

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 DECEMBER 2012

	31/12/2012	30/06/2012	01/07/2011
	Unaudited	(Restated)	(Restated)
	RM '000	RM '000	RM '000
THE GROUP			
<u>Assets</u>			
Cash and short term funds	14,516,057	21,582,839	32,424,991
Deposits and placements with financial institutions	3,172,986	4,534,620	5,213,395
Securities purchased under resale agreements	1,015,634	590,521	159,770
Financial assets held-for-trading	23,100,222	23,340,140	7,147,980
Financial investments available-for-sale	20,425,427	15,350,975	10,702,056
Financial investments held-to-maturity	4,741,168	4,365,441	8,031,488
Derivative financial assets	720,009	980,880	798,164
Loans, advances and financing	91,972,164	89,503,574	82,494,902
Clients' and brokers' balances	207,170	269,260	236,386
Other receivables	570,696	661,131	1,157,553
Statutory deposits with Bank Negara Malaysia	3,368,832	3,350,987	2,220,366
Tax recoverable	14,145	18,330	9,752
Investment in associated companies	2,315,286	2,209,079	1,964,951
Investment in jointly controlled entity	77,782	76,871	75,252
Property and equipment	1,044,552	1,037,885	1,010,913
Goodwill arising on consolidation	2,410,644	2,410,644	2,410,644
Intangible assets	411,776	454,058	382,986
Total Assets	170,084,550	170,737,235	156,441,549
<u>Liabilities</u>			
Deposits from customers	124,048,118	123,216,802	114,748,978
Deposits and placements of banks and other financial institutions	5,817,215	10,879,507	11,445,660
Obligations on securities sold under repurchase agreements	1,056,126	633,797	-
Bills and acceptances payable	669,574	486,091	683,996
Derivatives financial liabilities	807,042	1,137,906	682,098
Clients' and brokers' balances	623,499	590,071	591,595
Payables and other liabilities	3,855,626	3,864,178	3,854,889
Provision for claims	95,150	96,818	63,763
Provision for taxation	363,824	228,967	77,351
Deferred tax liability	295,658	242,212	86,021
Bank loans	403,815	633,383	1,535,859
Subordinated obligations	4,363,024	4,369,385	2,885,028
Senior Bonds	1,839,464	1,907,793	910,810
Non-innovative Tier 1 stapled securities	1,408,484	1,407,283	1,405,706
Innovative Tier 1 capital securities	564,404	574,581	595,720
Capital market borrowing	3,015,158	1,110,955	678,381
Insurance funds	6,595,965	6,068,085	5,344,000
Total Liabilities	155,822,146	157,447,814	145,589,855
<u>Equity</u>			
Share capital	1,052,768	1,052,768	1,052,768
Capital reserves	1,787,909	1,743,186	1,490,500
Retained profits	6,581,274	5,990,166	5,256,856
Fair value reserves	257,901	179,898	148,327
Treasury shares held for ESOS scheme	(65,423)	(62,705)	(72,517)
Total shareholders' equity	9,614,429	8,903,314	7,875,934
Non-controlling interest	4,647,975	4,386,107	2,975,760
Total Equity	14,262,404	13,289,421	10,851,694
Total Liabilities and Equity	170,084,550	170,737,235	156,441,549
Commitment and Contingencies			
Net assets per share (net of treasury shares) attributable to ordinary equity holder of the parent (RM)	9.25	8.56	7.60

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2012	Last year quarter ended 31/12/2011 (Restated)	Current year to date 31/12/2012	Last year to date 31/12/2011 (Restated)
THE GROUP	RM '000	RM '000	RM '000	RM '000
Interest income	1,403,855	1,367,523	2,816,705	2,739,855
Interest expense	(793,381)	(703,686)	(1,590,060)	(1,422,965)
Net interest income	610,474	663,837	1,226,645	1,316,890
Income from Islamic banking business	119,063	114,159	230,904	210,193
Non interest income	431,443	307,349	783,810	453,609
Net income	1,160,980	1,085,345	2,241,359	1,980,692
Overhead expenses	(506,102)	(629,486)	(985,229)	(1,100,428)
Operating profit before allowances	654,878	455,859	1,256,130	880,264
Writeback of/(allowances for) impairment on loans, advances and financing and other losses	13,422	(26,417)	27,939	(37,557)
Writeback of impairment losses	3,550	6,506	4,859	10,311
	671,850	435,948	1,288,928	853,018
Share of results of associated companies	85,355	48,609	156,244	121,994
Share of results of jointly controlled entity	165	(37)	911	131
Profit before taxation and zakat	757,370	484,520	1,446,083	975,143
Taxation	(143,325)	(102,413)	(313,752)	(225,751)
Zakat	(50)	(18)	(100)	(41)
Net profit for the financial period	613,995	382,089	1,132,231	749,351
Attributable to :				
Owners of the parents	430,896	242,715	778,093	464,697
Non-controlling interest	183,099	139,374	354,138	284,654
Net profit for the financial period	613,995	382,089	1,132,231	749,351
Basic earnings per ordinary share (sen)	41.4	23.4	74.8	44.8
Diluted earnings per ordinary share (sen)	41.3	23.3	74.6	44.6

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/12/2012	Last year quarter ended 31/12/2011 (Restated)	Current year to date 31/12/2012	Last year to date 31/12/2011 (Restated)
THE GROUP	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	613,995	382,089	1,132,231	749,351
Other comprehensive income:				
Share of other comprehensive loss of associate company and jointly controlled entity	-	-	(22)	(24)
Net fair value changes on financial investments available-for-sale	53,391	169,425	108,356	78,266
Currency translation differences	589	(14,531)	(11,508)	4,904
Income tax relating to components of other comprehensive income	(10,678)	(33,885)	(21,671)	(15,653)
Total comprehensive income for the financial period, net of tax	<u>657,297</u>	<u>503,098</u>	<u>1,207,386</u>	<u>816,844</u>
Attributable to :				
Owners of the parents	469,225	349,939	846,676	522,601
Non-controlling interest	188,072	153,159	360,710	294,243
	<u>657,297</u>	<u>503,098</u>	<u>1,207,386</u>	<u>816,844</u>

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	31/12/2012	30/06/2012	01/07/2011
	Unaudited	(Restated)	(Restated)
THE COMPANY	RM '000	RM '000	RM '000
<u>Assets</u>			
Cash and short term funds	26,402	40,900	114,679
Financial assets held-for-trading	9,351	-	37,814
Derivative financial assets	4,284	196	2,342
Other receivables	59,900	62,851	2,360,033
Tax recoverable	13,000	16,113	8,475
Investment in subsidiaries	15,214,401	15,240,532	13,537,942
Property and equipment	1,022	1,092	1,577
Intangible assets	10	15	12
Total Assets	15,328,370	15,361,699	16,062,874
<u>Liabilities</u>			
Derivative financial liabilities	16,142	17,545	8,454
Payables and other liabilities	18,241	12,869	5,985
Bank loans	449,974	468,332	1,515,784
Capital market borrowing	1,015,158	1,110,955	678,381
Total Liabilities	1,499,515	1,609,701	2,208,604
<u>Financed by:</u>			
Share capital	1,052,768	1,052,768	1,052,768
Capital reserves	384,298	384,298	385,777
Retained profits	12,442,550	12,362,017	12,471,511
Treasury shares held for ESOS scheme	(50,761)	(47,085)	(55,786)
Total Equity	13,828,855	13,751,998	13,854,270
Total Liabilities and Equity	15,328,370	15,361,699	16,062,874
Commitment and Contingencies	1,123,834	1,165,672	918,030

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2012	quarter ended 31/12/2011	to date 31/12/2012	to date 31/12/2011
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	923	4,622	1,717	30,169
Interest expense	(15,121)	(17,652)	(29,845)	(38,433)
Net interest expense	(14,198)	(13,030)	(28,128)	(8,264)
Non interest income	321,710	176,281	333,380	137,368
Net income	307,512	163,251	305,252	129,104
Overhead expenses	(6,154)	(5,454)	(11,948)	(10,012)
Profit before taxation and zakat	301,358	157,797	293,304	119,092
Taxation	(77,216)	(42,897)	(77,216)	(42,897)
Net profit for the financial period	224,142	114,900	216,088	76,195
Basic earnings per ordinary share (sen)	21.5	11.0	20.7	7.3
Diluted earnings per ordinary share (sen)	21.4	11.0	20.7	7.3

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/12/2012	quarter ended 31/12/2011	to date 31/12/2012	to date 31/12/2011
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	224,142	114,900	216,088	76,195
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period	224,142	114,900	216,088	76,195

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Share Capital RM '000	Share Premium RM '000	Treasury Shares RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Regulatory Reserve# RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Total Shareholders' Equity RM '000	Non- Controlling Interests RM '000	Total Equity RM '000
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012													
At 1 July 2012													
- as previously reported	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	97,530	6,045	(22,982)	5,562,666	8,393,445	4,153,189	12,546,634
- prior year adjustments (Note 27)	-	-	-	-	-	-	82,368	-	-	427,500	509,869	232,918	742,787
As restated	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	179,898	6,045	(22,982)	5,990,166	8,903,314	4,386,107	13,289,421
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	778,093	778,093	354,138	1,132,231
Currency translation differences	-	-	-	-	-	-	-	-	(9,420)	-	(9,420)	(2,088)	(11,508)
Share of other comprehensive income of associates	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	78,018	-	-	-	78,018	8,667	86,685
Total comprehensive income/(expense)	-	-	-	-	-	-	78,003	-	(9,420)	778,093	846,676	360,710	1,207,386
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserves	-	-	-	54,755	-	-	-	-	-	(54,755)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,529)	(2,529)	21,949	19,420
Dividend paid	-	-	-	-	-	-	-	-	-	(135,555)	(135,555)	(121,305)	(256,860)
Exercise of ESOS	-	-	958	-	-	(2,536)	-	-	-	3,304	1,726	-	1,726
Purchase of treasury shares	-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Option charge arising from ESOS	-	-	-	-	-	1,924	-	-	-	-	1,924	-	1,924
Restatement of deferred tax asset	-	-	-	-	-	-	-	-	-	2,550	2,550	514	3,064
AT 31 DECEMBER 2012	1,052,768	117,229	(65,423)	1,528,211	133,993	34,833	257,901	6,045	(32,402)	6,581,274	9,614,429	4,647,975	14,262,404

