

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 31 MARCH 2014

	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
THE GROUP		
<u>Assets</u>		
Cash and short term funds	13,842,988	19,797,580
Deposits and placements with financial institutions	5,051,009	7,154,848
Securities purchased under resale agreements	3,494,961	1,299,641
Financial assets held-for-trading	12,381,804	16,804,320
Financial investments available-for-sale	26,955,284	22,311,708
Financial investments held-to-maturity	9,557,339	4,816,670
Derivative financial instruments	842,807	906,483
Loans, advances and financing	100,945,422	96,274,952
Clients' and brokers' balances	227,709	256,474
Other receivables	711,338	1,005,249
Statutory deposits with Central Banks	3,587,831	3,457,409
Tax recoverable	11,308	19,972
Investment in associated companies	2,720,557	2,456,598
Investment in jointly controlled entities	87,591	79,945
Property and equipment	1,025,930	1,039,745
Goodwill arising on consolidation	2,410,644	2,410,644
Intangible assets	382,476	380,907
Total Assets	184,236,998	180,473,145
<u>Liabilities</u>		
Deposits from customers	127,868,381	123,958,705
Deposits and placements of banks and other financial institutions	6,879,217	13,110,123
Obligations on securities sold under repurchase agreements	6,478,529	1,925,777
Bills and acceptances payable	317,576	800,680
Derivatives financial instruments	768,383	1,009,421
Clients' and brokers' balances	122,100	140,353
Payables and other liabilities	5,311,614	4,574,141
Provision for claims	56,696	85,255
Provision for taxation	112,675	189,131
Deferred tax liability	206,361	221,561
Borrowings	3,328,476	3,526,161
Subordinated bonds	4,483,081	4,873,509
Senior Bonds	1,966,579	1,902,171
Non-innovative Tier 1 stapled securities	1,427,267	1,408,992
Innovative Tier 1 capital securities	534,875	556,042
Insurance funds	7,897,518	7,186,415
Total Liabilities	167,759,328	165,468,437
<u>Equity</u>		
Share capital	1,052,768	1,052,768
Capital reserves	2,641,149	2,234,198
Retained profits	7,321,922	6,590,499
Fair value reserve	196,766	248,221
Treasury shares for ESOS scheme	(49,409)	(49,958)
Total shareholders' equity	11,163,196	10,075,728
Non-controlling interests	5,314,474	4,928,980
Total Equity	16,477,670	15,004,708
Total Liabilities and Equity	184,236,998	180,473,145
Commitment and Contingencies	195,195,348	167,125,844
Net assets per share (net of treasury shares) attributable to ordinary equity holders of the parent (RM)	10.70	9.66

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
THE GROUP				
Interest income	1,449,575	1,431,657	4,340,334	4,248,362
Interest expense	(817,730)	(802,047)	(2,497,854)	(2,392,107)
Net interest income	631,845	629,610	1,842,480	1,856,255
Net income from Islamic banking business	108,909	116,708	330,150	347,612
Non-interest income	312,726	337,136	1,230,043	1,120,946
Net income	1,053,480	1,083,454	3,402,673	3,324,813
Overhead expenses	(445,999)	(501,790)	(1,446,187)	(1,487,019)
Operating profit before allowances	607,481	581,664	1,956,486	1,837,794
Allowance for impairment losses on loans, advances and financing and other losses	(25,032)	(41,165)	(27,830)	(13,226)
Writeback of impairment losses	19,689	36	38,895	4,895
	602,138	540,535	1,967,551	1,829,463
Share of profit after tax of equity accounted associated companies	123,595	77,106	320,045	233,350
Share of profit after tax of equity accounted jointly controlled entities	2,126	895	6,016	1,806
Profit before taxation	727,859	618,536	2,293,612	2,064,619
Taxation	(117,977)	(139,734)	(435,974)	(453,586)
Net profit for the financial period	609,882	478,802	1,857,638	1,611,033
Attributable to :				
Owners of the parent	414,680	320,036	1,256,622	1,098,129
Non-controlling interests	195,202	158,766	601,016	512,904
Net profit for the financial period	609,882	478,802	1,857,638	1,611,033
Earnings per share - basic (sen)	39.8	30.8	120.5	105.6
Earnings per share - fully diluted (sen)	39.7	30.7	120.2	105.3

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
THE GROUP				
Net profit for the financial period	609,882	478,802	1,857,638	1,611,033
Other comprehensive (loss)/income:				
<u>Items that may be reclassified subsequently to profit or loss:</u>				
Share of other comprehensive loss of associated companies	-	-	(22)	(22)
Net fair value changes on financial investments available-for-sale	(104,456)	(46,747)	(68,869)	61,609
Currency translation differences	(3,431)	4,222	29,363	(7,286)
Income tax relating to components of other comprehensive income	26,112	3,717	17,217	(17,954)
Total comprehensive income for the financial period, net of tax	<u>528,107</u>	<u>439,994</u>	<u>1,835,327</u>	<u>1,647,380</u>
Attributable to :				
Owners of the parent	332,973	278,310	1,226,201	1,124,986
Non-controlling interests	195,134	161,684	609,126	522,394
	<u>528,107</u>	<u>439,994</u>	<u>1,835,327</u>	<u>1,647,380</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014

	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
THE COMPANY		
<u>Assets</u>		
Cash and short term funds	161,962	10,662
Deposits and placements with financial institutions	10,607	11,677
Financial assets held-for-trading	17	-
Derivative financial instruments	1,388	860
Other receivables	57,084	60,663
Tax recoverable	9,900	17,400
Deferred tax assets	2,949	4,977
Investment in subsidiaries	15,054,505	15,105,348
Property and equipment	737	898
Intangible assets	20	11
Total Assets	<u>15,299,169</u>	<u>15,212,496</u>
<u>Liabilities</u>		
Derivative financial instruments	2,024	8,160
Payables and other liabilities	10,463	15,104
Borrowings	1,308,312	1,466,106
Total Liabilities	<u>1,320,799</u>	<u>1,489,370</u>
<u>Financed by:</u>		
Share capital	1,052,768	1,052,768
Capital reserves	392,351	388,900
Retained profits	12,570,412	12,318,619
Treasury shares for ESOS scheme	(37,161)	(37,161)
Total Equity	<u>13,978,370</u>	<u>13,723,126</u>
Total Liabilities and Equity	<u>15,299,169</u>	<u>15,212,496</u>
Commitment and Contingencies	<u>843,560</u>	<u>967,360</u>

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED COMPANY STATEMENTS OF INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014	quarter ended 31/03/2013	to date 31/03/2014	to date 31/03/2013
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Interest income	896	1,001	2,461	2,718
Interest expense	(12,519)	(13,777)	(38,641)	(43,622)
Net interest expense	(11,623)	(12,776)	(36,180)	(40,904)
Non-interest income	177,136	174,385	524,749	507,765
Net income	165,513	161,609	488,569	466,861
Overhead expenses	(9,176)	(5,142)	(22,977)	(17,090)
Writeback of impairment losses	-	1,056	-	1,056
Profit before taxation	156,337	157,523	465,592	450,827
Taxation	7,614	(42,654)	(77,894)	(119,870)
Net profit for the financial period	163,951	114,869	387,698	330,957
Earnings per share - basic (sen)	15.7	11.0	37.1	31.7
Earnings per share - fully diluted (sen)	15.7	11.0	37.0	31.7

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Individual Quarter		Cumulative Quarter	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014	quarter ended 31/03/2013	to date 31/03/2014	to date 31/03/2013
THE COMPANY	RM '000	RM '000	RM '000	RM '000
Net profit for the financial period	163,951	114,869	387,698	330,957
Other comprehensive income for the financial period	-	-	-	-
Total comprehensive income for the financial period, net of tax	163,951	114,869	387,698	330,957

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Share Capital	Share Premium	Treasury Shares for ESOS scheme	Statutory Reserve	Other Capital Reserve	Share Options Reserve	Fair Value Reserve	Regulatory Reserve#	Exchange Fluctuation Reserve	Retained Profits	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
THE GROUP													
At 1 July 2013	1,052,768	117,229	(49,958)	1,971,758	134,417	22,768	248,221	8,527	(20,501)	6,590,499	10,075,728	4,928,980	15,004,708
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	1,256,622	1,256,622	601,016	1,857,638
Currency translation differences	-	-	-	-	-	-	-	-	21,034	-	21,034	8,329	29,363
Share of other comprehensive loss of associated companies	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	(51,440)	-	-	-	(51,440)	(212)	(51,652)
Total comprehensive income	-	-	-	-	-	-	(51,455)	-	21,034	1,256,622	1,226,201	609,126	1,835,327
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserve	-	-	-	384,052	-	-	-	-	-	(384,052)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(13,302)	(13,302)	13,929	627
Dividends paid	-	-	-	-	-	-	-	-	-	(135,905)	(135,905)	-	(135,905)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	(253,003)	(253,003)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	15,442	15,442
Option charge arising from ESOS	-	-	-	-	-	5,715	-	-	-	-	5,715	-	5,715
Exercise of ESOS	-	-	549	-	-	(4,281)	-	-	-	8,491	4,759	-	4,759
Transfer to capital redemption reserve	-	-	-	-	431	-	-	-	-	(431)	-	-	-
AT 31 MARCH 2014	1,052,768	117,229	(49,409)	2,355,810	134,848	24,202	196,766	8,527	533	7,321,922	11,163,196	5,314,474	16,477,670

