

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	The Group		The Company	
		As at 31/12/2010 RM'000	As at 30/06/2010 RM'000	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
ASSETS					
Cash and short term funds		715,423	722,645	544	230
Securities purchased under resale agreements		159,731	-	-	-
Deposits and placements with banks and other financial institutions		235,000	45,070	-	-
Financial assets held at fair value through profit or loss	10	747,562	431,783	423	372
Financial investments available-for-sale	11	32,621	2,445	-	-
Financial investments held-to-maturity	12	35,629	10,000	-	-
Loans and advances	13	100,140	117,926	-	-
Clients' and brokers' balances	14	158,695	88,798	-	-
Other receivables	15	78,379	17,245	618	2,869
Statutory deposits with Bank Negara Malaysia		10,600	4,000	-	-
Tax recoverable		356	810	1,968	2,312
Investment in subsidiary companies		-	-	270,189	270,189
Deferred tax assets		47,414	53,038	-	-
Prepaid lease payments		1,131	1,131	-	-
Property and equipment		7,128	5,803	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,199	1,339	-	-
TOTAL ASSETS		2,364,067	1,535,092	273,742	275,972
LIABILITIES					
Deposits from customers	16	271,479	31,218	-	-
Deposits and placements of banks and other financial institutions	17	1,350,765	600,990	-	-
Clients' and brokers' balances		354,766	262,415	-	-
Payable and other liabilities	19	44,537	314,393	1,183	666
Borrowings		20,000	22,000	20,000	22,000
TOTAL LIABILITIES		2,041,547	1,231,016	21,183	22,666

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

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	Note	The Group		The Company	
		As at 31/12/2010 RM'000	As at 30/06/2010 RM'000	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		88,827	70,383	18,866	19,613
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
TOTAL EQUITY		322,520	304,076	252,559	253,306
TOTAL LIABILITIES AND EQUITY					
		2,364,067	1,535,092	273,742	275,972
COMMITMENTS AND CONTINGENCIES					
	25	7,149,883	3,492,940	-	-
CAPITAL ADEQUACY					
<u>Before and after deducting proposed dividends</u>					
Core Capital Ratio		28.2%	33.1%		
Risk-Weighted Capital Ratio		28.6%	33.5%		
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		1.37	1.30		

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HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Current quarter ended 31/12/2010	Last year's quarter ended 31/12/2009	Current year ended 31/12/2010	Last year ended 31/12/2009
Note	RM'000	RM'000	RM'000	RM'000
<u>The Group</u>				
Operating revenue	<u>46,842</u>	<u>22,208</u>	<u>77,704</u>	<u>43,942</u>
Interest income	20 14,745	3,694	24,956	7,031
Interest expense	21 (11,082)	(1,449)	(17,750)	(3,430)
Net interest income	<u>3,663</u>	<u>2,245</u>	<u>7,206</u>	<u>3,601</u>
Other operating income	22 32,097	18,514	52,748	36,911
Net income	<u>35,760</u>	<u>20,759</u>	<u>59,954</u>	<u>40,512</u>
Other operating expenses	23 (17,113)	(16,128)	(32,922)	(28,329)
Operating profit	<u>18,647</u>	<u>4,631</u>	<u>27,032</u>	<u>12,183</u>
Write-back of / (Allowance for) impairment on loans and advances	24 743	(312)	1,234	(252)
Profit before tax expense	<u>19,390</u>	<u>4,319</u>	<u>28,266</u>	<u>11,931</u>
Tax expense	<u>(4,913)</u>	<u>(1,435)</u>	<u>(7,222)</u>	<u>(3,680)</u>
Net profit for the period	<u>14,477</u>	<u>2,884</u>	<u>21,044</u>	<u>8,251</u>
Earnings per RM1.00 share: - basic and diluted (sen)	<u>6.2</u>	<u>1.2</u>	<u>9.0</u>	<u>3.5</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
<u>The Group</u>				
Net profit for the period	14,477	2,884	21,044	8,251
Other comprehensive income				
Net gain on revaluation of financial investments available-for-sale	40	-	40	-
Income tax relating to components of other comprehensive income	(10)	-	(10)	-
Other comprehensive income for the period, net of tax	30	-	30	-
Total comprehensive income for the period	<u>14,507</u>	<u>2,884</u>	<u>21,074</u>	<u>8,251</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Current quarter ended 31/12/2010	Last year's quarter ended 31/12/2009	Current year ended 31/12/2010	Last year ended 31/12/2009
Note	RM'000	RM'000	RM'000	RM'000
<u>The Company</u>				
Operating revenue	<u>32</u>	<u>85</u>	<u>80</u>	<u>116</u>
Interest income	20 8	79	30	96
Interest expense	21 (195)	(476)	(406)	(1,640)
Net interest income	(187)	(397)	(376)	(1,544)
Other operating income	22 24	6	50	20
Net income	(163)	(391)	(326)	(1,524)
Other operating expenses	23 (173)	(787)	(421)	(1,052)
Operating profit	(336)	(1,178)	(747)	(2,576)
Write-back of / (Allowance for) impairment on loans and advances	24 -	-	-	-
Profit before tax expense	(336)	(1,178)	(747)	(2,576)
Tax expense	-	-	-	-
Net loss for the period	<u>(336)</u>	<u>(1,178)</u>	<u>(747)</u>	<u>(2,576)</u>
Loss per RM1.00 share: - basic and diluted (sen)	<u>(0.1)</u>	<u>(0.5)</u>	<u>(0.3)</u>	<u>(1.1)</u>