	Share Capital RM '000	Share Premium RM '000	Treasury Shares RM '000	Statutory Reserves RM '000	Other Capital Reserves & General Reserves RM '000	Share Options Reserves RM '000	Fair Value Reserves RM '000	Regulatory Reserve# RM '000	Exchange Fluctuation Reserves RM '000	Retained Profits RM '000	Total Shareholders' Equity RM '000	Non- Controlling Interests RM '000	Total Equity RM '000
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011													
At 1 July 2011													
- as previously reported	1,052,768	117,229	(72,517)	1,241,179	133,258	34,965	88,880	726	(36,857)	4,911,368	7,470,999	2,791,539	10,262,538
- prior year adjustments (Note 27)	-	-	-	-	-	-	59,447	-	-	345,488	404,935	184,221	589,156
As restated	1,052,768	117,229	(72,517)	1,241,179	133,258	34,965	148,327	726	(36,857)	5,256,856	7,875,934	2,975,760	10,851,694
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	464,697	464,697	284,654	749,351
Currency translation differences	-	-	-	-	-	-	-	-	6,308	-	6,308	(1,404)	4,904
Share of other comprehensive income of associates	-	-	-	-	-	-	(24)	-	-	-	(24)	-	(24)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	51,620	-	-	-	51,620	10,993	62,613
Total comprehensive income	-	-	-	-	-	-	51,596	-	6,308	464,697	522,601	294,243	816,844
<u>Transaction with owners</u>													
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	824,654	824,654
Transfer to statutory reserves/regulatory reserves	-	-	-	104,644	-	-	-	5,376	-	(104,644)	5,376	-	5,376
Dividend paid	-	-	-	-	-	-	-	-	-	(105,277)	(105,277)	(66,655)	(171,932)
Option charge arising from ESOS	-	-	-	-	-	3,637	-	-	-	-	3,637	-	3,637
Exercise of ESOS	-	-	-	-	-	(1,858)	-	-	-	3,038	1,180	-	1,180
AT 31 DECEMBER 2011	1,052,768	117,229	(72,517)	1,345,823	133,258	36,744	199,923	6,102	(30,549)	5,514,670	8,303,451	4,028,002	12,331,453

The regulatory reserves are maintained by the Group's banking subsidiary company in Vietnam in line with the requirements of the State Bank of Vietnam.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012	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
At 1 July 2012							
- as previously reported	1,052,768	117,229	254,991	12,078	1,217,425	(47,085)	2,607,406
- prior year adjustments (Note 27)	-	-	-	-	11,144,592	-	11,144,592
As restated	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net profit for the financial period	-	-	-	-	216,088	-	216,088
Dividend paid	-	-	-	-	(135,555)	-	(135,555)
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
AT 31 DECEMBER 2012	1,052,768	117,229	254,991	12,078	12,442,550	(50,761)	13,828,855

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011	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
At 1 July 2011							
- as previously reported	1,052,768	117,229	254,991	13,557	1,326,919	(55,786)	2,709,678
- prior year adjustments (Note 27)	-	-	-	-	11,144,592	-	11,144,592
As restated	1,052,768	117,229	254,991	13,557	12,471,511	(55,786)	13,854,270
Net profit for the financial period	-	-	-	-	76,195	-	76,195
Dividend paid	-	-	-	-	(105,277)	-	(105,277)
AT 31 DECEMBER 2011	1,052,768	117,229	254,991	13,557	12,442,429	(55,786)	13,825,188

**UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012**

	The Group		The Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM '000	RM '000	RM '000	RM '000
		(Restated)		(Restated)
Profit before taxation and zakat	1,446,083	975,143	293,304	119,092
Adjustment for non-cash items and others	(320,990)	32,093	(290,880)	(138,742)
Operating profit before working capital changes	1,125,093	1,007,236	2,424	(19,650)
Proceeds from exercising of ESOS	3,651	1,180	-	-
Income tax (paid)/refund	(184,574)	(231,261)	3,113	4,975
Interest received	1,717	30,169	1,717	30,169
Changes in working capital				
Net changes in operating assets	(680,199)	(12,380,217)	(4,989)	(3,954)
Net changes in operating liabilities	(3,548,589)	8,993,731	3,970	19,849
Net cash flow (used in)/generated from operating activities	(3,282,901)	(2,579,162)	6,235	31,390
Net cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(4,915,486)	(2,724,506)	-	-
Net (purchases)/proceeds of financial investments held-to-maturity	(367,326)	1,465,651	-	-
Interest received on financial investments available-for-sale and held-to-maturity	219,608	372,806	-	-
Purchase on intangibles assets	(11,180)	(24,356)	-	(1)
Purchase of property and equipment	(67,128)	(144,320)	(111)	(39)
Proceeds from sale of property and equipment	1,796	12,495	-	-
Dividends received from other investments	51,502	20,169	401	1,269
Dividends received from subsidiaries	-	-	231,646	128,692
Repayment of bridging loan from subsidiary	-	-	-	2,300,000
Subscription of right issue of subsidiary	-	-	-	(1,659,818)
Dividend from associated company	70,361	2,379	-	-
Proceeds/(subscription) of redeemable preference shares	-	-	26,131	(160,895)
Net cash flow (used in)/generated from investing activities	(5,017,853)	(1,019,682)	258,067	609,209
Net cash flow from financing activities				
Dividends paid by the Company to shareholders	(135,556)	(105,277)	(135,556)	(105,277)
Dividends paid by the Company to non-controlling interests	(121,305)	(66,655)	-	-
Purchase of treasury shares	(3,676)	-	(3,676)	-
(Repayment)/drawdown of revolving credit	(225,000)	30,000	(60,000)	30,000
Issuance/(redemption) of medium term notes and commercial paper	1,905,000	440,000	(95,000)	440,000
Repayment of term loans	-	(1,050,000)	-	(1,050,000)
Drawdown of bridging loan from subsidiary	-	-	46,000	-
Interest paid on subordinated obligations	(91,154)	(87,923)	-	-
Interest paid on borrowings	(17,704)	(20,567)	(30,568)	(40,215)
Net cash flow generated from/(used in) financing activities	1,310,605	(860,422)	(278,800)	(725,492)
Changes in cash and cash equivalents	(6,990,149)	(4,459,266)	(14,498)	(84,894)
Effect of change in foreign exchange rate	(76,633)	23,855	-	-
Cash and cash equivalents as at 1 July	21,582,839	32,424,991	40,900	114,679
Cash and cash equivalents as at 31 December	14,516,057	27,989,580	26,402	29,785

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012**

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 December 2012 have been prepared under the historical cost convention, except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Berhad’s Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2012. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the year ended 30 June 2012.

The unaudited condensed financial statements incorporated those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

Since the previous annual audited financial statements as at 30 June 2012 were issued, the Group has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the MASB with effect from 1 July 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysian existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standard (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2012, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2012:

MFRS 1	"First-Time Adoption of MFRS"
MFRS 139	"Financial Instruments: Recognition and Measurement"
Revised MFRS 124	"Related Party Disclosures"
Amendment to MFRS 112	"Income Taxes"
Amendment to MFRS 1	"First-time Adoption on Fixed Dates and Hyperinflation"
Amendment to MFRS 7	"Financial Instruments: Disclosures on Transfers of Financial Assets"
Amendment to MFRS 101	"Presentation of Items of Other Comprehensive Income"

The change in accounting policies above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group’s and the Company opening retained profits. As such, comparatives have been restated to conform with current year’s presentation. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 27.

2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2012

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2012.

3. Seasonality or cyclicity of operations

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

4. Exceptional items / unusual events affecting financial statements

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

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 31 December 2012 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 MFRS 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 Statement of Financial Position.

The Company has granted the following conditional incentive share options to eligible executives of the Company pursuant to the ESOS of HLFG:

- (i) 12,500,000 share options at an exercise price of RM5.92; and
- (ii) 6,000,000 share options at an exercise price of RM11.77

subject to the achievement of certain performance criteria over an option performance period. The said share options, if vested, will be satisfied by the transfer of existing shares purchased by a trust establish for the ESOS.

During the financial period ended 31 December 2012, the Company purchased 310,000 units of shares for RM3,675,821.

The remaining number of shares held by the appointed trustee for the Company as at 31 December 2012 was 10,032,408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM50,761,000.

As at 31 December 2012, the insurance subsidiary company held a total of 3,084,692 units of the Company's shares at an average price of RM4.75 per share with total consideration paid, including transaction costs of RM14,660,380 which have been classified as treasury shares held for ESOS at the Group level.

Issuance and repayment of of debts

The issuance and repayment of debts of HLFG Group are as of that disclosed in Note 10 of the additional information required by the Bursa Malaysia security.

7. Dividends paid

A single-tier interim dividend of 13.0 sen per share amounting to RM135.6 million was paid on 20 December 2012.

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

8. Segmental reporting (continued)

GROUP 31 DECEMBER 2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended						
External sales	1,992,820	90,808	105,175	52,556	-	2,241,359
Intersegment sales	14,078	2,742	2,274	317,222	(336,316)	-
	<u>2,006,898</u>	<u>93,550</u>	<u>107,449</u>	<u>369,778</u>	<u>(336,316)</u>	<u>2,241,359</u>
Results for the period ended						
Segment results	1,145,508	26,482	77,340	351,527	(311,929)	1,288,928
Share of results of associated companies						156,244
Share of results of jointly controlled entity						911
Profit before taxation and zakat						<u>1,446,083</u>
Taxation and zakat						<u>(313,852)</u>
Net profit for the financial period						<u>1,132,231</u>
Non-controlling interest						<u>(354,138)</u>
Profit attributable to owners of the parents						<u><u>778,093</u></u>
Other information						
Segment assets	154,283,115	3,253,791	12,078,616	15,758,733	(15,289,705)	<u>170,084,550</u>
Segment liabilities	141,920,205	2,833,061	9,940,473	1,759,136	(630,729)	<u>155,822,146</u>

8. Segmental reporting (continued)

GROUP 31 DECEMBER 2011	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Consolidated RM'000
Revenue for the period ended (Restated)						
External sales	1,884,438	70,712	99,471	(73,929)	-	1,980,692
Intersegment sales	7,663	1,018	2,779	178,251	(189,711)	-
	<u>1,892,101</u>	<u>71,730</u>	<u>102,250</u>	<u>104,322</u>	<u>(189,711)</u>	<u>1,980,692</u>
Results for the period ended (Restated)						
Segment results	874,558	5,221	53,458	93,075	(173,294)	853,018
Share of results of associated company						121,994
Share of results of jointly controlled entity						131
Profit before taxation and zakat						<u>975,143</u>
Taxation and zakat						<u>(225,792)</u>
Net profit for the financial period						<u>749,351</u>
Non-controlling interest						<u>(284,654)</u>
Profit attributable to owners of the parents						<u><u>464,697</u></u>
Other information						
Segment assets	153,290,706	3,829,050	8,648,797	4,806,907	(4,489,282)	<u>166,086,178</u>
Segment liabilities	142,948,908	3,233,364	7,194,001	2,042,484	(1,007,719)	<u>154,411,038</u>