	Share Capital	Share Premium	Treasury Shares for ESOS scheme	Statutory Reserve	Other Capital Reserve	Share Options Reserve	Fair Value Reserve	Regulatory Reserve#	Exchange Fluctuation Reserve	Retained Profits	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
At 1 July 2012	1,052,768	117,229	(62,705)	1,473,456	133,993	35,445	179,506	6,045	(22,982)	5,985,755	8,898,510	4,383,194	13,281,704
<u>Comprehensive income</u>													
Net profit for the financial period	-	-	-	-	-	-	-	-	-	1,098,129	1,098,129	512,904	1,611,033
Currency translation differences	-	-	-	-	-	-	-	-	(6,361)	-	(6,361)	(925)	(7,286)
Share of other comprehensive loss of associated companies	-	-	-	-	-	-	(15)	-	-	-	(15)	(7)	(22)
Net fair value changes in financial investments available-for-sale, net of tax	-	-	-	-	-	-	33,233	-	-	-	33,233	10,422	43,655
Total comprehensive income	-	-	-	-	-	-	33,218	-	(6,361)	1,098,129	1,124,986	522,394	1,647,380
<u>Transaction with owners</u>													
Transfer to statutory reserves/regulatory reserve	-	-	-	83,054	-	-	-	2,462	-	(85,516)	-	-	-
Allocation of other reserves to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,774)	(2,774)	2,804	30
Acquisition of additional interest in subsidiary company	-	-	-	-	-	-	-	-	-	499	499	(9,975)	(9,476)
Dividend paid	-	-	-	-	-	-	-	-	-	(135,555)	(135,555)	-	(135,555)
Non-controlling interests share of dividend	-	-	-	-	-	-	-	-	-	-	-	(188,696)	(188,696)
Non-controlling interests share of subsidiary treasury shares	-	-	-	-	-	-	-	-	-	-	-	30,711	30,711
Option charge arising from ESOS	-	-	-	-	-	6,510	-	-	-	-	6,510	-	6,510
Purchase of treasury shares	-	-	(3,676)	-	-	-	-	-	-	-	(3,676)	-	(3,676)
Exercise of ESOS	-	-	959	-	-	(4,088)	-	-	-	5,517	2,388	-	2,388
Transfer to capital redemption reserve	-	-	-	-	89	-	-	-	-	(89)	-	-	-
AT 31 MARCH 2013	1,052,768	117,229	(65,422)	1,556,510	134,082	37,867	212,724	8,507	(29,343)	6,865,966	9,890,888	4,740,432	14,631,320

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.

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserve RM '000	Share Options Reserve RM '000	Retained Profits RM '000	Treasury Shares for ESOS scheme RM '000	Total Equity RM '000
At 1 July 2013	1,052,768	117,229	254,991	16,680	12,318,619	(37,161)	13,723,126
Net profit for the financial period	-	-	-	-	387,698	-	387,698
Dividend paid	-	-	-	-	(135,905)	-	(135,905)
Option charge arising from ESOS	-	-	-	3,451	-	-	3,451
AT 31 MARCH 2014	1,052,768	117,229	254,991	20,131	12,570,412	(37,161)	13,978,370

	Share Capital RM '000	Share Premium RM '000	Other Capital Reserve RM '000	Share Options Reserve RM '000	Retained Profits RM '000	Treasury Shares for ESOS scheme RM '000	Total Equity RM '000
At 1 July 2012	1,052,768	117,229	254,991	12,078	12,362,017	(47,085)	13,751,998
Net profit for the financial period	-	-	-	-	330,957	-	330,957
Dividend paid	-	-	-	-	(135,555)	-	(135,555)
Purchase of treasury shares	-	-	-	-	-	(3,676)	(3,676)
AT 31 MARCH 2013	1,052,768	117,229	254,991	12,078	12,557,419	(50,761)	13,943,724

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

HONG LEONG FINANCIAL GROUP BERHAD (8024-W)
UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	The Group		The Company	
	31/03/2014	31/03/2013	31/03/2014	31/03/2013
	RM '000	RM '000	RM '000	RM '000
Profit before taxation	2,293,612	2,064,619	465,592	450,827
Adjustment for non-cash items	(148,806)	(177,771)	(483,921)	(450,019)
Operating profit before working capital changes	2,144,806	1,886,848	(18,329)	808
Income tax (paid)/refund	(372,802)	(269,487)	17,429	3,113
Interest received	2,461	2,718	2,461	2,718
Changes in working capital				
Net changes in operating assets	147,918	2,051,848	10,986	(162,040)
Net changes in operating liabilities	2,333,151	76,216	(10,777)	(3,697)
Net cash flow generated from/(used in) operating activities	4,255,534	3,748,143	1,770	(159,098)
Cash flow from investing activities:				
Net purchases of financial investments available-for-sale	(4,668,720)	(6,009,080)	-	-
Net purchases of financial investments held-to-maturity	(4,740,044)	(47,352)	-	-
Interest received on financial investments available-for-sale and held-to-maturity	452,107	325,522	-	-
Purchase of intangibles assets	(90,046)	(12,319)	(15)	(1)
Purchase of property and equipment	(110,623)	(95,319)	(47)	(141)
Proceeds from disposal of property and equipment	825	1,810	123	-
Dividends received from other investments	197,358	74,168	292	535
Dividends received from subsidiaries	-	-	430,674	360,338
Dividends received from associated companies	56,086	51,344	-	-
Subscription of shares in jointly controlled company	(1,628)	-	-	-
Acquisition of additional interest in subsidiary company	-	(9,477)	-	(9,477)
Net proceeds from redemption of redeemable preference shares	-	-	50,843	112,217
Net cash flow (used in)/generated from investing activities	(8,904,685)	(5,720,703)	481,870	463,471
Cash flow from financing activities				
Dividends paid to equity holders of the Company	(135,905)	(135,555)	(135,905)	(135,555)
Dividends paid to non-controlling interests	(253,003)	(188,696)	-	-
Purchase of treasury shares	-	(3,676)	-	(3,676)
Cash received from exercising of ESOS	4,759	2,388	-	-
Drawdown/(repayment) of revolving credit	65,000	(165,000)	65,000	-
(Redemption)/issuance of medium term notes and commercial paper	(49,000)	1,910,000	(49,000)	(90,000)
(Repayment)/proceeds from subordinated bonds	(410,000)	500,000	-	-
Repayment of term loans	(180,000)	(60,000)	(180,000)	(60,000)
Interest paid on subordinated bonds	(146,434)	(118,106)	-	-
Interest paid on borrowings	(192,100)	(51,844)	(32,435)	(37,784)
Interest paid on senior bonds	(53,867)	(52,815)	-	-
Interest paid on non-innovative Tier 1 stapled securities	(36,482)	(36,431)	-	-
Interest paid on innovative Tier 1 capital securities	(30,142)	(27,724)	-	-
Net cash flow (used in)/generated from financing activities	(1,417,174)	1,572,541	(332,340)	(327,015)
Changes in cash and cash equivalents	(6,066,325)	(400,019)	151,300	(22,642)
Effect of change in foreign exchange rate	111,733	(49,806)	-	-
Cash and cash equivalents as at 1 July	19,797,580	21,121,039	10,662	40,900
Cash and cash equivalents as at 31 March	13,842,988	20,671,214	161,962	18,258

The unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2013.

**HONG LEONG FINANCIAL GROUP BERHAD (“HLFG” or “the Company”)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 31 March 2014 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, derivative financial instruments and investment properties.

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 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 2013. 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 financial year ended 30 June 2013.

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.

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 2013, 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 2013:

MFRS 10	"Consolidated Financial Statements"
MFRS 11	"Joint Arrangements"
MFRS 12	"Disclosures of Interests in Other Entities"
MFRS 13	"Fair Value Measurement"
The revised MFRS 127	"Separate Financial Statements"
The revised MFRS 128	"Investments in Associates and Joint Ventures"
Amendment to MFRS 7	"Financial Instruments: Disclosures"

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company’s accounting policies. Although these estimates and assumptions are based on the Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

2. Status of matters giving rise to the auditor’s qualified report in the annual financial statement for the financial year ended 30 June 2013

There was no qualified report issued by the auditors in the annual financial statements for the financial year ended 30 June 2013.

3. Seasonality or cyclicity of operations

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

4. Exceptional items or unusual events affecting financial statements

There were no exceptional items or unusual events that materially affected the financial statements.

5. Variation from financial estimates reported in preceding financial year

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

6. Issuance and repayment of debt and equity securities

There was no repayment of debt or equity share, share buy-back, share cancellation, shares held as treasury shares nor resale of treasury shares in HLFG for the financial period ended 31 March 2014 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 for ESOS scheme" 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 March 2014, no shares were exercised pursuant to the Company's ESOS.

The remaining number of shares held by the appointed trustee for the Company as at 31 March 2014 was 7,344,408 units at an average price of RM5.06 per share and the total consideration paid, including transaction costs was RM37,161,000.

The insurance subsidiary companies exercised a total of 115,350 ordinary shares of RM1 each pursuant to the Company's ESOS at the granted exercise price of RM8.09 during the financial period ended 31 March 2014.

