865,058	7,731,615

29 Effects of change in accounting policies

During the current reporting period, the Group adopted the following significant standards and amendments to standards:

- i) FRS 139 Financial Instruments : Recognition and Measurement
- ii) IC Interpretation 9 Reassessment of Embedded Derivatives
- iii) FRS7 Financial Instruments : Disclosures
- iv) Amendment to FRS 139 "Financial Instruments : Recognition and Measurement", FRS 7

FRS 139 establishes the principles for recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') which was effective since 1 January 2005 had addressed a significant portion of the requirements under FRS 139. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in some additional requirements implemented by the Group as follows:

1) Impairment of Loans, Advances and Financing

Prior to 1 July 2010, the Group's loan loss allowances were determined in accordance with BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

Under FRS 139, the Group assess at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assess whether objective evidence of impairment exists individually for loans which are individually significant, and individually or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 26 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowance of the Group as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

29 Effects change in accounting policies (continued)

2) Recognition of Interest Income

Prior to 1 July 2010, interest on loans, advances and financing was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not the future credit losses.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis. Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3) Recognition of Embedded Derivatives

Upon adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the host contract and the fair value of the resulting derivative can be reliably measured.

4) Fair Valuation of Unquoted Equity Securities

Upon adoption of FRS 139, all unquoted equity securities are now required to be excluded from financial investments held-to-maturity and to be fair valued. These securities have been reclassified to financial investments available-for-sale, with changes in fair value recognised directly to AFS reserves.

The changes in accounting policies described above have resulted in adjustments to opening reserves of the Group are as follows:

	As previously reported RM'000	Group Effects from changes in accounting policies RM'000	As restated RM'000
As at 1 July 2010			
Statement of changes in equity			
Retained profit	2,703,870	38,750	2,742,620
Fair value reserves	17,854	52,304	70,158
Minority interest	2,268,279	10,061	2,278,340

**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 RM507.3 million for the current quarter ended 30 September 2010 as compared to RM302.8 million in the preceding year's corresponding quarter, an increase of RM204.5 million. This is mainly due to a transfer of surplus reserve of Life business in the quarter and better performance by all the divisions of the Group.

The Commercial Banking division recorded a profit before tax of RM317.4 million for the current quarter ended 30 September 2010, an increase of RM28.6 million or 9.9% as compared to preceding year's corresponding quarter of RM 288.8 million. The increase is mainly attributed by higher net interest income and higher share of results from our equity stake in Bank of Chengdu.

The Investment Banking divisions recorded a profit before tax of RM8.90million compared to pre-tax profits of RM7.6 million in the previous corresponding quarter. This was due to higher contributions coming from the investment banking arm.

The Insurance division recorded a profit before tax of RM189.5 million for the quarter ended 30 September 2010 as compared to profit before tax of RM13.5 million in the preceding year's corresponding quarter. This is mainly due to a transfer from the surplus reserves of the Life business to shareholders' funds in the current quarter.

2. Current quarter against preceding financial quarter

The Group recorded a profit before tax of RM507.3 million for the quarter ended 30 September 2010 as compared to RM563.5 million in the previous preceeding financial quarter, an decrease of RM56.2 million. This was mainly due to lower contributions from the Commercial Banking and Insurance division.

The Commercial Banking division recorded a profit before tax of RM317.4 million for the quarter ended 30 September 2010 as compared to RM345.1 million in the previous preceeding quarter, an decrease of RM27.7 million mainly from mainly from higher allowance for losses on loans, advances and financing coupled with lower share of profit from Bank of Chengdu. However, this is mitigated by higher net interest income, higher other operating income and lower operating expenses.

The Investment Banking divisions recorded a profit before tax of RM8.9 million for the financial quarter ended 30 September 2010 as compared to RM3.9 million in the previous preceeding financial quarter. The higher profits are from higher contributions from investment banking division.