9. Financial assets held-for-trading

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
<u>At Fair Value</u>		
Government Treasury Bills	138,681	253,388
Malaysian Government Securities	757,096	240,511
Negotiable instruments of deposit	4,365,050	3,445,966
Bankers' acceptances and Islamic accepted bills	3,487,168	4,204,306
Bank Negara Malaysia bills	10,312,567	11,244,208
Malaysian Government Investment Certificates	1,497,735	2,177,642
Cagamas bonds	60,195	72,214
	20,618,492	21,638,235
Quoted securities:		
Shares quoted in Malaysia	431,269	363,853
Shares quoted outside Malaysia	364,133	306,697
Unit trust investments	56,426	26,029
Loan stocks in Malaysia	-	500
Warrants quoted in Malaysia	228	486
Unquoted securities :		
Foreign currency bonds	343,679	390,858
Private and Islamic debts securities	1,285,995	613,482
Total financial assets held-for-trading	23,100,222	23,340,140

On 1 July 2012, the Group designated a previously held financial investments available-for-sale to financial assets held-for-trading, as allowed under MFRS 1. The fair value amount of the financial investments at the date of designation is RM273,253,000.

	Company	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
<u>At Fair Value</u>		
Unit Trust	9,351	-

10. Financial investments available-for-sale

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
<u>At Fair Value</u>		
Government Treasury Bills	359,351	375,160
Malaysian Government Securities	341,150	415,728
Malaysian Government Investment Certificates	2,844,259	1,369,664
Negotiable instruments of deposit	110,555	11,826
Cagamas bonds	785,474	633,775
Other Government securities	573,662	196,949
	5,014,451	3,003,102
Quoted securities:		
Shares quoted in Malaysia	707,850	639,447
Shares quoted outside Malaysia	242,452	267,677
Warrants quoted in Malaysia	70	122
Loan stocks quoted in Malaysia	9,713	6,420
Unit trust investments	2,388,452	217,574
Wholesale fund	1,500,200	999,800

10. Financial investments available-for-sale (continued)

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
Unquoted securities :		
Shares in Malaysia	312,569	312,108
Shares outside Malaysia	3,339	3,469
Foreign currency bonds in Malaysia	2,649,744	2,228,512
Foreign currency bonds outside Malaysia	1,048,586	1,488,550
Investment Linked funds	4,918	4,867
Private debt securities/shares/reits	6,543,083	6,179,327
Total financial investments available-for-sale	<u>20,425,427</u>	<u>15,350,975</u>

On 1 July 2012, the Group designated a previously held financial investments available-for-sale to financial assets held-for-trading, as allowed under MFRS 1. The fair value amount of the financial investments at the date of designation is RM273,253,000.

The Group also designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation is RM230,473,000 and RM222,525,000 respectively for the Group.

11. Financial investments held-to-maturity

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
<u>At Amortised Cost</u>		
Malaysian Government Securities	1,591,809	1,867,919
Malaysian Government Investment Certificates	2,247,215	1,091,531
Negotiable instruments of deposit	5,834	20,593
Cagamas bonds	87,122	258,310
	<u>3,931,980</u>	<u>3,238,353</u>
Quoted securities :		
Other Government securities	16,911	151,958
Unquoted securities :		
Loan stocks	174	306
Private and Islamic debt securities	738,617	875,598
Unquoted bonds	486	47,226
Investment in preference shares	53,000	52,000
Total securities financial investments held-to-maturity	<u>4,741,168</u>	<u>4,365,441</u>

The Group designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation is RM230,473,000 and RM222,525,000 respectively for the Group.

12. Loans, advances and financing

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
Overdrafts	4,192,749	4,073,003
Term loans :		
- Housing loans/financing	38,928,049	37,066,670
- Syndicated term loan/financing	5,539,299	5,468,161
- Hire purchase receivables	17,427,609	17,373,330
- Lease receivables	103,359	106,391
- Other term loans/financing	10,233,610	10,114,562
Credit/charge card receivables	4,190,112	4,233,382
Bills receivables	654,239	651,240
Trust receipts	297,489	342,745
Claims on customers under acceptance credits	6,992,138	7,251,829
Block discounting	6,420	6,582
Revolving credits	4,230,787	3,770,367
Policy and premium loans	679,508	683,482
Staff loans	222,451	244,089
Other loans/financing	180,080	118,005
	93,877,899	91,503,838
Fair value changes arising from fair value hedges	2,789	23,852
Unamortised fair value changes arising from terminated fair value hedges	19,415	21,570
Less: Allowance for impaired loans, advances and financing		
- collective assessment allowance	(1,449,014)	(1,502,452)
- individual assessment allowance	(478,925)	(543,234)
Total net loans, advances and financing	91,972,164	89,503,574

(a) By type of customer

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
Domestic non-bank financial institutions	268,003	528,174
Domestic business enterprises		
- Small and medium enterprises	12,645,727	12,068,244
- Others	19,495,770	19,938,097
Government and statutory bodies	19,835	26,256
Individuals	57,819,371	56,250,945
Other domestic entities	52,074	29,549
Foreign entities	3,577,119	2,662,573
Gross loans, advances and financing	93,877,899	91,503,838

(b) By interest/profit rate sensitivity

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
Fixed rate		
- Housing loans/financing	3,245,990	2,997,728
- Hire purchase receivables	16,970,037	16,843,527
- Other fixed rate loan/financing	8,607,765	8,611,813
Variable rate		
- Base lending rate plus	53,022,430	51,203,453
- Cost plus	11,785,444	11,591,814
- Other variables rates	246,233	255,503
Gross loans, advances and financing	93,877,899	91,503,838

12. Loans, advances and financing (continued)

(c) By economic purpose

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
Purchase of securities	1,193,111	1,168,474
Purchase of transport vehicles	17,353,599	17,252,312
Purchase of landed properties		
- residential	32,300,789	30,691,075
- non-residential	10,370,889	9,985,329
Purchase of fixed assets	683,657	638,350
Personal use	3,590,771	3,576,501
Credit card	4,190,112	4,233,382
Purchase of consumer durables	82	103
Construction	1,000,860	924,674
Working capital	19,746,440	19,988,086
Mergers and acquisition	585,347	388,832
Others	2,862,242	2,656,720
Gross loans, advances and financing	<u>93,877,899</u>	<u>91,503,838</u>

(d) By geographical distribution

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
In Malaysia	91,472,079	89,562,987
Outside Malaysia		
- Singapore	2,258,402	1,767,575
- Hong Kong	-	20,488
- Vietnam	147,418	152,788
Gross loans, advances and financing	<u>93,877,899</u>	<u>91,503,838</u>

(e) By residual contractual maturity

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
Maturing within:		
- one year	25,829,207	26023577
- one year to three years	7,382,272	7140438
- three years to five years	9,366,292	9388281
- over five years	51,300,128	48951542
Gross loans, advances and financing	<u>93,877,899</u>	<u>91,503,838</u>

12. Loans, advances and financing (continued)

(f) Impaired loans by purpose

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Purchase of securities	6,795	11,197
Purchase of transport vehicles	241,405	216,114
Purchase of landed properties		
- residential	270,036	342,581
- non-residential	66,717	73,388
Purchase of fixed assets (excluding landed properties)	18,454	21,667
Personal use	92,677	86,654
Credit card	60,985	66,949
Purchase of consumer durables	6	7
Construction	12,591	26,388
Working capital	573,159	649,243
Others	41,780	39,082
Gross loans, advances and financing	1,384,605	1,533,270

(g) Movements in impaired loans, advances and financing are as follows:

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
At beginning of the financial period/year		
- as previously stated	1,533,270	1,892,304
- fair value adjustments on completion of business combination accounting	-	32,471
- effect of change in accounting policy	(21,376)	-
As restated	1,511,894	1,924,775
Impaired during the financial period/year	874,738	2,078,588
Reclassified to non-impaired	(481,301)	(1,081,218)
Amount written back in respect of recoveries	(280,821)	(808,389)
Amount written off	(237,819)	(584,256)
Exchange differences	(2,086)	3,770
At the end of the financial period/year	1,384,605	1,533,270
Gross impaired/ non-performing loan as a % of gross loans, advances and financing	1.5%	1.7%

(h) Impaired loans, advances and financing/non-performing loans by geographical distribution

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
In Malaysia	1,342,427	1,490,699
Outside Malaysia		
- Singapore	42,178	42,571
	1,384,605	1,533,270

12. Loans, advances and financing (continued)

(i) Movements in allowance for impaired loans, advances and financing are as follows:

	Group	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)
<u>Collective Assessment Allowance</u>		
At beginning of the financial period/year		
- as previously reported	1,885,320	1,576,741
- fair value adjustments on completion of business combination accounting	-	215,217
- effect on change in accounting policy	(382,868)	(254,846)
As restated	<u>1,502,452</u>	<u>1,537,112</u>
Net allowance made during the period/year	435,569	794,400
Amount written back in respect of recoveries	(317,510)	(460,188)
Amount written off	(178,265)	(416,370)
Amount transfer (to)/from individual assessment allowance	(4,800)	55,688
Unwinding income	11,594	(8,819)
Arising from acquisition of MIMB	-	1,086
Prior year adjustment for amount arising from acquisition of MIMB	-	(926)
Exchange differences	(26)	469
At the end of the financial period/year	<u><u>1,449,014</u></u>	<u><u>1,502,452</u></u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.5%</u>	<u>1.6%</u>
<u>Individual Assessment Allowance</u>		
At beginning of the financial period/year		
- as previously stated	543,234	670,993
- fair value adjustments on completion of business combination accounting	-	126,746
As restated	<u>543,234</u>	<u>797,739</u>
Net allowance made during the period/year	38,656	61,291
Amount transfer from/(to) collective assessment allowance	4,800	(55,688)
Amount transfer to provision for diminution in value	(12,820)	-
Amount written back in respect of recoveries	(49,798)	(139,313)
Amount written off	(37,199)	(116,873)
Unwinding income	(5,844)	(9,716)
Exchange differences	(2,104)	5,794
At the end of the financial period/year	<u><u>478,925</u></u>	<u><u>543,234</u></u>