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HONG LEONG CAPITAL BERHAD
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(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
<u>The Company</u>				
Net loss for the period	(336)	(1,178)	(747)	(2,576)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>(336)</u>	<u>(1,178)</u>	<u>(717)</u>	<u>(2,576)</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	<----- Non-Distributable ----->					Distributable	
	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Other Reserve RM'000	Retained Profits RM'000	Total RM'000
The Group							
At 1 July 2010	246,896	(13,203)	543	11,044	-	58,796	304,076
- effect of adopting FRS139	-	-	-	-	-	(2,630)	(2,630)
At 1 July 2010, as restated	246,896	(13,203)	543	11,044	-	56,166	301,446
Net profit for the period	-	-	-	-	-	21,044	21,044
Other comprehensive income	-	-	-	-	30	-	30
Total comprehensive income for the period	-	-	-	-	30	21,044	21,074
At 31 December 2010	246,896	(13,203)	543	11,044	30	77,210	322,520
At 1 July 2009	123,448	(3,973)	543	4,362	-	51,724	176,104
Net profit for the period	-	-	-	-	-	8,251	8,251
Rights issue	123,448	(3,944)	-	-	-	-	119,504
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	123,448	(3,944)	-	-	-	8,251	127,755
Rights issue expenses	-	-	-	-	-	(391)	(391)
At 31 December 2009	246,896	(7,917)	543	4,362	-	59,584	303,468

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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(Company Number 213006-U)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	←----- Non-Distributable ----->					Distributable Reserves	
	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Other Reserve RM'000		Retained Profits RM'000
The Company							
At 1 July 2010	246,896	(13,203)	-	-	-	19,613	253,306
- effect of adopting FRS139	-	-	-	-	-	-	-
At 1 July 2010, as restated	246,896	(13,203)	-	-	-	19,613	253,306
Net loss for the period	-	-	-	-	-	(747)	(747)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(747)	(747)
At 31 December 2010	246,896	(13,203)	-	-	-	18,866	252,559
At 1 July 2009	123,448	(3,973)	-	-	-	20,564	140,039
Net loss for the period	-	-	-	-	-	(2,576)	(2,576)
Rights issue	123,448	(3,944)	-	-	-	-	119,504
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	123,448	(3,944)	-	-	-	(2,576)	116,928
Rights issue expenses	-	-	-	-	-	(391)	(391)
At 31 December 2009	246,896	(7,917)	-	-	-	17,597	256,576

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
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(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

	The Group		The Company	
	31/12/2010	31/12/2009	31/12/2010	30/12/2009
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax expense	28,266	11,931	(747)	(2,576)
Adjustments for non-cash items	(10,182)	(3,410)	325	1,525
Operating profit/(loss) before changes in working capital	18,084	8,521	(422)	(1,051)
Changes in working capital:				
Net changes in operating assets	(682,796)	62,909	2,251	65
Net changes in operating liabilities	812,735	116,830	517	(381)
Interest received	25,079	7,031	30	96
Net taxes refund/(paid)	187	(570)	344	-
Net cash generated/(used in) from operating activities	173,289	194,721	2,720	(1,271)
Net cash used in investing activities	(162,203)	(1,471)	-	-
Net cash used in financing activities	(19,750)	(183,708)	(2,406)	(1,925)
Net changes in cash and cash equivalents	(8,664)	9,542	314	(3,196)
Cash and cash equivalents at beginning of the period	515,442	107,853	230	4,668
Cash and cash equivalents at end of the period	506,778	117,395	544	1,472
Cash and cash equivalents comprise of:				
Cash and short term funds	715,423	305,472	544	1,472
Less: Remisiers' and clients' trust monies	(208,645)	(188,077)	-	-
	506,778	117,395	544	1,472