The remaining number of shares held by the appointed trustee for the insurance subsidiary companies as at 31 March 2014 was 2,576,842 units at an average price of RM4.75 per share with total consideration paid, including transaction costs was RM12,248,000 which have been classified as treasury shares for ESOS scheme at the Group level.

Repayment of debt and equity securities

On 27 February 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFG, had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum, which were previously issued by Promino Sdn Bhd (formerly known as EON Bank Berhad) and vested to HLB on 1 July 2011.

7. Dividends paid

An interim single tier dividend of 13.0 sen per share amounting to RM135.9 million was paid on 20 December 2013.

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 based on internally computed cost of funds. 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 and asset management	Investment banking, futures and stockbroking, fund and unit trust management
Insurance	Life and general insurance business
Other operations	Investment holding and provision of management services

8. Segmental reporting (continued)

The Group 31 March 2014	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	3,022,201	119,219	269,166	(7,913)	-	3,402,673
Intersegment sales	10,441	352	1,788	528,081	(540,662)	-
	<u>3,032,642</u>	<u>119,571</u>	<u>270,954</u>	<u>520,168</u>	<u>(540,662)</u>	<u>3,402,673</u>
Results for the period ended						
Segment results	1,718,862	49,774	223,513	496,983	(521,581)	1,967,551
Share of profit after tax of equity accounted associated companies						320,045
Share of profit after tax of equity accounted jointly controlled entities						<u>6,016</u>
Profit before taxation						2,293,612
Taxation						<u>(435,974)</u>
Net profit for the financial period						1,857,638
Non-controlling interests						<u>(601,016)</u>
Profit attributable to owners of the parent						<u><u>1,256,622</u></u>
Other information						
Segment assets	166,018,130	3,050,303	14,440,344	15,638,805	(14,910,584)	<u>184,236,998</u>
Segment liabilities	152,035,022	2,497,428	12,080,104	1,481,200	(334,426)	<u>167,759,328</u>

8. Segmental reporting (continued)

The Group 31 March 2013	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	3,020,370	138,809	127,276	38,358	-	3,324,813
Intersegment sales	11,444	3,084	2,413	493,273	(510,214)	-
	<u>3,031,814</u>	<u>141,893</u>	<u>129,689</u>	<u>531,631</u>	<u>(510,214)</u>	<u>3,324,813</u>
Results for the period ended						
Segment results	1,671,305	44,015	85,191	515,230	(486,278)	1,829,463
Share of profit after tax of equity accounted associated companies						233,350
Share of profit after tax of equity accounted jointly controlled entities						1,806
Profit before taxation						<u>2,064,619</u>
Taxation						(453,586)
Net profit for the financial period						<u>1,611,033</u>
Non-controlling interests						(512,904)
Profit attributable to owners of the parent						<u><u>1,098,129</u></u>
Other information						
Segment assets	157,764,793	3,671,006	12,980,287	15,749,283	(15,449,817)	<u>174,715,552</u>
Segment liabilities	145,129,574	3,245,888	10,849,231	1,632,702	(783,942)	<u>160,073,453</u>

9. Financial assets held-for-trading

	The Group	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
Money market instruments:		
Government Treasury Bills	355,778	352,727
Malaysian Government Securities	590,003	725,325
Negotiable instruments of deposit	7,232,628	4,629,118
Bankers' acceptances and Islamic accepted bills	50,659	3,456,639
Bank Negara Malaysia bills	1,952,090	4,961,614
Malaysian Government Investment Certificates	270,587	692,661
Cagamas bonds	46,638	21,586
Khazanah bonds	37,082	-
	<u>10,535,465</u>	<u>14,839,670</u>
Quoted securities:		
Shares in Malaysia	539,854	462,830
Shares outside Malaysia	272,592	260,463
Unit trust investments	79,213	44,496
Warrants quoted in Malaysia	638	29
Unquoted securities:		
Foreign currency bonds	246,358	246,890
Private and Islamic debts securities	707,684	949,942
Total financial assets held-for-trading	<u>12,381,804</u>	<u>16,804,320</u>

	The Company	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
Quoted securities:		
Unit trust investments	17	-
	<u>17</u>	<u>-</u>

10. Financial investments available-for-sale

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Government Treasury Bills	550,505	371,911
Malaysian Government Securities	2,734,804	455,835
Malaysian Government Investment Certificates	2,544,475	3,104,568
Negotiable instruments of deposit	147,390	142,045
Khazanah bonds	157,154	-
Cagamas bonds	823,049	769,827
Other Government securities	1,320,774	587,898
	<u>8,278,151</u>	<u>5,432,084</u>
Quoted securities:		
Shares in Malaysia	1,283,102	806,261
Shares outside Malaysia	256,771	211,244
Warrants in Malaysia	711	93
Loan stocks in Malaysia	-	7,437
Unit trust investments	4,622,691	4,414,545
Unquoted securities :		
Shares in Malaysia	329,346	329,346
Shares outside Malaysia	3,565	3,450
Foreign currency bonds in Malaysia	2,886,048	3,396,120
Foreign currency bonds outside Malaysia	1,221,202	1,256,252
Investment-linked funds	300	300
Private debt securities	8,073,397	6,454,576
Total financial investments available-for-sale	<u>26,955,284</u>	<u>22,311,708</u>

11. Financial investments held-to-maturity

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Money market instruments:		
Malaysian Government Securities	3,100,052	1,616,218
Malaysian Government Investment Certificates	5,104,698	2,309,047
Negotiable instruments of deposit	155,017	5,833
Cagamas bonds	107,127	86,879
Other Government securities	154,918	2,541
	<u>8,621,812</u>	<u>4,020,518</u>
Unquoted securities :		
Loan stocks	50	120
Private and Islamic debt securities	683,249	550,634
Foreign currency bonds outside Malaysia	198,242	192,912
Unquoted bonds	486	486
Investment in preference shares	53,500	52,000
Total financial investments held-to-maturity	<u>9,557,339</u>	<u>4,816,670</u>

12. Loans, advances and financing

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Overdrafts	4,044,231	4,346,203
Term loans :		
- Housing and shop loans/financing	45,045,149	41,135,376
- Syndicated term loan/financing	7,772,728	6,333,829
- Hire purchase receivables	17,386,355	17,408,072
- Other term loans/financing	9,421,022	9,829,885
Credit/charge card receivables	4,178,341	4,088,083
Bills receivables	1,026,641	1,292,482
Trust receipts	334,737	302,199
Claims on customers under acceptance credits	6,833,763	7,362,332
Block discounting	243	6,030
Revolving credits	5,396,315	4,890,538
Policy and premium loans	649,646	669,807
Staff loans	176,283	195,320
Other loans/financing	314,282	193,782
Gross loans, advances and financing	102,579,736	98,053,938
Fair value changes arising from fair value hedges	(360)	(7,450)
Unamortised fair value changes arising from terminated fair value hedges	121	15,035
Allowance for impaired loans, advances and financing:		
- collective assessment allowance	(1,124,249)	(1,260,301)
- individual assessment allowance	(509,826)	(526,270)
Total net loans, advances and financing	100,945,422	96,274,952

(a) By type of customer

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Domestic non-bank financial institutions	123,554	293,310
Domestic business enterprises		
- small and medium enterprises	15,657,163	14,543,322
- others	18,910,212	19,613,129
Government and statutory bodies	25,331	23,538
Individuals	63,184,681	59,471,203
Other domestic entities	162,546	231,638
Foreign entities	4,516,249	3,877,798
Gross loans, advances and financing	102,579,736	98,053,938

(b) By interest/profit rate sensitivity

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Fixed rate		
- Housing and shop loans/financing	2,784,235	3,124,510
- Hire purchase receivables/financing	16,959,450	17,035,642
- Other fixed rate loan/financing	7,748,586	7,928,003
Variable rate		
- Base lending rate plus	60,985,118	56,615,136
- Cost plus	13,939,866	12,705,033
- Other variables rates	162,481	645,614
Gross loans, advances and financing	102,579,736	98,053,938

12. Loans, advances and financing (continued)

(c) By economic purpose

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Purchase of securities	1,093,647	1,120,307
Purchase of transport vehicles	17,317,537	17,345,812
Purchase of landed properties		
- residential	37,717,291	34,218,619
- non-residential	11,920,403	10,858,636
Purchase of fixed assets (excluding landed properties)	597,461	555,874
Personal use	3,494,982	3,502,241
Credit card	4,178,341	4,088,083
Purchase of consumer durables	451	472
Construction	1,185,148	1,163,851
Mergers and acquisition	347,581	447,926
Working capital	21,695,678	21,803,772
Others	3,031,216	2,948,345
Gross loans, advances and financing	<u>102,579,736</u>	<u>98,053,938</u>

(d) By geographical distribution

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
In Malaysia	99,246,338	95,329,667
Outside Malaysia		
- Singapore	2,964,747	2,480,476
- Vietnam	304,056	243,795
- Cambodia	64,595	-
Gross loans, advances and financing	<u>102,579,736</u>	<u>98,053,938</u>