13. Other receivables

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Investment properties	1,680	1,680
Foreclosed properties	1,112	1,338
Sundry debtors and other prepayments	99,506	189,173
Treasury related receivable	151,190	220,591
Other receivables	317,208	248,349
	<u>570,696</u>	<u>661,131</u>

	Company	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Amount due from subsidiary companies	58,619	60,461
Amount due from related companies	-	3
Sundry debtors and other prepayments	1,002	540
Other receivables	279	1,847
	<u>59,900</u>	<u>62,851</u>

14. Deposits from customers

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Fixed deposits	73,357,277	75,220,529
Negotiable instruments of deposit	8,503,289	5,828,928
	<u>81,860,566</u>	<u>81,049,457</u>
Demand deposits	16,940,867	14,644,399
Savings deposits	13,521,774	14,815,602
Short term corporate placement	11,453,250	12,311,878
Others	271,661	395,466
	<u>124,048,118</u>	<u>123,216,802</u>

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

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
One year or less (short term)	78,008,645	75,608,265
More than one year (medium/long term)	3,851,921	5,441,192
	<u>81,860,566</u>	<u>81,049,457</u>

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

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Government and statutory bodies	3,875,611	4,479,480
Business enterprises	56,965,464	57,524,534
Individuals	60,036,782	59,427,462
Others	3,170,261	1,785,326
	<u>124,048,118</u>	<u>123,216,802</u>

15. Deposits and placements of banks and other financial institutions

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Licensed banks	4,324,967	8,705,316
Licensed Islamic Bank	733,517	1,556,675
Other financial institutions	758,731	617,516
	<u>5,817,215</u>	<u>10,879,507</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
One year or less (short term)	<u>5,817,215</u>	<u>10,879,507</u>

16. Payables and other liabilities

	Group	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Trade payables	904,898	862,878
Amount due to Cagamas Berhad	175,957	179,719
Loan advance payment	1,570,781	1,444,836
Post employment benefits obligations - defined contribution plan	4,281	4,304
Treasury clearing	117	312
Cheque clearing	87,483	114,253
Treasury related payable	22,763	199,745
Sundry creditors and accruals	554,367	687,942
Provision for bonus and staff related expenses	112,724	161,299
Others	422,255	208,890
	<u>3,855,626</u>	<u>3,864,178</u>
	Company	
	As at	As at
	31/12/2012	30/06/2012
	RM '000	RM '000
Amount due to subsidiary companies	38	14
Sundry creditors and accruals	504	1,071
Provision for bonus and staff related expenses	17,647	11,733
Post employment benefits obligations - defined contribution plan	52	51
	<u>18,241</u>	<u>12,869</u>

17. Interest income

	Group		Group	
	Current quarter ended 31/12/2012	Last year quarter ended 31/12/2011	Current year to date 31/12/2012	Last year to date 31/12/2011
	RM '000	RM '000	RM '000	RM '000
Loan, advances and financing	999,305	991,972	1,992,910	1,987,430
Money at call and deposit placements with financial institutions	81,109	132,170	180,075	287,404
Securities purchased under resale agreements	6,250	598	11,974	939
Financial assets held-for-trading	205,395	126,186	411,753	220,476
Financial investments available-for-sale	80,750	54,640	158,208	89,929
Financial investments held-to-maturity	30,218	57,391	60,246	123,434
Others	828	4,566	1,539	30,243
	<u>1,403,855</u>	<u>1,367,523</u>	<u>2,816,705</u>	<u>2,739,855</u>
Of which:				
Interest income earned on impaired loans, advances and financing	<u>7,090</u>	<u>2,835</u>	<u>13,710</u>	<u>6,658</u>

	Company		Company	
	Current quarter ended 31/12/2012	Last year quarter ended 31/12/2011	Current year to date 31/12/2012	Last year to date 31/12/2011
	RM '000	RM '000	RM '000	RM '000
Money at call and deposit placements with financial institutions	278	367	436	515
Others	645	4,255	1,281	29,654
	<u>923</u>	<u>4,622</u>	<u>1,717</u>	<u>30,169</u>

18. Interest expense

	Group		Group	
	Current quarter ended 31/12/2012	Last year quarter ended 31/12/2011	Current year to date 31/12/2012	Last year to date 31/12/2011
	RM '000	RM '000	RM '000	RM '000
Deposits and placements of banks and other financial institutions	37,199	30,404	79,501	54,071
Deposits from customers	575,367	522,522	1,143,733	1,049,249
Short term corporate placements	73,696	62,339	153,959	122,014
Borrowings	17,225	21,084	36,621	45,358
Subordinated obligations	47,002	35,366	91,536	88,247
Senior bonds	16,784	9,319	34,335	18,554
Non-innovative Tier 1 stapled securities	18,213	18,326	36,454	36,679
Innovative Tier 1 capital securities	5,957	3,833	11,536	7,583
Others	1,938	493	2,385	1,210
	<u>793,381</u>	<u>703,686</u>	<u>1,590,060</u>	<u>1,422,965</u>
	Company		Company	
	Current quarter ended 31/12/2012	Last year quarter ended 31/12/2011	Current year to date 31/12/2012	Last year to date 31/12/2011
	RM '000	RM '000	RM '000	RM '000
Borrowings	<u>15,121</u>	<u>17,652</u>	<u>29,845</u>	<u>38,433</u>

19. Non Interest Income

	Group		Group	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Net income from Insurance Business	41,839	51,539	81,885	91,413
Net brokerage and commissions from stockbroking business	35,734	14,655	60,752	30,308
Net unit trust and asset management income	4,840	4,303	9,579	7,772
Fee income:				
Commissions	33,533	29,396	64,853	56,397
Service charges and fees	13,524	24,694	22,873	34,213
Guarantee fees	7,778	4,627	13,686	9,843
Credit card related fees	70,476	67,011	135,808	133,126
Corporate advisory fees	1,214	1,428	1,665	3,437
Commitment fees	8,652	8,287	17,163	16,284
Fee on loans, advances and financing	15,845	17,750	34,737	32,603
Other fee income	(1,407)	3,893	690	11,899
	149,615	157,086	291,475	297,802
Gain/(loss) arising from sale of financial assets:				
Net gain/(loss) from financial assets held-for-trading	17,578	(9,267)	16,361	(3,825)
Net gain from sale of financial investments available-for-sale	48,226	6,281	75,578	14,973
Net gain from redemption of financial investments held-to-maturity	23	1,231	8,401	2,051
Net (loss)/gain from sale of derivatives financial instruments	(897)	58,448	13,056	52,743
	64,930	56,693	113,396	65,942
Gross dividend income from:				
Financial assets held-for-trading	7,010	(33,579)	17,556	1,481
Financial investments available-for-sale	18,145	14,323	33,132	17,705
Financial investments held-to-maturity	402	517	814	983
	25,557	(18,739)	51,502	20,169
Net unrealised gains/(losses) on revaluation of:				
Financial assets held-for-trading	42,202	20,332	37,729	(29,018)
Derivatives financial instruments	9,625	(30,561)	41,161	(123,014)
	51,827	(10,229)	78,890	(152,032)
Net realised losses on fair value changes arising from fair value hedge and amortisation of fair value changes arising from terminated fair value changes	(5,168)	(11,429)	(10,155)	(16,116)
Net unrealised gains/(losses) on fair value changes arising from fair value hedges	792	253	3,580	(4,306)
Other income:				
Foreign exchange gain	53,414	36,065	87,972	96,611
Rental income	1,443	631	2,851	1,560
Gain on disposal of property and equipment	673	505	860	681
Others	5,693	26,016	10,628	13,805
	61,477	63,217	102,906	112,657
Total non interest income	431,443	307,349	783,810	453,609

19. Non Interest Income (continued)

	Company		Company	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Fee income:				
Management fees	2,008	2,142	4,197	3,989
Gain arising from sale of securities:				
Net gain from sale of financial assets held-for-trading	-	125	-	122
Net gain/(loss) from unwinding of derivatives	4,260	(9,079)	9,083	(14,784)
Gross dividend income from:				
Financial assets held-for-trading	385	1,123	401	1,268
Subsidiary companies	308,861	171,590	308,861	171,590
Unrealised gain/(loss) on revaluation of:				
Financial assets held-for-trading	1	2	4	5
Derivatives financial instruments	5,380	8,911	5,491	(20,119)
Other income	815	1,467	5,343	(4,703)
Total non interest income	<u>321,710</u>	<u>176,281</u>	<u>333,380</u>	<u>137,368</u>

20. Overhead expenses

	Group		Group	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	247,520	243,424	487,679	504,143
- Voluntary separation scheme (VSS)*	-	114,689	-	114,689
- Medical expenses	5,837	6,625	11,434	10,645
- Training and convention expenses	9,127	12,101	14,081	16,412
- Staff welfare	4,612	4,974	7,745	8,287
- Others	10,080	11,891	17,112	18,830
<u>Establishment costs</u>				
- Depreciation of property and equipments	24,860	26,602	53,915	52,544
- Amortisation of intangible assets	27,876	16,032	52,397	35,026
- Rental	21,946	19,712	44,318	39,320
- Information technology expenses	28,269	24,029	52,786	46,746
- Security services	9,111	6,901	14,582	13,167
- Electricity, water and sewerage	6,587	7,297	16,204	13,244
- Hire of plant and machinery	2,876	4,501	6,767	6,854
- Others	6,556	5,338	12,492	11,456
<u>Marketing expenses</u>				
- Advertisement and publicity	9,918	3,943	18,075	5,655
- Credit card related fees	16,114	8,656	31,962	29,030
- Commission	4,530	4,035	8,056	7,101
- Others	3,926	11,014	8,360	14,896
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,973	3,397	8,042	8,453
- Stationery & printing	4,178	5,278	8,756	10,439
- Professional fees	18,241	29,026	42,329	44,648
- Insurance fees	4,227	6,276	8,471	10,847
- Travelling and transport expenses	2,227	2,116	3,842	3,824
- Registration and license fees	1,830	1,530	3,005	2,552
- Brokerage and commission	860	1,326	2,140	2,325
- Credit card fees	17,278	16,423	33,544	32,281
- Others	13,543	32,350	17,135	37,014
	<u>506,102</u>	<u>629,486</u>	<u>985,229</u>	<u>1,100,428</u>

* In FY 2012, Hong Leong Bank ("HLB") had implemented a Voluntary Separation Scheme (VSS). This scheme was introduced as part of the HLB's effort to enhance productivity and efficiency within the organization, as well as an opportunity and option for staff who have expressed their desire for a change such as starting up own business, further studies, early retirement, change of work environment and pursue personal interest.