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2010

Explanatory Notes pursuant to the Financial Reporting Standard 134 ("FRS 134") and Revised Guidelin on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia ("BNM")

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Company for the year ended 30 June 2010. The explanatory notes attached to the interim 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 of the Company since the year ended 30 June 2010.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendments to FRS 2 "Share-based Payment Vesting Conditions and Cancellations"
- FRS 7 "Financial Instruments: Disclosures"
- Amendments to FRS 139 "Financial Instruments: Recognition and Measurement", FRS 7 "Financial Instruments: Disclosures" and IC Interpretation 9 "Reassessment of Embedded Derivatives"
- FRS 101 "Presentation of Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement"
- Amendments to FRS 117 "Leases"
- Amendments to FRS 119 "Employee Benefits"
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendments to FRS 134 "Interim Financial Reporting"
- Amendments to FRS 138 "Intangible Assets"
- IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 10 "Interim Financial Reporting and Impairment "
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction"
- Amendments to FRS 1 "Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters"
- Amendments to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"

1. Basis of preparation (continued)

- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining Whether an Arrangement Contain a Lease"

The adoption of these FRSs, amendments to FRSs and IC Interpretations did not have any significant financial impact on the results of the Group and of the Company. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSs and IC Interpretations are disclosed in Note 33.

Amendments to FRS 139 included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects is also disclosed in Note 33.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2010 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 31 December 2010.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 31 December 2010.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 31 December 2010.

6. Debt and Equity Securities

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the financial quarter ended 30 September 2010.

- (a) The Company had, on 8 November 2005, announced that the shareholders of the Company had approved the establishment of an Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company.

Approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme was obtained on 17 January 2006. The scheme was established on 23 January 2006 under a trust for employee ("ESOS Trust").

- (b) The ESOS Trust 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 shares in the Company from the open market for the purpose of this trust. The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's Balance Sheet as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 12,287,200 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 31 December 2010.

7. Dividends

There was no dividend paid during the financial quarter ended 31 December 2010.

8. Valuations of Property, Plant and Equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 2010.

9. Significant Events

(a) Proposed Integration of HLG Futures Sdn Bhd and Hong Leong Investment Bank Berhad

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

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

The Proposed Integration was subject to, inter alia, the following:

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

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

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

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

The Proposed Integration was completed on 2 October 2010.

(b) Proposed Change of Name

On 13 August 2010, the Company announced that the Company was proposing to change its name from "HLG Capital Berhad" to "Hong Leong Capital Berhad" ("Proposed Change of Name").

The use of the name "Hong Leong Capital Berhad" was approved by the Companies Commission of Malaysia ("CCM") on 10 August 2010.

The Proposed Change of Name was subject to the approval of the shareholders of the Company at the Nineteenth Annual General Meeting to be convened, and if approved, will take effect upon the issuance of the Certificate of Incorporation on Change of Name by the CCM.

The shareholders of the Company had on 26 October 2010, approved the Proposed Change of Name. The Company had changed its name with effect from 4 November 2010.

HLCB Q2 (31.12.10)

Financial Reporting for Licensed Institutions ("BNM/GP8")

10. Financial assets held at fair value through profit or loss

	The Group		The Company	
	As at	As at	As at	As at
	31/12/2010	30/06/2010	31/12/2010	30/06/2010
	RM'000	RM'000	RM'000	RM'000
Financial assets held-for-trading				
Money market instruments:				
Negotiable instruments of deposits	130,007	45,003	-	-
Bank Negara Malaysia Bills	79,661	188,748	-	-
Bankers' acceptances	309,700	-	-	-
Quoted securities in Malaysia:				
Shares	42,125	7,117	-	-
Unit trust investment	423	372	423	372
Unquoted securities:				
Private debt securities in Malaysia	113,255	190,543	-	-
Private debt securities outside Malaysia	72,391	-	-	-
Total financial assets held-for-trading	747,562	431,783	423	372

11. Financial investments available-for-sale

	The Group	
	As at	As at
	31/12/2010	30/06/2010
	RM'000	RM'000
Unquoted securities in Malaysia:		
Shares	2,445	2,445
Private debt securities	30,176	-
Total financial investments available-for-sale	32,621	2,445