(e) By residual contractual maturity

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Within one year	26,997,599	27,661,559
One year to less than three years	8,076,003	7,418,571
Three years to less than five years	9,530,528	9,087,744
Five years and more	57,975,606	53,886,064
Gross loans, advances and financing	<u>102,579,736</u>	<u>98,053,938</u>

12. Loans, advances and financing (continued)

(f) Impaired loans, advances and financing by economic purpose

	The Group	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
Purchase of securities	822	6,895
Purchase of transport vehicles	223,041	220,262
Purchase of landed properties		
- residential	225,931	246,866
- non-residential	49,277	59,554
Purchase of fixed assets (excluding landed properties)	39,920	14,576
Personal use	42,777	72,209
Credit card	47,402	60,675
Purchase of consumer durables	4	4
Construction	4,962	9,266
Working capital	591,867	635,311
Others	37,081	34,948
	1,263,084	1,360,566

(g) Impaired loans, advances and financing by geographical distribution

	The Group	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
In Malaysia	1,254,310	1,330,767
Outside Malaysia		
- Singapore	-	29,438
- Vietnam	8,774	361
	1,263,084	1,360,566

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

	The Group	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
As at beginning of the financial period/year	1,360,566	1,533,270
Impaired during the financial period/year	1,327,653	1,852,876
Performing during the financial period/year	(682,393)	(966,418)
Amount written back in respect of recoveries	(402,766)	(503,594)
Amount written off	(343,630)	(555,307)
Exchange differences	3,654	(261)
As at end of the financial period/year	1,263,084	1,360,566
Gross impaired loan as a % of gross loans, advances and financing	1.2%	1.4%

12. Loans, advances and financing (continued)

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

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
<u>Collective Assessment Allowance</u>		
As at beginning of the financial period/year	1,260,301	1,502,452
Net allowance made during the period/year	188,199	183,785
Amount written off	(278,819)	(402,347)
Amount transfer to individual assessment allowance	(1,915)	(4,800)
Unwinding income	(44,258)	(18,751)
Exchange differences	741	(38)
As at end of the financial period/year	<u>1,124,249</u>	<u>1,260,301</u>
As % of gross loans, advances and financing less loans exempted from individual assessment allowance	<u>1.1%</u>	<u>1.3%</u>
<u>Individual Assessment Allowance</u>		
As at beginning of the financial period/year	526,270	543,234
Net allowance made during the period/year	106,914	190,973
Amount transfer from collective assessment allowance	1,915	4,800
Amount transfer to allowance for impairment losses on securities	-	(14,211)
Amount written back in respect of recoveries	(90,623)	(90,853)
Amount written off	(31,087)	(95,906)
Unwinding income	(5,749)	(11,524)
Exchange differences	2,186	(243)
As at end of the financial period/year	<u>509,826</u>	<u>526,270</u>

13. Other receivables

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Investment properties	1,680	1,680
Foreclosed properties	1,112	1,112
Sundry debtors and other prepayments	168,462	159,995
Treasury related receivable	272,554	255,608
Other receivables	267,530	586,854
	<u>711,338</u>	<u>1,005,249</u>
<u>The Company</u>		
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Amount due from subsidiary companies	55,713	57,656
Sundry debtors and other prepayments	1,035	883
Other receivables	336	2,124
	<u>57,084</u>	<u>60,663</u>

14. Deposits from customers

(a) By type of deposits

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Fixed deposits	75,138,164	73,878,772
Negotiable instruments of deposit	10,316,844	8,147,193
	<hr/>	<hr/>
	85,455,008	82,025,965
Demand deposits	18,190,931	17,514,256
Savings deposits	14,927,576	14,439,487
Short term corporate placement	8,849,331	9,659,336
Others	499,342	319,661
Gross deposits from customers	<hr/>	<hr/>
	127,922,188	123,958,705
Fair value changes arising from adoption of fair value option*	(53,807)	-
Total net deposits from customers	<hr/>	<hr/>
	127,868,381	123,958,705

*Note:

During the financial period, the Group had applied a fair value option on a certain class of structured deposits (Callable Range Accrual Notes), which was economically hedged via Callable Range Accrual swaps. The structured deposits was recorded at fair value to avoid an accounting mismatch.

(b) By type of customers:

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Government and statutory bodies	2,238,464	3,916,254
Business enterprises	53,790,564	49,727,955
Individuals	66,743,334	66,104,854
Others	5,149,826	4,209,642
Gross deposits from customers	<hr/>	<hr/>
	127,922,188	123,958,705

(c) The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Due within six months	64,044,781	58,101,048
More than six months to one year	17,597,308	19,875,082
More than one year to five years	3,562,919	3,939,835
More than five years	250,000	110,000
	<hr/>	<hr/>
	85,455,008	82,025,965

15. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
Licensed banks and investment banks	5,460,957	10,643,728
Licensed Islamic banks	-	930,887
Other financial institutions	1,418,260	1,535,508
	<u>6,879,217</u>	<u>13,110,123</u>
The maturity structure of deposits and placements of banks and other financial institutions:		
One year or less (short term)	<u>6,879,217</u>	<u>13,110,123</u>

16. Payables and other liabilities

	The Group	
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
Trade payables	1,225,462	1,040,074
Amount due to Cagamas Berhad	166,234	172,115
Loan advance payment	1,809,639	1,603,098
Post employment benefits obligations - defined contribution plan	4,183	4,159
Treasury clearing	200	113,385
Cheque clearing	27,475	74,199
Treasury related payables	24,014	21,416
Sundry creditors and accruals	647,270	563,290
Provision for bonus and staff related expenses	154,050	208,497
Others	1,253,087	773,908
	<u>5,311,614</u>	<u>4,574,141</u>
The Company		
	As at	As at
	31/03/2014	30/06/2013
	RM '000	RM '000
Amount due to subsidiary companies	9	1,859
Sundry creditors and accruals	823	1,643
Provision for bonus and staff related expenses	9,592	11,564
Post employment benefits obligations - defined contribution plan	39	38
	<u>10,463</u>	<u>15,104</u>

17. Interest income

	The Group		The Group	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
Loans, advances and financing	1,043,967	1,023,987	3,096,550	3,016,897
Money at call and deposit placements with financial institutions	109,871	81,211	370,959	261,286
Securities purchased under resale agreements	12,272	7,994	29,133	19,968
Financial assets held-for-trading	121,246	212,221	389,185	622,493
Financial investments available-for-sale	109,837	79,269	321,292	237,477
Financial investments held-to-maturity	51,514	25,514	130,673	85,760
Others	868	1,461	2,542	4,481
	<u>1,449,575</u>	<u>1,431,657</u>	<u>4,340,334</u>	<u>4,248,362</u>

Of which:

Interest income earned on impaired loans, advances and financing	<u>37,100</u>	<u>6,944</u>	<u>47,653</u>	<u>20,654</u>
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	The Company		The Company	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
Money at call and deposit placements with financial institutions	264	217	658	653
Others	632	784	1,803	2,065
	<u>896</u>	<u>1,001</u>	<u>2,461</u>	<u>2,718</u>

18. Interest expense

	The Group		The Group	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
Deposits and placements of banks and other financial institutions	28,952	37,158	95,517	114,548
Deposits from customers	595,752	566,016	1,795,168	1,709,749
Short term corporate placements	43,333	84,006	147,944	237,965
Borrowings	51,745	21,011	158,415	57,632
Subordinated bonds	51,999	49,740	162,165	141,276
Senior bonds	17,627	16,610	52,875	50,945
Non-innovative Tier 1 stapled securities	17,685	17,798	53,915	54,252
Innovative Tier 1 capital securities	6,712	6,016	19,970	17,552
Others	3,925	3,692	11,885	8,188
	<u>817,730</u>	<u>802,047</u>	<u>2,497,854</u>	<u>2,392,107</u>

	The Company		The Company	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
Borrowings	12,292	13,652	38,305	42,552
Others	227	125	336	1,070
	<u>12,519</u>	<u>13,777</u>	<u>38,641</u>	<u>43,622</u>

19. Non-Interest Income

	The Group		The Group	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
Net income from insurance business	92,689	18,285	246,702	100,170
Net brokerage and commissions from stockbroking business	14,969	8,714	42,688	28,465
Net unit trust and asset management income	3,818	4,649	14,366	14,228
Fee income:				
Commissions	37,076	34,831	104,418	99,684
Service charges and fees	11,170	12,120	38,117	36,004
Guarantee fees	4,484	4,816	19,904	18,502
Credit card related fees	30,765	64,490	182,385	200,298
Corporate advisory fees	1,023	1,579	5,609	6,465
Commitment fees	9,038	8,471	27,558	25,634
Fee on loans, advances and financing	16,271	15,799	52,507	51,359
Placement fees	994	730	1,075	21,673
Arranger fees	975	5,395	11,559	11,353
Other fee income	4,759	2,955	35,218	14,515
	116,555	151,186	478,350	485,487
Gain arising from sale of financial assets:				
Net gain from sale of financial assets held-for-trading	2,337	6,183	10,813	35,165
Net gain from sale of financial investments available-for-sale	10,751	41,224	57,070	116,802
Net gain from redemption of financial investments held-to-maturity	561	35	625	8,436
Net gain from sale of derivatives financial instruments	14,053	30,902	32,351	31,337
	27,702	78,344	100,859	191,740
Gross dividend income from:				
Financial assets held-for-trading	416	4,509	11,144	22,065
Financial investments available-for-sale	62,680	18,971	186,214	52,103
	63,096	23,480	197,358	74,168
Net unrealised (loss)/gain on revaluation of:				
Financial assets held-for-trading	(4,815)	8,938	16,534	46,667
Derivatives financial instruments	(12,507)	239	13,247	41,400
	(17,322)	9,177	29,781	88,067
Net realised loss on fair value changes arising from fair value hedges and amortisation of fair value changes arising from terminated fair value hedges	(2,098)	(6,732)	(6,677)	(22,690)
Net unrealised gain on fair value changes arising from fair value hedges	-	1,205	-	10,588
Other income:				
Foreign exchange gain	8,717	44,925	109,307	132,897
Rental income	1,584	1,357	4,543	4,208
Gain on disposal of property and equipment (net)	337	47	625	907
Others	2,679	2,499	12,141	12,711
	13,317	48,828	126,616	150,723
Total non-interest income	312,726	337,136	1,230,043	1,120,946