20. Overhead expenses (continued)

	Company		Company	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	4,843	3,218	9,605	6,244
- Medical expenses	18	23	43	43
- Training and convention expenses	3	7	6	13
- Staff welfare	50	58	93	117
- Others	27	35	72	64
<u>Establishment costs</u>				
- Depreciation of property and equipments	89	191	178	382
- Amortisation of intangible assets	1	2	4	4
- Electricity, water and sewerage	18	15	18	15
- Hire of plant and machinery	8	7	15	13
- Rental	198	172	394	346
- Others	39	31	67	61
<u>Administration and general expenses</u>				
- Teletransmission expenses	9	8	15	18
- Stationery & printing	12	18	24	28
- Travelling and transport expenses	26	123	82	184
- Others	813	1,546	1,332	2,480
	<u>6,154</u>	<u>5,454</u>	<u>11,948</u>	<u>10,012</u>

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

	Group		Group	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Allowance for losses on loans, advances and financing:				
(a) Collective assessment allowance				
- made during the financial period	61,184	149,689	118,059	246,472
(b) Individual assessment allowance				
- written back	(3,226)	(34,083)	(11,142)	(43,178)
Allowance for losses on clients' and brokers' balances				
(a) Individual assessment allowance				
- made/(written back) during the financial period	343	(2,499)	464	(3,218)
(b) Collective assessment allowance				
- (written back)/made during the financial period	(135)	16	(112)	25
Impaired loans and financing written off	5,364	2,030	10,114	4,149
Impaired loans and financing recovered	(76,952)	(88,736)	(145,322)	(166,693)
	<u>(13,422)</u>	<u>26,417</u>	<u>(27,939)</u>	<u>37,557</u>

22. Capital adequacy

BNM guidelines require the Banking subsidiaries to maintain a certain minimum level of capital funds against the "risk-weighted" value of the assets and certain commitments and contingencies. The capital funds of the Banking subsidiaries as at 31 December 2012 and 30 June 2012 met the minimum requirement.

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad [#]	
	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)*	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)*	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000 (Restated)*
<u>Components of Tier - 1 and Tier - 2 Capital</u>						
Tier - 1 capital						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	75,000
Share premium	2,832,383	2,832,383	2,832,383	2,832,383	87,950	87,950
Retained profit	5,934,490	5,356,240	4,800,486	4,284,156	(52,953)	(71,611)
Other Reserves	2,205,247	2,157,549	1,937,826	1,927,506	64,727	83,385
Non-innovative Tier-1 stapled securities	1,397,443	1,396,630	1,397,443	1,396,630	-	-
Innovative Tier-1 capital securities	489,400	490,292	489,400	488,826	-	-
Less : Treasury Shares	(694,045)	(714,792)	(694,045)	(714,792)	-	-
Less : Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	-	-
Less : Deferred Tax	-	-	-	-	(35,469)	(35,469)
Total tier 1 capital	12,213,515	11,566,899	10,871,855	10,323,071	229,255	139,255
Tier - 2 capital						
Collective assessment allowance ^	901,121	932,830	711,389	735,127	759	1,086
Subordinated obligations	4,343,419	4,341,165	4,343,419	4,340,557	-	-
Redeemable preference shares	-	-	-	-	1,631	-
Total tier 2 capital	5,244,540	5,273,995	5,054,808	5,075,684	2,390	1,086
Total eligible tier-2 capital	5,244,540	5,273,995	5,054,808	5,075,684	2,390	1,086
Total capital	17,458,055	16,840,894	15,926,663	15,398,755	231,645	140,341
Less : Investment in associated company	(1,618,301)	(1,540,288)	(946,505)	(946,505)	-	-
Less : Investment in subsidiary companies	-	-	(2,081,964)	(2,081,933)	(1,470)	(220)
Less : Investment in jointly controlled entity	(77,782)	(76,871)	(76,711)	(76,711)	-	-
Total capital base	15,761,972	15,223,735	12,821,483	12,293,606	230,175	140,121
<u>Before deducting proposed dividends</u>						
Core Capital Ratio	12.81%	11.95%	12.95%	12.04%	22.02%	147.60%
Risk-weighted Capital Ratio	16.54%	15.73%	15.27%	14.34%	22.10%	148.50%
<u>After deducting proposed dividends</u>						
Core Capital Ratio	12.61%	11.58%	12.71%	11.61%	22.02%	147.60%
Risk-weighted Capital Ratio	16.33%	15.35%	15.03%	13.91%	22.10%	148.50%

22. Capital adequacy (continued)

- # Hong Leong Investment Bank Berhad formerly known as MIMB Investment Bank Berhad.
- ^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.
- * The above capital adequacy ratios has been adjusted for the effect of the adoption of MFRS 139 and MFRS 1.
- a) The capital adequacy ratios of the HLB Group subsidiary company are as follows:

	Hong Leong Islamic Bank
As at 31 December 2012	
<u>Before deducting proposed dividends:</u>	
Core capital ratio	9.52%
Risk-weighted capital ratio	<u>13.39%</u>
<u>After deducting proposed dividends:</u>	
Core capital ratio	9.52%
Risk-weighted capital ratio	<u>13.39%</u>
As at 30 June 2012 (Restated)	
<u>Before deducting proposed dividends:</u>	
Core capital ratio	9.62%
Risk-weighted capital ratio	<u>13.47%</u>
<u>After deducting proposed dividends:</u>	
Core capital ratio	9.33%
Risk-weighted capital ratio	<u>13.19%</u>

The capital adequacy ratios of Hong Leong Islamic Bank Berhad are 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 computation.

23. Events after Balance Sheet date

There are no material events subsequent to the end of the financial period ended 31 December 2012 except for the following:

- (a) OSK Investment Bank Berhad ("OSK"), on behalf of HLFGB announced that HLFGB through OSK had served a notice of conditional voluntary take-over offer on the Board of Directors of Hong Leong Capital Berhad ("HLCB") on 14 January 2013 to acquire all the ordinary shares of RM1.00 in HLCB other than those already held by HLFGB at a cash offer price of RM1.71 per Offer Share ("Offer").

On 18 February 2013, HLFGB had received approval from Bank Negara Malaysia in relation to the Offer. As such, the Offer had become unconditional.

- (b) On 19 September 2012, Hong Leong Assurance Berhad ("HLA") appointed Hong Leong Investment Bank Berhad to create and issue up to RM500 million in nominal value of Subordinated Notes ("Sub-Notes") under a proposed Subordinated Notes Programme to raise funds for general working capital and/or business operations purpose.

On 20 December 2012, the Securities Commission approved the application subject to certain operational terms and conditions being fulfilled.

On 7 February 2013, the HLA completed its RM500 million Sub-Notes issuance. The Sub-Notes were issued for a period of 12 years on a 12 non-callable basis with a coupon rate of 4.5% per annum.

The Sub-Notes are classified as tier 2 capital under Risk-Based Capital Framework for Insurers.

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 24 July 2012, HLFGB announced that the Company had, on 23 July 2012, incorporated a wholly-owned subsidiary known as HLFGB Principal Investments (L) Limited ("HLFGPI") in the Federal Territory of Labuan with an issued and paid-up share capital of USD100.00 comprising 100 ordinary shares. The intended activity for HLFGPI is investment holding.
- (b) CFB Nominees (Tempatan) Sdn Bhd and Oriental Nominee (Tempatan) Sdn Bhd, the wholly-owned subsidiaries of HLB, were dissolved on 26 September 2012.
- (c) HLFGB announced that HLA Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had on 3 December 2012 incorporated a wholly-owned subsidiary known as HL Assurance Pte. Ltd. in Singapore with an issued and paid-up share capital of SGD2 comprising 2 ordinary shares. The intended activity for HL Assurance Pte. Ltd. is to carry out general insurance business.
- (d) On 30 November 2012, HLB announced that the liquidator of Perkasa Nominees (Tempatan) Sdn Bhd and PFB Asa Berhad ("Subsidiaries"), wholly-owned subsidiaries of HLB, had convened final meetings for the respective Subsidiaries to conclude the member's voluntary winding-up of the respective Subsidiaries.

The Return by Liquidator Relating to Final Meeting of the respective Subsidiaries was lodged on 30 November 2012 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, the Subsidiaries will be dissolved.

- (e) Following the vesting of the entire assets, liabilities, activities, business and undertakings of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ["Promilia"] to Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad ["HLIB"]) on 29 September 2012, all of the direct subsidiaries of Promilia had become direct subsidiaries of HLIB.
- (f) On 31 January 2013, HLB announced that the liquidator of EFB Berhad ("EFB"), a wholly-owned subsidiary of HLB, had convened final meeting for EFB to conclude the member's voluntary winding-up of EFB.

The Return by Liquidator Relating to Final Meeting of EFB was lodged on 31 January 2013 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, EFB will be dissolved.

25. Commitments and contingencies

- a. In the normal course of business, the Group 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 notional/principal amount of the commitments and contingencies constitute as follows:

	Group	
	Principal Amount 31/12/2012 RM'000	Principal Amount 30/06/2012 RM'000
	Direct credit substitutes	587,815
Transaction-related contingent items	1,509,733	1,410,727
Short-term self liquidating trade-related contingencies	753,252	1,557,667
Underwriting obligation	30,218	71,513
Irrevocable commitments to extend credit:		
-maturity more than 1 year	13,788,854	12,720,869
-maturity less than 1 year	18,476,590	17,750,840
Any commitments that are unconditionally cancellable at any time by the bank without prior notice	438,021	304,099
Foreign exchange related contracts	33,352,596	40,657,128
Interest rate related contracts	74,718,187	69,617,031
Equity related contracts	92,658	89,041
Unutilised credit card lines	8,308,368	9,200,627
Total	152,056,292	153,874,343

The Company's commitments and contingencies

	The Company	
	Principal Amount 31/12/2012 RM'000	Principal Amount 30/06/2012 RM'000
	Forward foreign exchange	205,804
Interest rate swaps	800,000	800,000
Cross currency swaps	118,030	118,030
	1,123,834	1,165,672

- b. Hong Leong Asset Management Bhd ("HLAM"), a wholly-owned subsidiary company of the stockbroking division, Hong Leong Capital Berhad ("HLCB"), is the Manager of Hong Leong Sectoral Funds ("Funds"), which comprises five sector funds. HLCB 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, HLCB would invest cash, equivalent to the shortfall, into the relevant fund.