12. Financial investments held-to-maturity

	The Group	
	As at	As at
	31/12/2010	30/06/2010
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Negotiable instruments of deposits	-	10,000
Malaysian Government Investment Issues	5,083	-
Unquoted securities:		
Private debt securities in Malaysia	30,546	-
Total financial investments held-to-maturity	35,629	10,000

HLCB Q2 (31.12.10)

13. Loans and advances

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
At amortised cost		
Term loans	21,362	47,559
Share margin financing	59,868	46,647
Revolving credits	25,422	28,204
Gross loans and advances	<u>106,652</u>	<u>122,410</u>
Allowance for impaired loans and financing:		
- individual assessment allowance	(4,987)	-
- collective assessment allowance	(1,525)	-
- specific allowance	-	(2,688)
- general allowance	-	(1,796)
Net loans and advances	<u>100,140</u>	<u>117,926</u>
13a. <u>By type of customer</u>		
Domestic business enterprises		
- Others	50,500	75,533
Individuals	54,707	45,197
Foreign non-bank entities	1,445	1,680
Gross loans and advances	<u>106,652</u>	<u>122,410</u>
13b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Other fixed rate loan/financing	59,868	46,647
Variable rate		
- Cost plus	46,784	75,763
Gross loans and advances	<u>106,652</u>	<u>122,410</u>
13c. <u>By residual contractual maturity</u>		
Maturity within 1 year	<u>106,652</u>	<u>122,410</u>
Gross loans and advances	<u>106,652</u>	<u>122,410</u>
13d. <u>By geographical distribution</u>		
Malaysia	<u>106,652</u>	<u>122,410</u>
Gross loans and advances	<u>106,652</u>	<u>122,410</u>
13e. <u>By economic purpose</u>		
Working capital	32,716	60,841
Purchase of securities	73,936	61,569
Gross loans and advances	<u>106,652</u>	<u>122,410</u>

HLCB Q2 (31.12.10)

13. Loans and advances (continued)

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
13f. Movements in impaired loans and advances ("impaired loans") are as follows:		
Impaired loans and advances		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	10,012	-
At 1 July, as restated	12,700	2,521
Impaired during the period/year	72	178
Recoveries	(1,371)	(11)
Pre-acquisition adjustment	(1,086)	-
Closing balance	10,315	2,688
Gross impaired loans as a percentage of gross loans and advances	9.7%	2.2%
13g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	10,315	2,688
13h. <u>Impaired loans and advances by economic purpose</u>		
Working Capital	8,887	-
Purchase of securities	1,428	2,688
	10,315	2,688
13i. Movements in allowance for impaired loans and advances are as follows:		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	1,743	-
At 1 July, as restated	1,743	-
Allowance written back during the period/year	(218)	-
Closing balance	1,525	-
As % of gross loans and advances less individual assessment allowance	1.5%	-
<u>Individual assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	6,247	-
At 1 July, as restated	6,247	-
Allowance made during the period/year	72	-
Recoveries	(246)	-
Pre-acquisition adjustment	(1,086)	-
Closing balance	4,987	-

HLCB Q2 (31.12.10)

13. Loans and advances (continued)

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
<u>General allowance</u>		
At 1 July		
- as previously stated	1,796	1,254
- effect of adopting FRS139	(1,796)	-
At 1 July, as restated	-	1,254
Allowance made during the period/year	-	542
Closing balance	-	1,796
As % of gross loans and advances less specific allowance	-	1.5%
<u>Specific allowance</u>		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	(2,688)	-
At 1 July, as restated	-	2,521
Allowance made during the period/year	-	178
Written back during the period/year	-	(11)
Closing balance	-	2,688

14. Clients' and brokers' balances

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Performing accounts	158,427	88,664
Impaired accounts	14,321	37,813
Less: Individual assessment allowance	(13,381)	(37,043)
Collective assessment allowance	-	(9)
Interest-in-suspense	(672)	(627)
	<u>158,695</u>	<u>88,798</u>

HLCB Q2 (31.12.10)

15. Other receivables

	The Group		The Company	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Interest receivable	7,907	4,009	-	-
Derivative financial instruments (Note 18)	7,032	23	-	-
Amount due from subsidiary companies	-	-	611	2,864
Deposits and prepayments	4,510	4,913	7	5
Other receivables	58,634	7,949	-	-
Manager's stocks and promotional items	296	351	-	-
	78,379	17,245	618	2,869

16. Deposits from customers

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
16a. By type of deposit		
Fixed deposits	271,479	31,218
16b. By type of customer		
Federal and state governments	40,000	-
Local government and statutory authorities	12,000	-
Business enterprises	218,874	31,218
Individuals	605	-
	271,479	31,218