19. Non-Interest Income (continued)

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014 RM '000	quarter ended 31/03/2013 RM '000	to date 31/03/2014 RM '000	to date 31/03/2013 RM '000
Fee income:				
Management fees	2,236	2,061	6,717	6,258
(Loss)/gain arising from sale of financial assets:				
Net loss from sale of financial assets held-for-trading	-	(8)	-	(8)
Net (loss)/gain from sale of derivatives financial instruments	(3,285)	1,312	(6,034)	10,395
Gross dividend income from:				
Financial assets held-for-trading	63	134	292	535
Subsidiary companies	173,290	171,590	516,469	480,451
Net unrealised gain on revaluation of:				
Financial assets held-for-trading	-	73	-	77
Derivatives financial instruments	4,824	475	6,664	5,966
Other income	8	(1,252)	641	4,091
Total non-interest income	177,136	174,385	524,749	507,765

20. Overhead expenses

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014 RM '000	quarter ended 31/03/2013 RM '000	to date 31/03/2014 RM '000	to date 31/03/2013 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	238,416	245,575	734,632	733,254
- Medical expenses	6,359	5,025	16,824	16,459
- Training and convention expenses	7,560	4,275	17,507	18,356
- Staff welfare	3,943	2,984	10,340	10,729
- Others	6,554	9,188	23,388	26,300
	262,832	267,047	802,691	805,098
<u>Establishment costs</u>				
- Depreciation of property and equipments	29,108	28,473	85,930	82,388
- Amortisation of intangible assets	25,451	23,732	72,956	76,129
- Rental	20,134	20,995	61,238	65,313
- Information technology expenses	29,706	27,954	87,217	80,740
- Security services	7,100	5,977	23,893	20,559
- Electricity, water and sewerage	6,316	6,127	18,155	22,331
- Hire of plant and machinery	3,432	2,977	10,460	9,744
- Others	7,761	10,531	23,760	22,800
	129,008	126,766	383,609	380,004
<u>Marketing expenses</u>				
- Advertisement and publicity	10,775	15,338	21,360	33,413
- Credit card related fees	28,773	13,700	71,340	45,662
- Commission	3,312	3,653	10,125	11,709
- Others	6,335	4,234	15,982	12,594
	49,195	36,925	118,807	103,378
<u>Administration and general expenses</u>				
- Teletransmission expenses	3,513	4,049	9,867	12,091
- Stationery & printing	4,841	4,784	12,776	13,540
- Professional fees	17,284	34,171	55,523	72,934
- Insurance fees	6,293	5,373	20,612	14,067
- Travelling and transport expenses	1,616	1,982	5,024	5,824
- Registration and license fees	1,364	1,301	4,258	4,306
- Brokerage and commission	1,557	1,247	4,577	3,387
- Others	(31,504)	18,145	28,443	72,390
	4,964	71,052	141,080	198,539
	445,999	501,790	1,446,187	1,487,019

20. Overhead expenses (continued)

	The Company		The Company	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	6,873	3,526	16,273	13,131
- Medical expenses	46	28	102	71
- Training and convention expenses	17	-	33	6
- Staff welfare	85	52	201	145
- Others	1,185	46	3,523	118
	<u>8,206</u>	<u>3,652</u>	<u>20,132</u>	<u>13,471</u>
<u>Establishment costs</u>				
- Depreciation of property and equipments	61	89	207	267
- Amortisation of intangible assets	1	2	5	6
- Rental	208	198	630	592
- Electricity, water and sewerage	11	6	38	24
- Hire of plant and machinery	5	7	20	22
- Others	47	8	119	75
	<u>333</u>	<u>310</u>	<u>1,019</u>	<u>986</u>
<u>Administration and general expenses</u>				
- Teletransmission expenses	4	10	18	25
- Stationery & printing	9	9	41	33
- Professional fees	240	795	748	1,387
- Management fees	129	128	387	386
- Travelling and transport expenses	107	99	243	181
- Others	148	139	389	621
	<u>637</u>	<u>1,180</u>	<u>1,826</u>	<u>2,633</u>
	<u>9,176</u>	<u>5,142</u>	<u>22,977</u>	<u>17,090</u>

21. Allowance for/(writeback of) impairment losses on loans, advances and financing and other losses

	The Group		The Group	
	Current quarter ended 31/03/2014 RM '000	Last year quarter ended 31/03/2013 RM '000	Current year to date 31/03/2014 RM '000	Last year to date 31/03/2013 RM '000
Allowance for/(writeback of) impairment losses on loans, advances and financing:				
- Individual assessment allowance	20,564	(10,275)	16,291	(21,417)
- Collective assessment allowance	61,932	104,677	188,199	222,736
(Writeback of)/allowance for impairment losses on clients' and brokers' balances:				
- Individual assessment allowance	(44)	(635)	(32)	(187)
- Collective assessment allowance	10	(21)	(4)	(133)
(Writeback of)/allowance for impairment losses on other assets				
- Individual assessment allowance	(40)	453	(153)	453
Impaired loans and financing:				
- written off	4,841	4,564	16,687	14,694
- recovered	(62,231)	(57,598)	(193,158)	(202,920)
	<u>25,032</u>	<u>41,165</u>	<u>27,830</u>	<u>13,226</u>

22. Capital adequacy

The banking subsidiaries' regulatory capital is governed by BNM Capital Adequacy Framework guidelines. With effect from 1 January 2013, the capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing the regulatory capital adequacy ratios, as well as the levels of the ratios at which banking institutions are required to operate. The Framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for common equity Tier I (CET I) capital ratio and Tier I capital ratio are 4.00% and 5.50% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.00% (2013: 8.00%) for total capital ratio.

The risk-weighted assets ("RWA") of the banking subsidiaries have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk computation.

(a) The capital adequacy ratios of the banking subsidiaries are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013	31/03/2014	30/06/2013
Before deducting proposed dividends						
CET I capital ratio	9.757%	10.627%	9.400%	10.156%	23.315%	33.194%
Tier I capital ratio	11.172%	12.319%	11.019%	12.062%	23.315%	33.194%
Total capital ratio	13.588%	15.179%	13.180%	13.592%	23.479%	33.288%
After deducting proposed dividends						
CET I capital ratio	9.757%	10.236%	9.400%	9.715%	23.315%	30.099%
Tier I capital ratio	11.172%	11.927%	11.019%	11.621%	23.315%	30.099%
Total capital ratio	13.588%	14.787%	13.180%	13.150%	23.479%	30.193%

(b) The component of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013	31/03/2014	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
CET I capital						
Paid up share capital	1,879,909	1,879,909	1,879,909	1,879,909	165,000	165,000
Share premium	2,832,383	2,832,383	2,832,383	2,832,383	87,950	87,950
Retained profit	5,928,705	6,197,372	4,831,639	4,835,280	(43,241)	(15,241)
Other Reserves	3,106,006	2,699,050	2,581,856	2,360,778	152,957	154,051
Less: Treasury Shares	(648,887)	(661,809)	(648,887)	(661,809)	-	-
Less: Other intangible assets	(368,869)	(369,415)	(355,570)	(362,855)	-	-
Less: Goodwill	(1,831,312)	(1,831,312)	(1,771,547)	(1,771,547)	(28,986)	(28,986)
Less: Deferred Tax assets	-	-	-	-	(61,978)	(61,978)
Less: Investment in subsidiary company/ associated company/jointly controlled entity	(412,043)	-	(522,935)	-	-	-
Less: Other regulatory adjustments	-	-	-	-	(186)	(525)
Total CET I capital	10,485,892	10,746,178	8,826,848	9,112,139	271,516	300,271
Additional Tier I capital						
Non-innovative Tier I stapled securities	1,120,000	1,260,000	1,120,000	1,260,000	-	-
Innovative Tier I capital securities	400,000	450,000	400,000	450,000	-	-
Total additional Tier I capital	1,520,000	1,710,000	1,520,000	1,710,000	-	-
Total Tier I capital	12,005,892	12,456,178	10,346,848	10,822,139	271,516	300,271

22. Capital adequacy (continued)

(b) The component of CET I, Tier I and Tier II capital under the revised Capital Components Framework are as follows (continued):

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013	31/03/2014	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Tier II Capital						
Redeemable preference shares	-	-	-	-	1,631	1,631
Collective assessment allowance ^	756,682	800,960	633,225	666,131	1,020	678
Subordinated obligations	3,488,000	3,924,000	3,488,000	3,924,000	-	-
Tier II capital before regulatory adjustments	4,244,682	4,724,960	4,121,225	4,590,131	2,651	2,309
Less: Regulatory adjustments						
Investment in subsidiary companies	-	-	(1,273,166)	(2,194,913)	(743)	(1,455)
Investment in associated company	(1,578,479)	(1,752,949)	(757,204)	(946,505)	-	-
Investment in jointly controlled entity	(69,691)	(79,945)	(61,369)	(76,711)	-	-
Total Tier II capital	2,596,512	2,892,066	2,029,486	1,372,002	1,908	854
Total capital	14,602,404	15,348,244	12,376,334	12,194,141	273,424	301,125

^ Excludes collective assessment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment.