The size of each of the five funds was above the minimum of RM1 million as at 31 December 2012.

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. Change in accounting policies and restatement of comparatives

(a) During the financial period, the Group and the Company changed the following accounting policy upon adoption of Malaysian Financial Reporting Standards ("MFRS")

(i) MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" ("MFRS 1")

MFRS 1 allows entity to designate a previously recognised financial asset or financial liability at fair value through profit or loss or a financial asset available-for-sale. Consequently, the Group and the Company have designate a previously financial assets available-for-sale to held-for-trading in accordance with adoption of MFRS 1.

(ii) Investments in subsidiaries

MFRS 1 allows the first-time adopter (a parent entity or investor) to measure its subsidiaries, in its separate financial statements at one of the following amounts on date of transition:

- a) cost, in accordance with MFRS 127 Consolidated and Separate Financial Statements; or
- b) deemed cost.

The deemed cost of such an investment shall be either:

- i) fair value at the entity's date of transition to MFRS in its separate financial statements; or
- ii) the previous GAAP carrying amount at that date.

The Group and the Company have elected to measure all its investments in subsidiaries in its separate financial statements at their FRS carrying amounts at 1 July 2011 (i.e. the transition date to MFRS).

(iii) MFRS 139 "Financial Instruments: Recognition and Measurement" ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the Bank Negara Malaysia ('BNM') may prescribed the use of an alternative basis for collective assessment of impairments in loan, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans and receivable is deemed impaired, the Group reversed out the interest income recognised in income statements and set off against the interest receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 July 2012, once a collectively assessed loans and receivables has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's opening retained profits. As such, comparatives have been restated to conform with current year's presentation.

27. Change in accounting policies and restatement of comparatives (continued)

(a) During the financial period, the Group and the Company changed the following accounting policy upon adoption of Malaysian Financial Reporting Standards ("MFRS") (continued)

(iv) Unallocated surplus and AFS reserves on non-participating funds of insurance subsidiary, Hong Leong Assurance Berhad ("HLA")

Prior to 1 July 2012, HLA recognised unallocated surplus and AFS reserves of non-participating funds as part of actuarial insurance contract liabilities as required under Guideline BNM_GL_003-28 Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM") on 22 July 2010.

On 21 February 2012, BNM issued a revised Guideline BNM_GL_003-28, which is effective for financial period commencing 1 January 2012. Under this new guideline, only life insurance contract liabilities with discretionary participating features (including actuarial liabilities, unallocated surplus and fair value/revaluation reserves, if any, of the life fund) shall be presented as a liability in the statement of financial position. Accordingly, HLA changed its accounting policy to classify the unallocated surplus and AFS reserves of non-participating funds from insurance contract liabilities to equity. This change in accounting policy is adopted retrospectively.

(b) During the financial period, the Group and the Company have restated certain comparatives

(i) MFRS 3 "Business Combinations"

The Group had finalised the fair value exercise and purchase price allocation in respect of the acquisition of the assets and liabilities of EON Capital Berhad in the last quarter of financial year ended 30 June 2012 as allowed by previous FRS 3 or MFRS 3 "Business Combinations". Arising from this, certain comparatives for the first quarter of previous financial year end have been restated.

	Group			
	As previously reported RM'000	Effect of adopting MFRS 1 MFRS 139 RM'000 RM'000		
As at 30 June 2012				
Statement of financial position				
Financial assets held-for-trading	23,066,887	273,253	-	23,340,140
Financial investments available-for-sale	15,393,755	(42,780)	-	15,350,975
Financial investments held-to-maturity	4,587,966	(222,525)	-	4,365,441
Loans, advances and financing	89,120,706	-	382,868	89,503,574
Clients' and brokers' balances	269,404	-	(144)	269,260
Provision for taxation	164,331	(2,958)	67,594	228,967
Deferred tax liability	106,196	108,853	27,163	242,212
Insurance funds	6,620,850	(552,765)	-	6,068,085
Retained profits	5,562,666	236,791	190,710	5,990,166
Fair value reserves	97,530	82,368	-	179,898
Statement of changes in equity				
Fair value reserves	97,530	82,368	-	179,898
Retained profits	5,562,666	236,791	190,710	5,990,166
Non-controlling interest	4,153,189	135,661	97,257	4,386,107

27. Change in accounting policies and restatement of comparatives (continued)

	Group			As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 MFRS 139 RM'000 RM'000		
As at 1 July 2011				
Statement of financial position				
Financial assets held-for-trading	6,974,724	173,256	-	7,147,980
Financial investments available-for-sale	10,798,973	(96,917)	-	10,702,056
Financial investments held-to-maturity	8,108,198	(76,710)	-	8,031,488
Loans, advances and financing	82,240,056	-	254,846	82,494,902
Clients' and brokers' balances	236,393	-	(7)	236,386
Provision for taxation	80,575	(3,277)	53	77,351
Deferred tax (asset)/liability	(72,694)	95,059	63,656	86,021
Insurance funds	5,834,179	(490,179)	-	5,344,000
Retained profits	4,911,368	219,135	126,353	5,256,856
Fair value reserves	88,880	59,447	-	148,327
Statement of changes in equity				
Fair value reserves	88,880	59,447	-	148,327
Retained profits	4,911,368	219,135	126,353	5,256,856
Non-controlling interest	2,791,539	119,444	64,777	2,975,760

	Group				As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 MFRS 3 MFRS 139 RM'000 RM'000 RM'000			
For the financial period ended 31 December 2011					
Statement of changes in equity					
Fair value reserves	72,549	127,374	-	-	199,923
Retained profits	5,190,787	216,222	(8,575)	116,237	5,514,670
Non-controlling interest	3,825,464	147,340	(4,370)	59,567	4,028,002
Statement of income					
Non interest income	436,585	17,024	-	-	453,609
Overhead expenses	(1,083,168)	-	(17,260)	-	(1,100,428)
Allowances for impairment on loans, advances and financing and other losses	(17,123)	-	-	(20,434)	(37,557)
Profit before taxation and zakat	995,813	17,024	(17,260)	(20,434)	975,143
Taxation	(226,868)	(8,306)	4,315	5,108	(225,751)
Net profit for the financial period	768,904	8,718	(12,945)	(15,326)	749,351
Attributable to:					
Owners of the parents	486,302	(2,913)	(8,575)	(10,116)	464,697
Non-controlling interest	282,602	11,631	(4,370)	(5,210)	284,654
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)					
- basic	46.9	(0.3)	(0.8)	(1.0)	44.8
- fully diluted	46.7	(0.3)	(0.8)	(1.0)	44.6

27. Change in accounting policies and restatement of comparatives (continued)

	Group				As restated RM'000
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	MFRS 3 RM'000	MFRS 139 RM'000	
For the financial quarter ended 31 December 2011					
Statement of income					
Non interest income	266,002	41,347	-	-	307,349
Overhead expenses	(622,294)	-	(7,192)	-	(629,486)
Allowances for impairment on loans, advances and financing and other losses	5,352	-	-	(31,769)	(26,417)
Profit before taxation and zakat	482,134	41,347	(7,192)	(31,769)	484,520
Taxation	(106,394)	(5,759)	1,798	7,942	(102,413)
Net profit for the financial period	375,722	35,588	(5,394)	(23,827)	382,089
Attributable to:					
Owners of the parents	234,100	27,942	(3,595)	(15,733)	242,715
Non-controlling interest	141,622	7,646	(1,799)	(8,094)	139,374
Earnings per share for profit attributable to ordinary equity holders of the Group (sen)					
- basic	22.6	2.7	(0.3)	(1.5)	23.4
- fully diluted	22.5	2.7	(0.3)	(1.5)	23.3

	Company			
	As previously reported RM'000	Effect of adopting MFRS 1 RM'000	MFRS 139 RM'000	As restated RM'000
As at 30 June 2012				
Statement of financial position				
Investment in subsidiary companies	4,095,940	11,144,592	-	15,240,532
Retained profits	1,217,425	11,144,592	-	12,362,017
Statement of changes in equity				
Retained profits	1,217,425	11,144,592	-	12,362,017
As at 1 July 2011				
Statement of financial position				
Investment in subsidiary companies	2,393,350	11,144,592	-	13,537,942
Retained profits	1,326,919	11,144,592	-	12,471,511
Statement of changes in equity				
Retained profits	1,326,919	11,144,592	-	12,471,511
For the financial period ended 31 December 2011				
Statement of changes in equity				
Retained profits	1,326,919	11,144,592	-	12,471,511

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG”)
ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES
BERHAD LISTING REQUIREMENTS**

1 Review of performance

Current quarter against previous corresponding quarter

With effect from 1 July 2012, the Group and the Company had adopted Malaysian accounting standards which is the convergence of International accounting standards. The adoption of MFRSs set out below has resulted in the restatement of previous corresponding quarter financial results for an apple-to-apple comparison.

- i. MFRS 1 - First Time Adoption of MFRS
- ii. MFRS 139 - Financial Instruments: Recognition and Measurement - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

The Group had also finalised the fair value exercise and purchase price allocation in respect of the acquisition of assets and liabilities of EON Capital Berhad as allowed by MFRS 3 "Business Combinations". Arising from this, certain comparatives have also been restated in the previous corresponding period. It should also be noted that during the financial period, the Group has also adopted the revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers.

The impact on adoption of the above accounting standards and changes to the Group and the Company is disclosed in Note 27 of the Condensed Financial Statement.

HLFG Group recorded a profit before tax of RM757.4 million for the current quarter ended 31 December 2012 as compared to RM484.5 million in the previous corresponding quarter with an increase of RM272.9 million or 56.3%. This was a very good performance contributed not only by Hong Leong Bank Group but across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM638.3 million for the current quarter ended 31 December 2012 as compared to RM440.1 million in the previous corresponding quarter, an increase of RM198.2 million or 45.0%. The increase was mainly due to lower other operating expenses of RM120.3 million, writeback of allowance for impaired loans of RM42.3 million, higher share of profit from Bank of Chengdu and joint venture totalling RM33.6 million and higher net income of RM4.9 million. This was offset by lower write back of impairment losses of RM2.9 million.