16c. The maturity structure of fixed deposits are as follows

Due within six months	271,479	31,218
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17. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Licensed banks	322,619	61,000
Other financial institutions	1,028,146	539,990
	1,350,765	600,990

HLCB Q2 (31.12.10)

15. Other receivables

	The Group		The Company	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Interest receivable	7,907	4,009	-	-
Derivative financial instruments (Note 18)	7,032	23	-	-
Amount due from subsidiary companies	-	-	611	2,864
Deposits and prepayments	4,510	4,913	7	5
Other receivables	58,634	7,949	-	-
Manager's stocks and promotional items	296	351	-	-
	<u>78,379</u>	<u>17,245</u>	<u>618</u>	<u>2,869</u>

16. Deposits from customers

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
16a. By type of deposit		
Fixed deposits	<u>271,479</u>	<u>31,218</u>
16b. By type of customer		
Federal and state governments	40,000	-
Local government and statutory authorities	12,000	-
Business enterprises	218,874	31,218
Individuals	605	-
	<u>271,479</u>	<u>31,218</u>

16c. The maturity structure of fixed deposits are as follows

Due within six months	<u>271,479</u>	<u>31,218</u>
-----------------------	----------------	---------------

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Licensed banks	322,619	61,000
Other financial institutions	1,028,146	539,990
	<u>1,350,765</u>	<u>600,990</u>

18. Derivative financial instruments

	The Group	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Derivatives at fair value through profit or loss		
- Interest rate swaps	-	23
- Currency swaps	3,152	-
- Currency forwards	685	-
- Futures	3,195	-
Total derivative financial assets	<u>7,032</u>	<u>23</u>
Derivatives at fair value through profit or loss		
- Futures	1,050	1,194
- Interest rate swaps	186	-
- Currency forwards	616	-
Total derivative financial liabilities	<u>1,852</u>	<u>1,194</u>

19. Payables and other liabilities

	The Group		The Company	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	873	-
Amount due to related companies	1,711	1,039	26	25
Remisiers' trust deposits	10,528	11,122	-	-
Derivative financial instruments (Note 18)	1,852	1,194	-	-
Other payables and accrued liabilities	27,445	299,539	259	629
Interest payable	1,831	791	23	10
Provision for taxation	659	204	-	-
Post employment benefits obligation - defined contribution plan	509	502	-	-
	<u>44,537</u>	<u>314,393</u>	<u>1,183</u>	<u>666</u>

20. Interest income

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
	The Group			
Loan and advances	1,291	1,484	2,796	2,301
Money at call and deposits placements with banks and other financial institutions	4,708	595	8,150	1,030
Financial assets held at fair value through profit or loss	6,807	-	11,249	-
Financial investments available-for-sale	841	1,563	1,363	2,858
Financial investments held-to-maturity	820	-	1,115	-
Others	297	52	406	842
	<u>14,764</u>	<u>3,694</u>	<u>25,079</u>	<u>7,031</u>
Accretion of discount less amortisation of premium	(19)	-	(123)	-
Total interest income	<u>14,745</u>	<u>3,694</u>	<u>24,956</u>	<u>7,031</u>

HLCB Q2 (31.12.10)

20. Interest income (continued)

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
The Group (continued)				
Of which:				
Interest income earned on impaired loans and advances	<u>106</u>	<u>-</u>	<u>205</u>	<u>-</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>8</u>	<u>79</u>	<u>30</u>	<u>96</u>

21. Interest expense

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
The Group				
Deposits and placements of banks and other financial institutions	2,624	13	4,468	31
Deposits from customers	8,263	922	12,829	1,682
Borrowings	195	514	453	1,717
Total interest expense	<u>11,082</u>	<u>1,449</u>	<u>17,750</u>	<u>3,430</u>
The Company				
Borrowings	<u>195</u>	<u>476</u>	<u>406</u>	<u>1,640</u>

22. Other operating income

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	122	214	1,471	322
Arranger fees	5,525	1,496	6,984	1,991
Corporate advisory fees	1,285	180	2,875	180
Underwriting commissions	1,329	-	1,329	-
Brokerage commissions	12,246	9,556	22,322	21,778
Net commission from futures business	280	193	505	430
Net unit trust and asset management income	5,036	4,625	9,615	8,914
Other fee income	2,044	642	2,422	1,138
	<u>27,867</u>	<u>16,906</u>	<u>47,523</u>	<u>34,753</u>
(b) Net gain arising from sale of securities - held at fair value through profit or loss	643	538	2,032	538
	<u>643</u>	<u>538</u>	<u>2,032</u>	<u>538</u>