(c) The breakdown of RWA by each major risk category is as follows:

	Hong Leong Bank Group		Hong Leong Bank Berhad		Hong Leong Investment Bank Berhad	
	31/03/2014	30/06/2013	31/03/2014	30/06/2013	31/03/2014	30/06/2013
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Credit risk	95,868,710	91,059,541	83,681,674	80,746,066	631,939	464,961
Market risk	4,142,736	3,429,463	3,885,136	3,322,591	357,024	321,448
Operational risk	7,454,089	6,628,544	6,334,236	5,649,356	175,591	118,189
Total RWA	107,465,535	101,117,548	93,901,046	89,718,013	1,164,554	904,598

(d) The capital adequacy ratios of Hong Leong Bank Group's subsidiary company are as follows:

	Hong Leong Islamic Bank	
	31/03/2014	30/06/2013
Before deducting proposed dividends		
CET I capital ratio	10.345%	11.070%
Tier I capital ratio	10.345%	11.070%
Total capital ratio	13.004%	14.153%
After deducting proposed dividends		
CET I capital ratio	10.345%	10.720%
Tier I capital ratio	10.345%	10.720%
Total capital ratio	13.004%	13.804%

23. Events after Balance Sheet date

There are no materials events subsequent to the end of the financial period ended 31 March 2014 except for the following: -

- (a) On 25 April 2014, Hong Leong Bank Berhad ("HLB"), a subsidiary of HLFGB, announced that Securities Commission Malaysia had vide its letter dated 23 April 2014 approved and authorised a proposed Multi-Currency Subordinated Notes Programme of up to RM10.0 billion (or its equivalent in other currencies) in nominal value (the "Programme").

The proceeds from the Programme will be utilised for working capital, general banking and other corporate purposes, and the refinancing of any existing borrowings incurred, subordinated debt issued by HLB and/or any existing Sub-Notes issued under the Programme.

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 4 July 2013, HLB announced that Hong Leong Bank (Cambodia) PLC ("HLBCAM"), a wholly-owned subsidiary of HLB, had been granted the license to carry out banking operations in the Kingdom of Cambodia by the National Bank of Cambodia. HLBCAM commenced operations on 8 July 2013.
- (b) HLAH Assets Sdn Bhd, a wholly-owned subsidiary of HLA Holdings Sdn Bhd which in turn a wholly-owned subsidiary of HLFGB, was dissolved on 31 August 2013.
- (c) Following the completion of the disposal of Promilia Berhad ("Promilia") by Hong Leong Capital Berhad ("HLCB"), a subsidiary of HLFGB, to HLB on 11 October 2013, Promilia had, on the even day, ceased to be a wholly-owned subsidiary of HLCB and became a wholly-owned subsidiary of HLB.
- (d) On 27 November 2013, HLB announced that the China Banking Regulatory Commission had granted approval for HLB to establish a representative office in Nanjing, Jiangsu Province, People's Republic of China. The representative office is known as Hong Leong Bank Berhad Nanjing Representative Office and had commenced operations effective 27 November 2013.
- (e) CFB Asa Berhad and OFB Berhad, both wholly-owned subsidiaries of HLB, were dissolved on 28 November 2013 and 19 May 2014 respectively.
- (f) HLG Asset Management Sdn Bhd, a wholly-owned subsidiary of HLCB, was dissolved on 30 January 2014.
- (g) On 1 April 2014, HLCB announced that the liquidator of RC Nominees (Tempatan) Sdn Bhd ("RC Nominees"), a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn a wholly-owned subsidiary of HLCB, had convened the final meeting for RC Nominees to conclude the member's voluntary winding-up of RC Nominees. The Return by Liquidator Relating to Final Meeting of RC Nominees was lodged on 1 April 2014 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, RC Nominees will be dissolved.
- (h) On 23 April 2014, HLIB placed its wholly-owned subsidiaries, HLG Nominee (Tempatan) Sdn Bhd and HLG Nominee (Asing) Sdn Bhd, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.
- (i) MIMB Nominees (Tempatan) Sendirian Berhad and MIMB Nominees (Asing) Sendirian Berhad, both wholly-owned subsidiaries of HLIB, were dissolved on 19 May 2014.

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:

	The Group	
	31/03/2014	30/06/2013
	RM'000	RM'000
Direct credit substitutes	491,046	333,012
Certain transaction related contingent items	1,669,452	1,629,933
Short-term self liquidating		
trade related contingencies	815,815	891,468
Underwriting obligation	-	65,000
Irrevocable commitments to extend credit:		
-maturity more than 1 year	16,987,883	14,108,639
-maturity less than 1 year	17,288,446	17,331,901
Any commitments that are unconditionally cancellable at any time by the Group without prior notice	614,264	507,022
Foreign exchange related contracts		
- less than one year	43,867,239	41,066,842
- one year to less than five years	4,377,896	3,649,055
- five years and above	603,933	603,465
Interest rate related contracts		
- less than one year	33,066,402	17,857,027
- one year to less than five years	50,502,036	45,275,873
- five years and above	16,099,454	14,773,860
Equity related contracts		
- less than one year	157,796	54,168
- one year to less than five years	245,252	10,000
Unutilised credit card lines	7,764,681	8,331,904
Others	643,753	636,675
Total	195,195,348	167,125,844

	The Company	
	Principal Amount	Principal Amount
	31/03/2014	30/06/2013
	RM'000	RM'000
Forward foreign exchange	168,560	167,360
Interest rate swaps	675,000	800,000
	843,560	967,360

- 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 March 2014.

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. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instrument are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

The Group

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2014				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	10,535,465	-	10,535,465
- Quoted securities	892,297	-	-	892,297
- Unquoted securities	-	954,042	-	954,042
Financial investments available-for-sale				
- Money market instruments	-	8,278,151	-	8,278,151
- Quoted securities	6,163,275	-	-	6,163,275
- Unquoted securities	-	12,180,947	332,911	12,513,858
Derivative financial instruments	7,808	834,999	-	842,807
	<u>7,063,380</u>	<u>32,783,604</u>	<u>332,911</u>	<u>40,179,895</u>
Financial liabilities				
Derivative financial instruments	10,370	758,013	-	768,383
	<u>10,370</u>	<u>758,013</u>	<u>-</u>	<u>768,383</u>
30 June 2013				
Financial assets				
Financial assets held-for-trading				
- Money market instruments	-	14,839,670	-	14,839,670
- Quoted securities	767,818	-	-	767,818
- Unquoted securities	-	1,196,832	-	1,196,832
Financial investments available-for-sale				
- Money market instruments	-	5,432,084	-	5,432,084
- Quoted securities	5,439,580	-	-	5,439,580
- Unquoted securities	-	11,107,248	332,796	11,440,044
Derivative financial instruments	1,536	904,947	-	906,483
	<u>6,208,934</u>	<u>33,480,781</u>	<u>332,796</u>	<u>40,022,511</u>
Financial liabilities				
Derivative financial instruments	3,790	1,005,631	-	1,009,421
	<u>3,790</u>	<u>1,005,631</u>	<u>-</u>	<u>1,009,421</u>

27. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy (continued)

The Company

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2014				
Financial assets				
Derivative financial instruments	-	1,388	-	1,388
	-	1,388	-	1,388
Financial liabilities				
Derivative financial instruments	-	2,024	-	2,024
	-	2,024	-	2,024
30 June 2013				
Financial assets				
Derivative financial instruments	-	860	-	860
	-	860	-	860
Financial liabilities				
Derivative financial instruments	-	8,160	-	8,160
	-	8,160	-	8,160

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

The Group	Financial investments available-for-sale	
	31/03/2014 RM'000	30/06/2013 RM'000
As at beginning of the financial period/year	332,796	315,577
Net fair value changes recognised in other comprehensive income	115	18,978
Provision of impairment losses	-	(1,759)
As at end of the financial period/year	<u>332,911</u>	<u>332,796</u>
Total gain recognised in other comprehensive income relating to assets held at the end of financial period/year	<u>127</u>	<u>18,978</u>

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

1 Review of performance

Current quarter against previous corresponding quarter

HLFG Group recorded a profit before tax of RM727.9 million for the current quarter ended 31 March 2014 as compared to RM618.5 million in the previous corresponding quarter, an increase of RM109.4 million or 17.7%. The overall increase was mainly due to better performance from commercial banking division and insurance division.