The Insurance division recorded a profit before tax of RM189.5 million for the quarter ended 30 September 2010 as compared to RM220.9 million in the previous preceeding financial quarter. The higher profits in the previous preceeding financial quarter is due to a one off gain on disposal of property.

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

Provision based on profits for the financial period 30 September 2010

	Group		Group	
	Current quarter ended 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
Tax expense				
Malaysian – current	(100,203)	(34,568)	(100,203)	(34,568)
Overseas – current	-	-	-	-
Transfer (from) / to deferred tax	5,374	(24,965)	5,374	(24,965)
	<u>(94,829)</u>	<u>(59,533)</u>	<u>(94,829)</u>	<u>(59,533)</u>
Prior year over/(under) provision				
- Malaysian	-	320	-	320
	<u>(94,829)</u>	<u>(59,213)</u>	<u>(94,829)</u>	<u>(59,213)</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.

6. Sale of properties/unquoted investments

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

7. Purchase / sale of quoted securities of the Group

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

8. Status of corporate proposals

There were no corporate proposals announced but not completed at the latest practicable date which was not earlier than 7 days from the issue of this report, other than as mentioned below:-

- (i) On 30 March 2010, CIMB Investment Bank Berhad ("CIMB"), on behalf of the Bank, announced that the Bank made a new offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM4,921,781,997 to be satisfied fully in cash.
- (ii) On 1 April 2010, CIMB, on behalf of the Bank, announced that the Bank has made a revised offer to acquire the entire assets and liabilities of EON Cap at an aggregate purchase consideration of RM5,060,423,744 to be satisfied fully in cash ("Offer").
- (iii) On 2 April 2010, CIMB, on behalf of the Bank, announced that the Bank had received confirmation from EON Cap to, amongst others, table the Offer for consideration and approval by EON Cap's shareholders and submit the applications to the Minister of Finance and other relevant regulatory authority for approval of the Offer, in accordance with the terms of the Offer.
- (iv) On 23 April 2010, CIMB, on behalf of HLB, announced the following:informing HLB
 - a. details on the proposed acquisition of the entire assets and liabilities of EON Cap at an offer price of RM5,060,423,744 to be satisfied fully in cash ("Proposed Acquisition");
 - b. that HLB proposes to undertake a renounceable rights issue of new ordinary shares of RM1.00 each in HLB ("Rights Shares") to the entitled shareholders of HLB to raise gross proceeds of up to RM1.6 billion ("Proposed Rights Issue"); and
 - c. that HLB had made an application to BNM on the Proposed Acquisition and Proposed Rights Issue.
- (v) On 27 May 2010, CIMB, on behalf of the Bank, announced that Bursa Securities had, through its letter dated 26 May 2010, given its approval for the listing of and quotation for the Rights Shares on the Main Market of Bursa Malaysia Securities Berhad.
- (vi) On 21 June 2010, CIMB, on behalf of the Bank, announced that the Bank had, pursuant to various discussions with EON Cap, issued 2 letters dated 18 June 2010 and 19 June 2010 to EON Cap clarifying or modifying the revised offer by the Bank, details as set out in the said announcement.
- (vii) On 16 July 2010, CIMB, on behalf of the Bank, announce that the Bank had received a letter dated 12 July 2010 from EON Cap requesting certain amendments to the terms of the Offer by HLB to acquire the entire assets and liabilities of EON Cap and the timelines as indicated in HLB's letters dated 18 June 2010 and 19 June 2010.

The Bank had, in its letter dated 15 July 2010 to EON Cap, noted the amendments and timelines proposed by EON Cap and advised EON Cap as follows:

- a. The Bank agrees to EON Cap's proposal that EON Cap may only accept the Offer by delivering to the Bank the acceptance as set out in the Bank's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the approvals for the Offer;
- b. The Bank agrees that the extraordinary general meeting of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,744 shall be held by 20 August 2010, and all the approvals from BNM/Ministry of Finance (MoF), Securities Commissions (SC) and shareholders of EON Cap and HLB, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
- c. the Offer is subject to all the timelines mentioned in (i) and/or (ii) above being met, unless extended by the Bank.