Hong Leong Capital Group recorded a profit before tax of RM14.8 million for the current quarter ended 31 December 2012 as compared to RM11.8 million in the previous corresponding quarter, an increase of RM3.0 million or 25.4%. This was mainly due to higher contribution from investment banking division.

HLA Holdings Group registered a profit before tax of RM60.4 million for the current quarter ended 31 December 2012 as compared to RM37.4 million in the previous corresponding quarter, an increase of RM23.0 million or 61.5%. The increase was mainly due to lower overhead expenses of RM21.3 million and higher share of profit from associate company by RM3.3 million. This was offset by lower non interest income of RM1.4 million.

2 Financial year-to-date against previous financial year-to-date

HLFG Group recorded a profit before tax of RM1,446.1 million for the period ended 31 December 2012 as compared to RM975.1 million in the previous corresponding period with an increase of RM470.9 million or 48.3%. This was a very good performance contributed not only by Hong Leong Bank Group but across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM1,275.8 million for the period ended 31 December 2012 as compared to RM953.9 million in the previous corresponding period, an increase of RM321.9 million or 33.7%. The increase was due to lower other operating expenses of RM123.1 million, higher net income by RM102.0 million, writeback of allowance for impaired loans of RM68.9 million and higher share of profit from Bank of Chengdu and joint venture totalling RM33.4 million. This is however mitigated by lower write back of impairment losses of RM5.5 million.

Hong Leong Capital Group recorded a profit before tax of RM26.5 million for the period ended 31 December 2012 as compared to RM22.8 million in the previous corresponding period, an increase of RM3.7 million or 16.2%. This was mainly due to higher contribution from investment banking division offset against higher overheads expenses from fund management and unit trust division.

HLA Holdings Group registered a profit before tax of RM104.4 million for the period ended 31 December 2012 as compared to RM78.7 million in the previous corresponding period, an increase of RM25.7 million or 32.7%. The increase was mainly due to lower overhead expenses of RM18.7 million, higher non interest income of RM5.6 million and higher share of profit from associate company by RM1.7 million.

3 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM757.4 million for the current quarter ended 31 December 2012 as compared to RM688.7 million for the preceding quarter, an increase of RM68.7 million or 10.0%. The overall increase in Group's profit before tax is mainly due to better performance from insurance division and other subsidiary companies.

The Hong Leong Bank Group recorded a profit before tax of RM638.3 million for the current quarter ended 31 December 2012 as compared to RM637.5 million in the preceding quarter, an increase of RM0.8 million or 0.1%. The increase was mainly due to higher share of profit from Bank of Chengdu of RM6.7 million, higher write back of impairment losses of RM2.2 million coupled with higher net income of RM1.8 million. This was offset by higher other operating expenses of RM8.8 million and higher allowance for impaired loans of RM1.2 million.

The Hong Leong Capital Group recorded a profit before tax of RM14.8 million for the current quarter ended 31 December 2012 as compared to RM11.7 million in the preceding quarter, an increase of RM3.1 million or 26.5%. This was mainly due to higher contribution from investment banking division.

The HLA Holdings Group recorded a profit before tax of RM60.4 million for the current quarter ended 31 December 2012 as compared to RM44.1 million in the preceding quarter, an increase of RM16.3 million or 37.0%. The increase was mainly due to a higher non interest income of RM8.6 million and higher share of profit from associate company by RM7.1 million.

4 Prospects for the current year

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

5 Variance of actual profit from forecasted profit

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

6 Taxation

Provision based on profits for the financial period 31 December 2012

	Group		Group	
	Current	Last year	Current year	Last year
	quarter ended	quarter ended	to date	to date
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM '000	RM '000	RM '000	RM '000
		(Restated)		(Restated)
Tax expense				
Malaysian – current	(129,413)	(78,941)	(288,826)	(203,617)
Overseas – current	931	-	-	-
Transfer (from) / to deferred tax	(11,964)	(23,472)	(20,445)	(22,134)
	<u>(140,446)</u>	<u>(102,413)</u>	<u>(309,271)</u>	<u>(225,751)</u>
Prior year under provision				
- Malaysian	(2,879)	-	(4,481)	-
	<u>(143,325)</u>	<u>(102,413)</u>	<u>(313,752)</u>	<u>(225,751)</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.

7 Sale of properties/unquoted investments

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

8 Purchase / sale of quoted securities of the Group

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

9 Status of corporate proposals

- (a) On 26 July 2012, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLB (excluding treasury shares) ("Proposed New HLB ESOS").

The Proposed New HLB ESOS is subject to the following:

- (i) approval-in-principle of Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the new HLB shares to be issued pursuant to the exercise of the Options under the Proposed New HLB ESOS ("Proposed Listing of New HLB Shares"); and
- (ii) approval of the shareholders of HLB.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New HLB Shares and the shareholders of HLB had, at the Annual General Meeting held on 25 October 2012, approved the Proposed New HLB ESOS.

- (b) On 30 July 2012, HLFGB proposed to establish a new executive share option scheme of up to 10% of the issued and paid-up share capital of HLFGB (excluding treasury shares) ("Proposed New HLFGB ESOS").

The Proposed New HLFGB ESOS is subject to the following:

- (i) approval-in-principle of Bursa Securities for the listing of and quotation for the new HLFGB shares to be issued pursuant to the exercise of the Options under the Proposed New HLFGB ESOS ("Proposed Listing of New HLFGB Shares"); and
- (ii) approval of the shareholders of HLFGB.

Bursa Securities had, via its letter dated 18 September 2012, resolved to approve the Proposed Listing of New HLFGB Shares and the shareholders of HLFGB had, at the Annual General Meeting held on 30 October 2012, approved the Proposed New HLFGB ESOS.

- (c) OSK, on behalf of HLFGB announced that HLFGB through OSK had served a notice of conditional voluntary take-over offer on the Board of Directors of HLCB on 14 January 2013 to acquire all the ordinary shares of RM1.00 in HLCB other than those already held by HLFGB at a cash offer price of RM1.71 per Offer Share ("Offer").

On 18 February 2013, HLFGB had received approval from Bank Negara Malaysia in relation to the Offer. As such, the Offer had become unconditional.

10 Group borrowings

The Group borrowings include:

	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
Bank loans	403,815	633,383
Capital market borrowing	3,015,158	1,110,955
Subordinated obligations	4,363,024	4,369,385
Senior Bonds	1,839,464	1,907,793
Non-innovative Tier 1 stapled securities	1,408,484	1,407,283
Innovative Tier 1 capital securities	564,404	574,581
	<u>11,594,349</u>	<u>10,003,380</u>

Capital market borrowings

SC has on 2 August 2011 approved the Company's master debt issuance programme of up to RM1,800 million in nominal value (the "Master Debt Programme").

The Master Debt Programme comprises the following:

- (i) a commercial papers ("CPs") programme of up to RM1,800 million in nominal value (the "CP Programme"); and
- (ii) a medium term notes ("MTNs") programme of up to RM1,800 million in nominal value (the "MTN Programme").

The aggregate outstanding balance of the CPs and MTNs shall not exceed RM1,800 million. The CP Programme shall have a tenure of seven (7) years from the date of first issuance of the CPs. The MTN Programme shall have a tenure of twenty (20) years from the date of first issuance of the MTNs.

As at 31 December 2012, the Company has issued RM465 million of CPs and RM550 million MTNs.

10 Group borrowings (continued)

Capital market borrowings (continued)

On 1 December 2009, HLAH appointed CIMB to create and issue up to RM2.0 billion in nominal value of medium term notes (“MTN”) under a proposed MTN Programme to raise funds for investment purpose.

On 23 April 2010, the Securities Commission has approved the application subject to certain operational terms and conditions being fulfilled.

On 14 August 2012, HLAH completed its RM2.0 billion MTN issuance. The MTN has a maturity of 5 years and has a call option to redeem the MTN at anytime.

Subordinated obligations

	Note	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	680,000	680,000
Add: Interest payable		12,407	12,734
		<u>692,407</u>	<u>692,734</u>
Less: Unamortised discounts		(1,131)	(1,603)
		<u>691,276</u>	<u>691,131</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		6,793	6,555
		<u>1,006,793</u>	<u>1,006,555</u>
Less: Unamortised discounts		(1,848)	(2,436)
		<u>1,004,945</u>	<u>1,004,119</u>
Subordinated medium term notes, at par	(c)	1,160,000	1,160,000
Add: Interest payable		9,410	9,267
		<u>1,169,410</u>	<u>1,169,267</u>
Less: Unamortised discounts		(10,938)	(14,214)
Add: Fair value adjustments on completion of business combination accounting		9,515	18,000
		<u>1,167,987</u>	<u>1,173,053</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		1,479	1,664
		<u>1,501,479</u>	<u>1,501,664</u>
Less: Unamortised discounts		(2,663)	(582)
		<u>1,498,816</u>	<u>1,501,082</u>
		<u>4,363,024</u>	<u>4,369,385</u>

- (a) On 10 August 2010, HLB had completed the first issuance of RM700 million nominal value of Tier 2 Subordinated Debt (“Sub Debt”) out of its RM1.7 billion Tier 2 Subordinated Notes Programme. The RM700 million Sub Debt will mature in 2020 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The Sub Debt which bears interest of 4.85% per annum is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

- (b) On 5 May 2011, HLB issued the remaining RM1.0 billion nominal value of Sub Debt which will mature in 2021 and is callable at the end of year 5 and on each subsequent coupon payment dates thereafter subject to approval of BNM. The second issuance of Sub Debt bears interest at the rate of 4.35% per annum and is payable semi-annually in arrears.

The Sub Debt constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

10 Group borrowings (continued)

Subordinated obligations (continued)

- (c) On 27 February 2009, Promino Sdn Bhd ("Promino") (formerly known as EON Bank Berhad), a wholly-owned subsidiary of HLB, has successfully issued the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years Subordinated Medium Term Notes ("MTN") callable on 27 February 2014 (and thereafter) and due on 27 February 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date.

Subsequently, on 2 December 2009, Promino issued a second tranche of RM250.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 2 December 2014 (and thereafter) and due on 2 December 2019 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this second tranche of the Subordinated MTN is 5.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, the coupon rate of this second tranche will be revised to be equivalent to 7.75% or the then prevailing 5 years RM swap rate plus 3.70% per annum, whichever is higher, from the beginning of the sixth (6) year to the final maturity date; similar to the step-up rates in the first tranche.