Hong Leong Bank Group recorded a higher profit before tax of RM639.5 million for the current quarter ended 31 March 2014 as compared to RM587.9 million in the previous corresponding quarter, an increase of RM51.6 million or 8.8%. The increase was mainly due to lower operating expenses of RM47.5 million, higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totaling RM45.1 million, higher write back of impairment losses from securities of RM19.5 million coupled with lower allowance for impairment losses on loans, advances and financing of RM16.1 million. This was however offset by lower net income of RM76.6 million.

HLA Holdings Group registered a profit before tax of RM100.1 million for the current quarter ended 31 March 2014 as compared to RM23.7 million in the previous corresponding quarter, an increase of RM76.4 million or 322.4%. The increase was largely due to higher net income of RM75.6 million and higher share of associate company by RM3.7 million. This was offset with higher operating expenses of RM2.9 million.

Hong Leong Capital Group recorded a profit before tax of RM14.3 million for the current quarter ended 31 March 2014 as compared to RM17.5 million in the previous corresponding quarter, a decrease of RM3.2 million or 18.3%. This was mainly due to lower contributions from its investment banking division.

2 Current year-to-date against previous year-to-date

HLFG Group recorded a profit before tax of RM2,293.6 million for the period ended 31 March 2014 as compared to RM2,064.6 million in the previous corresponding period, with an increase of RM229.0 million or 11.1%. The overall increase in profit before tax was contributed by all divisions across the Group.

Hong Leong Bank Group recorded a higher profit before tax of RM2,002.3 million for the period ended 31 March 2014 as compared to RM1,863.7 million in the previous corresponding period, an increase of RM138.6 million or 7.4%. The increase was due to higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture totaling RM91.0 million, higher net write back of impairment losses from securities of RM34.1 million and lower operating expenses of RM27.4 million. This is however mitigated by higher allowance for impairment losses on loans, advances and financing of RM14.7 million.

HLA Holdings Group registered a profit before tax of RM267.9 million for the period ended 31 March 2014 as compared to RM128.1 million in the previous corresponding period, an increase of RM139.8 million or 109.1%. The increase was largely due to higher net income of RM141.9 million and higher share of profit from associated company of RM1.0 million. This was offset with higher operating expenses of RM3.1 million.

Hong Leong Capital Group recorded a profit before tax of RM49.8 million for the period ended 31 March 2014 as compared to RM44.0 million in the previous corresponding period, an increase of RM5.8 million or 13.2%. This was mainly due to higher contribution from its assets management division.

3 Current quarter against preceding quarter

HLFG Group recorded a profit before taxation of RM727.9 million for the current quarter ended 31 March 2014 as compared to RM753.2 million for the preceding quarter, a decrease of RM25.3 million or 3.4%. The overall decrease in profit before tax was mainly due to lower contribution from commercial banking and investment banking divisions.

The Hong Leong Bank Group recorded a profit before tax of RM639.5 million for the current quarter ended 31 March 2014 as compared to RM663.4 million in the preceding quarter, a decrease of RM23.9 million or 3.6% arising from lower net income of RM106.7 million coupled with higher allowance for impairment losses on loans, advances and financing of RM4.6 million. This is however netted off by lower operating expenses of RM49.1 million, higher share of profit from Bank of Chengdu and the Sichuan Jincheng Consumer Finance joint venture of RM22.6 million coupled with higher write back of impairment losses from securities of RM15.7 million.

The HLA Holdings Group recorded a profit before tax of RM100.1 million for the current quarter ended 31 March 2014 as compared to RM86.7 million in the preceding quarter, an increase of RM13.4 million or 15.5%. The increase was mainly due to higher net income of RM13.0 million and higher share of profit from associate company by RM2.7 million. This was offset with higher operating expenses of RM2.3 million.

The Hong Leong Capital Group recorded a profit before tax of RM14.3 million for the current quarter ended 31 March 2014 as compared to RM17.0 million in the preceding quarter, a decrease of RM2.7 million or 15.9%. This was mainly due to lower contributions from its investment banking division.

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 March 2014.

	The Group		The Group	
	Current quarter ended 31/03/2014	Last year quarter ended 31/03/2013	Current year to date 31/03/2014	Last year to date 31/03/2013
	RM '000	RM '000	RM '000	RM '000
Malaysian income tax	(124,810)	(135,581)	(416,012)	(424,507)
Transfer from deferred tax	(5,818)	(5,416)	(32,720)	(25,861)
	<u>(130,628)</u>	<u>(140,997)</u>	<u>(448,732)</u>	<u>(450,368)</u>
Prior year over/(under) provision				
- Malaysia	12,651	1,263	12,758	(3,218)
	<u>(117,977)</u>	<u>(139,734)</u>	<u>(435,974)</u>	<u>(453,586)</u>

	The Company		The Company	
	Current quarter ended 31/03/2014	Last year quarter ended 31/03/2013	Current year to date 31/03/2014	Last year to date 31/03/2013
	RM '000	RM '000	RM '000	RM '000
Malaysian income tax	9,930	(42,654)	(75,865)	(119,870)
Transfer from deferred tax	(2,316)	-	(2,029)	-
	<u>7,614</u>	<u>(42,654)</u>	<u>(77,894)</u>	<u>(119,870)</u>

The effective tax rate for the Group and the Company for the current 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

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

10 Borrowings

		The Group	
		As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
	Note		
Revolving credit	(i)	65,247	-
Commercial papers	(ii)	575,237	624,103
Medium term notes	(ii), (iii)	2,577,916	2,611,813
Term loans	(iv)	110,076	290,245
		<u>3,328,476</u>	<u>3,526,161</u>
Repayment of revolving credit			
- less than one year		65,247	-
Repayment of commercial papers			
- less than one year		575,237	624,103
Repayment of medium term notes			
- less than one year		151,981	-
- one to three years		2,172,267	2,211,813
- three years and above		253,668	400,000
Repayment of term loans			
- less than one year		110,076	150,164
- one to three years		-	140,081
		<u>3,328,476</u>	<u>3,526,161</u>

		The Company	
		As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
	Note		
Revolving credit	(i)	65,247	-
Commercial papers	(ii)	575,237	624,103
Medium term notes	(ii)	557,752	551,758
Term loans	(iv)	110,076	290,245
		<u>1,308,312</u>	<u>1,466,106</u>
Repayment of revolving credit			
- less than one year		65,247	-
Repayment of commercial papers			
- less than one year		575,237	624,103
Repayment of medium term notes			
- less than one year		151,981	-
- one to three years		152,103	151,758
- three years and above		253,668	400,000
Repayment of term loans			
- less than one year		110,076	150,164
- one to three years		-	140,081
		<u>1,308,312</u>	<u>1,466,106</u>

10 Borrowings (continued)

- (i) The revolving credit facilities carried interest rates ranging from 3.22% to 3.58% (30 June 2013: ranging from 3.71% to 4.21%) per annum.

The revolving credit facilities are unsecured and repayable within 12 months.

- (ii) On 14 October 2011, the Company entered into RM1.8 billion CP/MTNs Programme comprising a seven (7) years Commercial Papers (CP) programmes and a twenty (20) years Medium Term Notes (MTNs) programmes which were constituted by a Trust Deed between the Company and Malaysian Trustees Berhad as trustee. The CPs are issued at a discount and the issue price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by Bank Negara Malaysia at the tenure of one (1), two (2), three (3), six (6), nine (9) or twelve (12) months as the Company may select. The CPs carry interest rates ranging from 3.20% to 3.29% (30 June 2013: 3.20% to 3.42%).

The MTNs are issued at par and the issue price is calculated in accordance with the FAST Rules, at the tenure which shall be more than one (1) year as the Company may select. The MTNs carry interest rates ranging from 4.05% to 4.50% (30 June 2013: 4.05% to 4.50%) per annum.

The CP/MTNs are unsecured and the Company is required to maintain a debt to equity ratio for these facilities.

- (iii) 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.

- (iv) The Company has the following term loans for the financial period:
 - (a) an unsecured short-term loan facility of RM150 million maturing on 11 January 2015. The term loan with one month interest period bears interest rate ranging from 3.62% to 3.65% (30 June 2013: 3.61% to 3.63) per annum.
 - (b) an unsecured 1 year term loan of RM200 million maturing on 2 July 2014. The term loan with one month interest period bears interest rate ranging from 3.62% to 3.65% (30 June 2013: 3.61% to 3.63%) per annum.

11 Subordinated bonds

	Note	The Group	
		As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
RM700 million Tier 2 subordinated debt, at par	(a)	685,000	685,000
Add: Interest payable		4,173	11,977
		<u>689,173</u>	<u>696,977</u>
Less: Unamortised discounts		(310)	(741)
		<u>688,863</u>	<u>696,236</u>
RM1.0 billion Tier 2 subordinated debt, at par	(b)	1,000,000	1,000,000
Add: Interest payable		17,400	6,674
		<u>1,017,400</u>	<u>1,006,674</u>
Less: Unamortised discounts		(732)	(1,341)
		<u>1,016,668</u>	<u>1,005,333</u>
Subordinated medium term notes, at par	(c)	750,000	1,160,000
Add: Interest payable		10,712	9,307
		<u>760,712</u>	<u>1,169,307</u>
Less: Unamortised discounts		(1,401)	(6,985)
Add: Fair value adjustments on completion of business combination accounting		481	3,829
		<u>759,792</u>	<u>1,166,151</u>
RM1.5 billion Tier 2 subordinated debt, at par	(d)	1,500,000	1,500,000
Add: Interest payable		18,308	1,295
		<u>1,518,308</u>	<u>1,501,295</u>
Less: Unamortised discounts		(1,737)	(2,271)
		<u>1,516,571</u>	<u>1,499,024</u>
RM500 million Tier 2 subordinated debt, at par	(e)	500,000	500,000
Add: Interest payable		3,206	8,815
		<u>503,206</u>	<u>508,815</u>
Less: Unamortised discounts		(2,019)	(2,050)
		<u>501,187</u>	<u>506,765</u>
		<u>4,483,081</u>	<u>4,873,509</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.