8. Status of corporate proposals (continued)

(viii) On 3 August 2010, CIMB, on behalf of HLB, announced that HLB had received the approval of the Minister of Finance ("MoF") through Bank Negara Malaysia ("BNM") for, inter alia, the following:

- a. Approval under Section 45(1)(a) of the Banking and Financial Institutions Act, 1989 ("BAFIA") for HLB to acquire interest in shares of more than 5% of the shares in EON Bank Berhad ("EON Bank") and MIMB Investment Bank Berhad ("MIMB");
- b. Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Cap which would result in a change in control of EON Bank and MIMB to HLB as provided under Section 49(1)(a) of BAFIA;
- c. Approval under Section 22(2) of the Islamic Banking Act, 1993 ("IBA") for HLB to enter into an agreement or arrangement with EON Cap which would result in a disposal of EONCAP Islamic Bank Berhad ("EONCAP Islamic") shares to HLB as provided under Section 22(1)(a)(i) of IBA;
- d. Approval under Section 49(7) of BAFIA for HLB to enter into an agreement or arrangement with EON Bank which would result in the transfer of the banking operations of EON Bank to HLB as provided under Section 49(1)(b) of BAFIA; and
- e. Approval under Section 22(2) of IBA for Hong Leong Islamic Bank Berhad ("HLISB") to enter into an agreement or arrangement with EONCAP Islamic which would result in the transfer of the banking operations of EONCAP Islamic to HLISB as provided under Section 22(1)(a)(i) of IBA.

BNM had also given its approval, amongst others, for HLB to acquire the subsidiaries of EON Cap, including EON Bank, EONCAP Islamic and MIMB pursuant to Section 29 of BAFIA. HLB is also required to finalise the position of MIMB by 31 December 2010 in line with BNM's policy which prohibits a domestic banking group from holding 2 investment bank licenses.

(ix) On 19 August 2010, CIMB, behalf of HLB, announced that HLB had received a letter dated 18 August 2010 from EON Cap seeking HLB's concurrence to extend the deadline for the holding of EON Cap's extraordinary general meeting ("EGM") to approve the Proposed Acquisition from 20 August 2010 to 30 September 2010.

In this respect, HLB had, via its letter dated 19 August 2010, agreed to amend the timeline to the following:

- a. EON Cap may only accept the Offer by HLB by delivering to HLB the acceptance as set out in HLB's letter of Offer dated 1 April 2010, duly signed by EON Cap no later than 5 business days immediately following the date after the last of the following approvals for the Offer have been obtained upon terms and conditions acceptable to HLB:
 - (i) approval from BNM/MoF;
 - (ii) approval from the shareholders of EON Cap provided that if EON Cap shareholders' approval shall be subject to conditions, the said approval shall be deemed to be obtained or received only when the conditions have been met, or waived by the relevant parties;
 - (iii) approval from the shareholders of HLB; and

8. Status of corporate proposals (continued)

- b. the EGM of EON Cap to approve the Proposed Acquisition based on the offer price of RM5,060,423,743.60 shall be held by 30 September 2010, and all the approvals from BNM/MoF, shareholders of EON Cap and HLB, and SC, on terms and conditions acceptable to HLB, are obtained and the acceptance of the Offer by EON Cap is given by 30 November 2010; and
- c. the Offer is subject to the timeline mentioned in paragraphs (i) and (ii) above being met, unless extended by HLB.

(x) At the adjourned EGM of the Bank held on 4 October 2010, the shareholders had approved the Proposed Acquisition and the Proposed Rights Issue.

9. Group borrowings

The Group borrowings include:

	As at 30/09/2010 RM '000	As at 30/06/2010 RM '000
Bank loans	387,164	177,900
Capital market borrowing	244,911	419,228
Total Borrowings	<u>632,075</u>	<u>597,128</u>
Subordinated obligations - USD200 million	-	650,454
Subordinated obligations - USD700 million	691,003	-

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.