HLCB Q2 (31.12.10)

22. Other operating income (continued)

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
The Group (continued)				
(c) Gross dividend from: - held at fair value through profit or loss	29	-	298	299
	<u>29</u>	<u>-</u>	<u>298</u>	<u>299</u>
(d) Unrealised gain on revaluation of securities held at fair value through profit or loss	3,443	364	2,906	737
(e) Other income/(expense)	115	706	(11)	584
Total other operating income	<u>32,097</u>	<u>18,514</u>	<u>52,748</u>	<u>36,911</u>

The Company

(a) Unrealised gain on revaluation of securities held at fair value through profit or loss	24	6	50	20
Total other operating income	<u>24</u>	<u>6</u>	<u>50</u>	<u>20</u>

HLCB Q2 (31.12.10)
23. Other operating expenses

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
The Group				
Personnel costs	8,917	9,561	16,418	15,194
- Salaries, allowances and bonuses	7,522	7,711	13,726	12,404
- Others	1,395	1,850	2,692	2,790
Establishment costs	3,996	3,376	8,822	6,922
- Depreciation of property and equipment	622	456	1,165	887
- Amortisation of intangible assets	212	165	420	288
- Rental	1,433	1,101	2,772	2,202
- Information technology expenses	1,013	1,194	2,469	2,388
- Others	716	460	1,996	1,157
Marketing expenses	597	447	1,203	940
- Advertisement and publicity	245	190	425	384
- Entertainment and business improvement	217	180	436	329
- Others	135	77	342	227
Administration and general expenses	3,603	2,744	6,479	5,273
- Management fees	785	378	1,277	848
- Teletransmission expenses	459	290	824	568
- Audit fees	45	50	92	163
- Legal and professional fees	1,181	843	2,053	1,761
- Others	1,133	1,183	2,233	1,933
	<u>17,113</u>	<u>16,128</u>	<u>32,922</u>	<u>28,329</u>
The Company				
Personnel costs	43	434	88	472
- Salaries, allowances and bonuses	33	221	66	252
- Others	10	213	22	220
Establishment costs	12	7	20	6
- Rental	-	-	5	-
- Others	12	7	15	6
Marketing expenses	-	9	4	16
- Others	-	9	4	16
Administration and general expenses	118	337	309	558
- Teletransmission expenses	-	14	1	20
- Audit fees	7	6	13	12
- Legal and professional fees	-	19	14	61
- Others	111	298	281	465
	<u>173</u>	<u>787</u>	<u>421</u>	<u>1,052</u>

24. Write-back of impairment on loans and advances

	Current quarter ended 31/12/2010 RM'000	Last year's quarter ended 31/12/2009 RM'000	Current year ended 31/12/2010 RM'000	Last year ended 31/12/2009 RM'000
The Group				
Allowance for/(write-back of) losses impaired loans and advances:				
Specific allowance				
- written back during the period	-	-	-	(11)
- made during the period	-	66	-	131
General allowance write-back during the period				
	-	235	-	183
Individual assessment allowance				
- written back during the period	(246)	-	(246)	-
- made during the period	30	-	72	-
Collective assessment allowance write-back during the period				
	61	-	(218)	-
Allowance for losses on clients' and brokers' balances:				
Specific allowance				
- written back during the period	(385)	24	(910)	(11)
- made during the period	-	-	130	-
General allowance write-back during the period				
	(204)	(13)	(9)	(40)
Bad debts on clients' and brokers' balances				
-Recovered	1	-	(53)	-
	<u>(743)</u>	<u>312</u>	<u>(1,234)</u>	<u>252</u>

25. Commitments and contingencies

The Group 31 December 2010	Principal Amount RM'000	Positive Fair Value of Derivatives Contracts RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
<u>Commitments and contingent liabilities</u>				
Any commitment that are unconditionally cancelled at any time by the bank without prior notice				
- maturity less than 1 year	270,040	-	-	-
<u>Derivative Financial Instruments</u>				
Interest rate related contracts:				
- One year or less	1,195,237	-	-	-
- Over one year to five years	4,616,698	3,482	9,824	1,965
- Over five years	246,820	432	-	-
Foreign exchange related contracts				
- One year or less	786,494	3,034	9,245	4,012
Equity related contracts				
- One year or less	34,594	84	-	-
	<u>6,879,843</u>	<u>7,032</u>	<u>19,069</u>	<u>5,977</u>
	<u>7,149,883</u>	<u>7,032</u>	<u>19,069</u>	<u>5,977</u>

30 June 2010

Commitments and contingent liabilities

Any commitment that are unconditionally cancelled at any time by the bank without prior notice

- maturity less than 1 year

	267,940	-	-	-
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Derivative Financial Instruments

Interest rate related contracts:

- One year or less	680,000	-	-	-
- Over one year to five years	2,545,000	23	1,021	204
	<u>3,225,000</u>	<u>23</u>	<u>1,021</u>	<u>204</u>
	<u>3,492,940</u>	<u>23</u>	<u>1,021</u>	<u>204</u>

The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights as defined in the BNM's revised Risk-weighted Capital Adequacy Framework ("RWCAF").