11 Subordinated bonds (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.

On 27 February 2014, HLB had fully redeemed the first tranche of RM410.0 million nominal value of the 10 non-callable 5 years subordinated MTNs bearing coupon rate of 5.75% per annum.

- (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.

- (e) 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 March 2013, 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 7 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.

12 Senior Bonds

	Note	The Group	
		As at 31/03/2014 RM '000	As at 30/06/2013 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		123,150	60,150
		<u>1,958,700</u>	<u>1,895,700</u>
Add: Interest payable		15,200	16,192
		<u>1,973,900</u>	<u>1,911,892</u>
Less: Unamortised discounts		(7,321)	(9,721)
		<u><u>1,966,579</u></u>	<u><u>1,902,171</u></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.

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%.

13 Non-innovative Tier 1 stapled securities

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
RM1.4 billion Non-Innovative Tier 1 stapled securities, at par	1,400,000	1,400,000
Add: Interest payable	28,280	10,847
	<u>1,428,280</u>	<u>1,410,847</u>
Less: Unamortised discounts	(1,013)	(1,855)
	<u><u>1,427,267</u></u>	<u><u>1,408,992</u></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.

14 Innovative Tier 1 capital securities

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
RM500 million Innovative Tier 1 capital securities, at par	500,000	500,000
Add: Interest payable	2,486	12,658
	502,486	512,658
Less: Unamortised discounts	(9,015)	(10,012)
Add: Fair value adjustments on completion of business combination accounting	41,404	53,396
	534,875	556,042

On 10 September 2009, Promino, an indirect subsidiary of the Company, 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.

15 Off-Balance Sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 31 March 2014

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	31,878,062	216,890	(148,518)
(ii) 1 year to 3 years	242,903	4,862	(4,411)
- Swaps			
(i) Less than 1 year	8,285,508	126,576	(66,373)
(ii) 1 year to 3 years	870,401	36,654	(27,328)
(iii) More than 3 years	3,823,887	84,952	(99,364)
- Options			
(i) Less than 1 year	3,703,669	19,203	(19,735)
(ii) 1 year to 3 years	44,638	765	(751)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	15,451,630	1,270	(2,978)
(ii) 1 year to 3 years	5,048,632	813	(370)
- Swaps			
(i) Less than 1 year	17,614,772	12,975	(19,437)
(ii) 1 year to 3 years	25,903,151	61,090	(72,410)
(iii) More than 3 years	35,649,707	270,800	(304,729)
Equity related contracts			
(i) Less than 1 year	157,796	1,979	(1,979)
(ii) 1 year to 3 years	105,102	2,840	-
(iii) More than 3 years	140,150	1,138	-
Total	148,920,008	842,807	(768,383)

15 Off-Balance Sheet financial instruments (continued)

Details of financial instruments with off-balance sheet risk as at 31 March 2014 (continued)

The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Swaps			
(i) Less than 1 year	168,560	1,360	-
Interest rate related contracts			
- Swaps			
(i) 1 year to 3 years	675,000	28	(2,024)
Total	843,560	1,388	(2,024)

Details of financial instruments with off-balance sheet risk as at 30 June 2013

The Group

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Forwards			
(i) Less than 1 year	29,343,705	233,292	(253,048)
(ii) 1 year to 3 years	146,596	327	(2,392)
(iii) More than 3 years	-	-	-
- Swaps			
(i) Less than 1 year	7,796,446	57,962	(110,682)
(ii) 1 year to 3 years	989,845	13,347	(13,938)
(iii) More than 3 years	2,864,735	70,888	(85,567)
- Options			
(i) Less than 1 year	3,914,051	32,849	(30,562)
(ii) 1 year to 3 years	251,343	4,896	(4,896)
- Spots			
(i) Less than 1 year	12,641	12	(2)
Interest rate related contracts			
- Futures			
(i) Less than 1 year	2,284,068	1,981	(2,151)
(ii) 1 year to 3 years	560,000	387	(803)
(iii) More than 3 years	81,462	53	(12)
- Swaps			
(i) Less than 1 year	15,572,960	23,705	(30,455)
(ii) 1 year to 3 years	26,127,166	68,050	(104,746)
(iii) More than 3 years	33,281,104	392,270	(368,565)
Equity related contracts			
(i) Less than 1 year	54,168	1,602	(1,602)
(ii) 1 year to 3 years	10,000	4,862	-
Total	123,290,290	906,483	(1,009,421)

The Company

Items	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Foreign exchange related contracts			
- Swaps			
(i) Less than 1 year	167,360	642	-
Interest rate related contracts			
- Swaps			
(i) Less than 1 year	125,000	218	-
(ii) 1 year to 3 years	675,000	-	(8,160)
Total	967,360	860	(8,160)

15 Off-Balance Sheet financial instruments (continued)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the end of the financial period, the amount of contracts which were not hedged effectively and hence, exposed to foreign exchange and interest rate market risk were RM2,855,388,014 (FYE June 2013: RM1,306,394,187) and RM76,657,978,242 (FYE June 2013: RM67,883,822,274) 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 RM908,943,286 (FYE June 2013: RM907,598,806). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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 is 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.

15 Off-Balance Sheet financial instruments (continued)

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.

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.

16 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.

17 HLFG Dividends

A second interim single tier dividend of 25 sen per share has been proposed by the Company for the current quarter.

- (i) Amount per share : 25 sen per share
- (ii) Previous corresponding period : 23 sen per share
- (iii) Entitlement date : 12 June 2014
- (iv) Payment date : 26 June 2014

For the financial period ended 31 March 2014, a total single tier dividend of 38 sen per share was declared (2013: 36 sen per share).

18 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares (excluding treasury shares) in issue during the financial period.

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014 RM '000	quarter ended 31/03/2013 RM '000	to date 31/03/2014 RM '000	to date 31/03/2013 RM '000
Net profit attributable to equity holders of the Company	414,680	320,036	1,256,622	1,098,129
Weighted average number of ordinary shares	1,042,847	1,039,651	1,042,847	1,039,651
Basic earnings per share (Sen)	39.8	30.8	120.5	105.6

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014 RM '000	quarter ended 31/03/2013 RM '000	to date 31/03/2014 RM '000	to date 31/03/2013 RM '000
Net profit attributable to equity holders of the Company	163,951	114,869	387,698	330,957
Weighted average number of ordinary shares	1,045,423	1,042,736	1,045,423	1,042,736
Basic earnings per share (Sen)	15.7	11.0	37.1	31.7

(b) Fully diluted earnings per share

The Company has only one category of dilutive potential ordinary share, share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	The Group		The Group	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014 RM '000	quarter ended 31/03/2013 RM '000	to date 31/03/2014 RM '000	to date 31/03/2013 RM '000
Net profit attributable to equity holders of the Company	414,680	320,036	1,256,622	1,098,129
Weighted average number of ordinary shares				
- during the period	1,042,847	1,039,651	1,042,847	1,039,651
- adjustment for ESOS	2,312	3,161	2,312	3,161
	1,045,160	1,042,811	1,045,160	1,042,811
Fully diluted earnings per share (Sen)	39.7	30.7	120.2	105.3

	The Company		The Company	
	Current	Last year	Current year	Last year
	quarter ended 31/03/2014 RM '000	quarter ended 31/03/2013 RM '000	to date 31/03/2014 RM '000	to date 31/03/2013 RM '000
Net profit attributable to equity holders of the Company	163,951	114,869	387,698	330,957
Weighted average number of ordinary shares				
- during the period	1,045,423	1,042,736	1,045,423	1,042,736
- adjustment for ESOS	2,080	2,776	2,080	2,776
	1,047,504	1,045,512	1,047,504	1,045,512
Fully diluted earnings per share (Sen)	15.7	11.0	37.0	31.7

19 Realised and unrealised profit

	The Group	
	As at 31/03/2014 RM '000	As at 30/06/2013 RM '000
Total retained profits of the Group and its subsidiaries		
- Realised	18,302,071	17,652,955
- Unrealised	1,478,954	1,389,428
Total share of retained profits from associated companies		
- Realised	1,403,722	1,084,930
- Unrealised	1,750	497
Total share of retained profits from jointly controlled entities		
- Realised	9,250	3,234
	<u>21,195,747</u>	<u>20,131,044</u>
Less : Consolidation adjustments	(13,873,825)	(13,540,545)
Total Group retained profits as per consolidated accounts	<u><u>7,321,922</u></u>	<u><u>6,590,499</u></u>

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

Dated this 21 May 2014