Subsequently, on 30 December 2010, Promino issued a third tranche of RM500.0 million nominal value of the 10 non-callable 5 years Subordinated MTN callable on 30 December 2015 (and at each anniversary date thereafter) and due on 30 December 2020 under the RM2.0 billion Subordinated MTN Programme. The coupon rate of this third tranche of the Subordinated MTN is 4.75% per annum, which is payable semi-annually in arrears from the date of the issue. Should Promino decide not to exercise its call option on the fifth (5) year from the issue date, or at each anniversary date thereafter, the coupon rate of this third tranche will be remain at 4.75% per annum, from the beginning of the sixth (6) year to the final maturity date.

On 1 July 2011, the above Subordinated MTN was vested to HLB. The above tranches of Subordinated MTNs constitute unsecured liabilities of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities, which by their terms, rank equally in rights of payment with the Subordinated MTNs. The Subordinated MTNs qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLB.

- (d) On 22 June 2012, HLB had completed the issuance of RM1.5 billion nominal value of Tier 2 Subordinated Notes ("Sub Notes"). The RM1.5 billion Sub Notes will mature in 2024 and are callable on any interest payment date falling on or after the 7th anniversary of the issue date subject to approval of BNM. The Sub Notes which bears interest of 4.50% per annum is payable semi-annually in arrears.

The Sub Notes constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB 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 HLB.

Senior Bonds

	Note	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
USD 300 million senior bonds, at par	(a)	916,350	916,350
USD 300 million senior bonds, at par	(b)	919,200	919,200
Foreign exchange translations		(750)	69,750
		<u>1,834,800</u>	<u>1,905,300</u>
Add: Interest payable		15,672	16,274
		<u>1,850,472</u>	<u>1,921,574</u>
Less: Unamortised discounts		(11,008)	(13,781)
		<u>1,839,464</u>	<u>1,907,793</u>

- (a) On 17 March 2011, HLB issued USD300 million in aggregate principal amount of Senior Bonds ("the Bonds"), which will mature in 2016. The Bonds bear interest at the rate of 3.75% is payable semi-annually. The Bonds were issued at a price of 99.761 per cent of the principal amount of the Bonds.

10 Group borrowings (continued)

Senior Bonds (continued)

- (a) The Bonds will constitute direct, general, unsubordinated and (subject to the provisions of Negative Pledge Condition) unsecured obligations of HLB which will at all times rank parri passu among themselves and at least parri passu with all other present and future unsecured obligations of HLB.
- (b) On 20 April, 2012, HLB completed its inaugural US dollar senior unsecured notes issuance of USD300 million (the "Senior Notes") under its Euro Medium Term Note Programme of up to USD1.5 billion (or its equivalent in other currencies) in nominal value (the "Programme") which was established on 9 April 2012.

The Senior Notes will have a tenor of five years, maturing on 19 April 2017. The Senior Notes will pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269%.

Non-innovative Tier 1 stapled securities

	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	11,041	10,653
	<u>1,411,041</u>	<u>1,410,653</u>
Less: Unamortised discounts	(2,557)	(3,370)
	<u>1,408,484</u>	<u>1,407,283</u>

On 5 May 2011, HLB had completed its issuance of Non-innovative Tier 1 stapled securities ("NIT-1 stapled securities") of RM1.4 billion. The NIT-1 Stapled Securities which is perpetual in nature and callable at the end of year 5 and on each coupon payment date, pays a semi annual coupon of 5.05% per annum. The call option shall be subject to the approval of BNM.

The NIT-1 stapled securities constitute unsecured liabilities of HLB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLB in accordance with the terms and conditions of the issue and qualify as Tier 1 capital for the purpose of determining the capital adequacy ratio of HLB.

Innovative Tier 1 capital securities

	As at 31/12/2012 RM '000	As at 30/06/2012 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	12,771	12,545
	<u>512,771</u>	<u>512,545</u>
Less: Unamortised discounts	(10,600)	(9,708)
Add: Fair value adjustments on completion of business combination accounting	62,233	71,744
	<u>564,404</u>	<u>574,581</u>

On 10 September 2009, Promino issued the first tranche of Innovative Tier 1 capital securities ("IT-1 capital securities") amounting to RM500 million in nominal value, from its RM1.0 billion IT-1 Capital Securities Programme. The IT-1 capital securities is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by BNM.

The RM500 million IT-1 Capital Securities has a tenor of 30 years and Promino has the option to redeem the RM500 million IT-1 capital securities at the 10th anniversary, subject to BNM approval. The RM500 million IT-1 capital securities has a coupon rate of 8.25% per annum, payable semi-annually. In the event the IT-1 capital securities is not redeemed at the 10th anniversary (the First Optional Redemption Date), the coupon rate will be revised to 9.25% per annum from the 11th year to the final maturity.

On 1 July 2011, the above IT-capital securities was vested to HLB. The IT-1 capital securities constitute unsecured and subordinated obligations of HLB and are subordinated to all deposit liabilities and all other liabilities except those liabilities which rank equally in, and/or junior to, the rights of payment of the IT-1 capital securities. The IT-1 capital securities qualify as Tier 1 capital for the purpose of computing the capital adequacy ratio of HLB.

11 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2012

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	19,634,432	67,114	(95,478)
(ii) 1 year to 3 years	437,574	4	(66)
- Swaps			
(i) Less than 1 year	6,969,404	73,249	(57,392)
(ii) 1 year to 3 years	999,652	9,274	(7,948)
(iii) More than 3 years	1,701,484	38,903	(40,407)
- Options			
(i) Less than 1 year	3,397,723	12,149	(13,959)
(ii) 1 year to 3 years	212,327	2,871	(2,871)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	5,850,811	462	(2,616)
(ii) 1 year to 3 years	1,040,000	445	(1,672)
(iii) More than 3 years	240,000	492	-
- Swaps			
(i) Less than 1 year	12,982,191	19,156	(54,537)
(ii) 1 year to 3 years	25,334,859	97,473	(118,089)
(iii) More than 3 years	29,270,326	394,849	(410,698)
Equity related contracts			
(i) Less than 1 year	82,658	1,310	(1,309)
(ii) 1 year to 3 years	10,000	2,258	-
Total	108,163,441	720,009	(807,042)

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 period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM96,221,141 (FYE June 2012: RM681,275,001) and RM60,361,390,070 (FYE June 2012: RM57,680,193,113) respectively.

Derivatives

Market risk arises from the impact on trading positions of changes in foreign exchange rates and interest rates. It also includes the impact from changes in the correlations and volatilities of other risk factors. The Group manages trading market risk in the course of market-making, structuring and packaging products for investors and other clients, as well as to benefit from market opportunities. The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including limit setting and independent model validation, monitoring and valuation. Management of derivatives risks is continually reviewed and enhanced to ensure that the complexities of the business are appropriately controlled.

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 RM723,839,380 (FYE June 2012: RM987,969,092). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

11 Off-Balance Sheet financial instruments (continued)

Credit risk (continued)

Derivatives

The amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

The Group uses the following derivative instruments for both hedging and non-hedging purposes:-

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. The credit risk of futures contracts is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures' contract value are settled daily with the exchange.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (ie, cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

Liquidity risk

Derivatives

Liquidity risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

11 Off-Balance Sheet financial instruments (continued)

Related accounting policies

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged items affects the income statement.

12 Material litigation

The Group does not have any material litigation which, in the opinion of the Directors, would have a material adverse impact on the financial results of the Group.

13 HLFG Dividends

For the financial period ended 31 December 2012, a single tier dividend of 13 sen per share was declared (31 December 2011: 10 sen per share) and paid on 20 December 2012.

14 Earnings per share

(a) Basic earnings per share

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

Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Weighted average number of ordinary shares	1,039,651	1,036,978	1,039,651	1,036,978
Net profit attributable to shareholders of the company	430,896	242,715	778,093	464,697
Basic earnings per share (Sen)	41.4	23.4	74.8	44.8

14 Earnings per share (Continued)

Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Weighted average number of ordinary shares	1,042,736	1,040,498	1,042,736	1,040,498
Net profit attributable to shareholders of the company	224,142	114,900	216,088	76,195
Basic earnings per share (Sen)	21.5	11.0	20.7	7.3

(b) Fully diluted earnings per share

Basic earnings per share is calculated by dividing the profit after taxation and minority interest by the weighted average number of ordinary shares (diluted) during the financial year.

Fully Diluted Weighted Average Number Of Ordinary Shares	Group		Group	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Weighted average number of ordinary shares				
- during the period	1,039,651	1,036,978	1,039,651	1,036,978
- adjustment for ESOS	2,823	4,844	2,823	4,844
	1,042,474	1,041,822	1,042,474	1,041,822
Net profit attributable to shareholders of the company	430,896	242,715	778,093	464,697
Fully diluted earnings per share (Sen)	41.3	23.3	74.6	44.6

Fully Diluted Weighted Average Number Of Ordinary Shares	Company		Company	
	Current quarter ended 31/12/2012 RM '000	Last year quarter ended 31/12/2011 RM '000 (Restated)	Current year to date 31/12/2012 RM '000	Last year to date 31/12/2011 RM '000 (Restated)
Weighted average number of ordinary shares				
- during the period	1,042,736	1,040,498	1,042,736	1,040,498
- adjustment for ESOS	2,465	4,383	2,465	4,383
	1,045,201	1,044,881	1,045,201	1,044,881
Net profit attributable to shareholders of the company	224,142	114,900	216,088	76,195
Fully diluted earnings per share (Sen)	21.4	11.0	20.7	7.3

15 Realised and unrealised profit

On 25 March 2010, Bursa Malaysia issued a directive that requires all listed issuer to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period into realised and unrealised profits or losses.

The breakdown of realised and unrealised profit is derived based on the Guidance on Special Note No.1 Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed below excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group and are deemed realised.

The breakdown of the retained profits of the Group are as follows:

	Group As at 31/12/2012 RM '000	Group As at 30/06/2012 RM '000 (Restated)
Total retained profits of the Group and its subsidiaries		
- Realised	17,812,434	17,303,032
- Unrealised	1,202,625	1,053,780
Total share of retained profits from associated companies		
- Realised	877,882	721,025
- Unrealised	803	109
Total share of retained profits from jointly controlled entity		
- Realised	1,071	160
- Unrealised	-	-
	<hr/> 19,894,815	<hr/> 19,078,106
Less : Consolidated adjustment	(13,313,541)	(13,087,940)
Total Group retained profits as per consolidated accounts	<hr/> <hr/> 6,581,274	<hr/> <hr/> 5,990,166

Dated this 22 February 2013