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26. Capital adequacy

The capital adequacy ratios of Hong Leong Investment Bank ("HLIB") as at the following dates:

	HLIB	
	As at 31/12/2010	As at 30/06/2010
<u>Before and after deducting proposed dividends</u>		
Core capital ratio	28.2%	33.1%
Risk-weighted capital ratio	28.6%	33.5%

	HLIB	
	As at 31/12/2010 RM'000	As at 30/06/2010 RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	265,535	265,535
Retained profit	10,644	10,644
Statutory reserves	11,044	11,044
	<u>287,223</u>	<u>287,223</u>
Less: Goodwill	(30,236)	(30,236)
Deferred tax assets (net)	(52,597)	(52,597)
Total Tier I capital	<u>204,390</u>	<u>204,390</u>
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	1,631	1,631
Collective assessment allowance	1,525	-
General allowance	-	1,805
Total tier II capital	<u>3,156</u>	<u>3,436</u>
Total capital	207,546	207,826
Less: Investment in subsidiary companies	(588)	(588)
Capital base	<u>206,958</u>	<u>207,238</u>

The capital adequacy ratios of HLIB are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). HLIB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010 - 8.00%) for the risk-weighted capital ratio.

27. Segmental reporting

(a) Segment information by activities for the financial year ended 31 December 2010.

	Investment banking and stockbroking	Fund management and unit trust management	Futures and options broking	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2010						
REVENUE & EXPENSES						
Revenue						
Net Interest income	6,635	627	216	(272)	-	7,206
Non interest income	42,387	9,615	507	239	-	52,748
Results						
Profit / (loss) from operations	25,887	2,839	66	(526)	-	28,266
Taxation						(7,222)
Profit after taxation						21,044
31 December 2009						
REVENUE & EXPENSES						
Revenue						
Net Interest income	4,757	250	138	(1,544)	-	3,601
Non interest income	27,553	8,837	430	86	5	36,911
Results						
Profit / (loss) from operations	11,763	2,976	(180)	(2,623)	(5)	11,931
Taxation						(3,680)
Profit after taxation						8,251

(b) Segment information by geographical areas has not been disclosed as the Group operates principally in Malaysia.

28. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2010.

29. Changes in composition of the Group

There were no changes in the composition of the Group since last financial quarter.

30. Capital commitments

There were no capital commitments for the purchase of property and equipment as at 31 December 2010.

31. Changes in contingent liabilities

Details of contingent liabilities since the last audited balance sheet date are as follows:

Hong Leong Asset Management Berhad (formerly known as HLG Unit Trust Berhad), a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds") which comprises five sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector funds falls below the minimum fund size of RM1 million, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

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

32. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms' length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders' Mandate for recurrent related party transactions obtained at a general meeting.

33. Change in accounting policies and prior year adjustments

With effect from 1 January 2005, the BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139, have been adopted by the Group and the Company. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in the following material changes in accounting policies as follows:

1) Impairment of loans and advances

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

Under FRS 139, the Group first assesses individually whether objective evidence of impairment exists individually for loans.

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

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowances of the Group as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The adoption of FRS 139 and the transitional provision has resulted in the following adjustments against the retained profit of the Group as at 1 July 2010:

	The Group
	RM'000
i) Write back of specific allowance	(2,688)
ii) Write back of general allowance	(1,796)
iii) Opening adjustment in collective assessment allowance	1,743
iv) Opening adjustment in individual assessment allowance	6,247
v) Opening adjustment in deferred tax assets	(876)

33. Change in accounting policies and prior year adjustments (continued)

2) Interest Income Recognition

Prior to 1 July 2010, interest on loans, advances and financing were recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

3) Recognition of Embedded Derivatives

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

Based on the assessment by the Group and the Company upon adoption of FRS 139 on 1 July 2010, there were no embedded derivatives which were not closely related to the host contracts and which required bifurcation.

Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Performance review

(a) Current financial quarter under review against previous corresponding financial quarter

For the financial quarter ended 31 December 2010, the Group reported a higher profit before taxation of RM19.4 million as compared to the profit before taxation of RM4.3 million in the previous corresponding financial quarter. This was due to higher contribution from investment banking business.

(b) Current financial period under review against previous corresponding financial period

For the financial period ended 31 December 2010, the Group reported a higher profit before taxation of RM28.3 million compared to the profit before taxation of RM11.9 million in the previous corresponding financial period. This was due to higher contribution from investment banking which commenced its business activities at the end of September 2009.

(c) Performance of current financial quarter under review against preceding financial quarter

For the financial quarter ended 31 December 2010, the Group reported a operating profit before tax of RM19.4 million compared to the profit of RM8.9 million for the preceding financial quarter. The increase in profit was due to higher fee and trading income from investment banking during the financial quarter.

2. Prospects for the current financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2011 with improving profitability via diversification of income source from more extensive investment banking activities.

3. Variance in profit forecast and shortfall in profit guarantee

The Group had not entered into any scheme that requires it to present forecast results or guarantee any profits.

4. Taxation

The Group	Financial quarter		Financial period ended	
	31/12/10 RM'000	31/12/09 RM'000	31/12/10 RM'000	31/12/09 RM'000
Tax expense on Malaysian tax				
– Current	402	401	733	744
Deferred tax	4,511	1,034	6,489	2,936
	4,913	1,435	7,222	3,680

5. Sale of properties / unquoted investments

There were no sales of properties and unquoted investments for the current financial quarter under review.

6. Purchase / disposal of quoted securities of the Group

There were no purchases or disposals of quoted investments by the Group for the financial quarter under review other than those transacted by the stockbroking subsidiary in the ordinary course of business.

7. Status of corporate proposals

There were no corporate proposals announced but not completed as at the latest practicable date which was not earlier.

8. Group borrowings

The short term borrowings of the Group are unsecured and denominated in Ringgit Malaysia.

9. Off-balance sheet financial instruments

The Banking subsidiary has incurred the following:

<u>Derivatives financial instrument</u>	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,195,237	-	86
(ii) 1 year to 3 years	4,616,698	3,482	409
(iii) More than 3 years	246,820	432	741
Foreign exchange related contracts			
(i) Less than 1 year	786,494	3,034	616
Equity related contractes	34,594	84	-
(i) 1 year to 3 years			
	<u>6,879,843</u>	<u>7,032</u>	<u>1,852</u>

Interest rate related contracts are subject to market risk.

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.

Related accounting policies

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

10. Material litigation

The Company and HLG Securities Sdn Bhd ("HLG Securities") had been named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") and served on HLG Securities on 15 April 2002.

BSH alleged that HLG Securities breached the terms of the sale and purchase agreement dated 31 October 2000 ("SPA") between HLG Securities and BSH for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a total purchase consideration of RM88 million. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the Extraordinary General Meeting of the Company held on 24 October 2001 and accordingly, the SPA was terminated.

11. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 31 December 2010.

12. Earnings per share ("EPS")

(a) Basic earnings/loss per share

The basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the financial period.

	Financial quarter ended		Financial period ended	
	31/12/10	31/12/09	31/12/10	31/12/09
Net profit attributable to shareholders of the Company (RM'000):	14,477	2,884	21,044	8,251
Weighted average number of Ordinary Shares in issue	234,609	239,046	234,609	239,046
Basic earnings per share (sen)	6.2	1.2	9.0	3.5

(b) Fully diluted earnings per share

There were no dilutive elements to the share capital and hence EPS (fully diluted) was the same.

13. Realised and Unrealised Profits/Losses

On 25 March 2010, Bursa Securities issued a directive to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Securities. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of the retained profit of the Group and the Company pursuant to the directives, is as follows:

	As at 31 December 2010 RM'000	As at 30 September 2010 RM'000
The Group		
Total retained profit		
- Realised	62,646	46,104
- Unrealised		
- in respect of deferred tax recognised in the income statement	47,414	51,816
- in respect of other items of income and expense	2,750	414
	<u>112,810</u>	<u>98,334</u>
Less : Consolidation adjustment	<u>(35,600)</u>	<u>(35,600)</u>
	<u>77,210</u>	<u>62,734</u>
 The Company		
Total retained profit		
- Realised	18,743	19,103
- Unrealised		
- in respect of other items of income and expense	123	99
	<u>18,866</u>	<u>19,202</u>

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

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

Dated this 23rd February 2011.