On 3 August 2010, the Bank had fully redeemed its US\$200 million Bonds. The Bonds has been delisted from the Official Listing of the Singapore Exchange Securities Trading Limited following the redemption.

On 10 August 2010, the Bank had completed its inaugural Ringgit issuance of RM700 million Tier 2 Subordinated Debt ("Sub Debt"). The Sub Debt formed part of the Tier 2 Subordinated Notes Programme of up to RM1.7 billion, as approved by the Securities Commission vide its letter dated 27 July 2010.

The Sub Debt has a maturity of 10 years and matures on 10 August 2020. Subject to BNM's approval, the Bank has the option to redeem the Sub Debt early at the end of year 5, which is on 10 August 2015 and on each subsequent coupon payment dates thereafter. The Sub Debt's interest rate is 4.85% per annum payable semi-annually in arrears for the tenor of the notes.

The Sub Debt 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 Group and the Bank.

10. Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2010

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	27,514,133	262,817	(461,325)
(ii) 1 year to 3 years	99,071	32	(493)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	6,785,554	115,073	(64,969)
(ii) 1 year to 3 years	5,732,900	248,910	(159,931)
(iii) More than 3 years	482,775	(122,357)	112,806
- Options			
(i) Less than 1 year	1,947,874	14,696	(16,146)
(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	3,162,674	286	(6,892)
(ii) 1 year to 3 years	2,717,228	61	(852)
(iii) More than 3 years	1,160,000	-	1,370
- Swaps			
(i) Less than 1 year	7,120,449	24,754	(37,947)
(ii) 1 year to 3 years	11,498,777	123,722	(166,486)
(iii) More than 3 years	19,650,315	274,335	(269,754)
Equity related contracts			
(i) Less than 1 year	128,452	223	(223)
(ii) 1 year to 3 years	33,185	-	-
(iii) More than 3 years	-	-	-
Total	88,033,387	942,552	(1,070,842)

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 RM569,392,174 (FYE June 2010: RM569,392,174) and RM33,587,897,090 (FYE June 2010: RM33,587,897,090) 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 RM1,339,766,178 (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.

11. 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. The suit is fixed for hearing on 1st to 3rd November 2010.

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

12. HLFG Dividends

An interim dividend of 10 sen per share had been declared by the company for the financial quarter

- (i) Amount per share : 10 sen per share (6.3 sen less income tax of 25% and 3.7 sen combination of tax exempt & single tier)
- (ii) Previous corresponding period : 9 sen per share less income tax of 25%
- (iii) Entitlement date : 3 December 2010
- (iv) Payment date : 16 December 2010

13. 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 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
Weighted Average Number Of Ordinary Shares				
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	323,801	157,595	323,801	157,595
Basic earnings per share (Sen)	31.3	15.2	31.3	15.2

13. Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
Weighted average number of ordinary shares	1,038,307	1,035,538	1,038,307	1,035,538
Net profit attributable to shareholders of the company	(8,103)	(6,757)	(8,103)	(6,757)
Basic earnings per share (Sen)	(0.8)	(0.7)	(0.8)	(0.7)

(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 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 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
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	323,801	157,595	323,801	157,595
Fully diluted earnings per share (Sen)	31.3	15.2	31.3	15.2

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 30/09/2010 RM '000	Last year quarter ended 30/09/2009 RM '000	Current year ended 30/09/2010 RM '000	Last year ended 30/09/2009 RM '000
Weighted average no. of shares as at end of financial period	1,038,307	1,035,538	1,038,307	1,035,538
Weighted average number of ordinary shares (Diluted)	1,038,307	1,035,538	1,038,307	1,035,538
Net profit attributable to shareholders of the company	(8,103)	(6,757)	(8,103)	(6,757)
Fully diluted earnings per share (Sen)	(0.8)	(0.7)	(0.8)	(0.7)

Dated this 16 November 2010