

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 MARCH 2011

	Note	The Group		The Company	
		As at 31/03/2011 RM'000	As at 30/06/2010 RM'000	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
ASSETS					
Cash and short term funds		714,590	722,645	8,005	230
Securities purchased under resale agreements		29,926	-	-	-
Deposits and placements with banks and other financial institutions		55,000	45,070	-	-
Financial assets held at fair value through profit or loss	10	907,278	431,783	452	372
Financial investments available-for-sale	11	111,889	2,445	-	-
Financial investments held-to-maturity	12	55,602	10,000	-	-
Loans and advances	13	100,068	117,926	-	-
Clients' and brokers' balances	14	169,808	88,798	-	-
Other receivables	15	40,916	17,245	632	2,869
Statutory deposits with Bank Negara Malaysia		7,800	4,000	-	-
Tax recoverable		362	810	1,968	2,312
Investment in subsidiary companies		-	-	270,189	270,189
Deferred tax assets		44,127	53,038	-	-
Prepaid lease payments		1,131	1,131	-	-
Property and equipment		7,136	5,803	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,216	1,339	-	-
TOTAL ASSETS		2,279,908	1,535,092	281,246	275,972
LIABILITIES					
Deposits from customers	16	572,417	31,218	-	-
Deposits and placements of banks and other financial institutions	17	957,251	600,990	-	-
Clients' and brokers' balances		338,739	262,415	-	-
Payable and other liabilities	19	58,347	314,393	9,093	666
Borrowings		20,000	22,000	20,000	22,000
TOTAL LIABILITIES		1,946,754	1,231,016	29,093	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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INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	The Group		The Company	
		As at 31/03/2011 RM'000	As at 30/06/2010 RM'000	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		99,461	70,383	18,460	19,613
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
TOTAL EQUITY		333,154	304,076	252,153	253,306
TOTAL LIABILITIES AND EQUITY					
		2,279,908	1,535,092	281,246	275,972
COMMITMENTS AND CONTINGENCIES					
	25	5,562,216	3,492,940	-	-
CAPITAL ADEQUACY					
<u>Before and after deducting proposed dividends</u>					
Core Capital Ratio		40.7%	33.1%		
Risk-Weighted Capital Ratio		41.2%	33.5%		
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		1.42	1.30		

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 MARCH 2011

		Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
	Note				
<u>The Group</u>					
Operating revenue		50,524	23,176	128,229	67,117
Interest income	20	15,775	4,439	40,731	11,469
Interest expense	21	(10,682)	(1,919)	(28,432)	(5,349)
Net interest income		5,093	2,520	12,299	6,120
Other operating income	22	34,749	18,737	87,498	55,648
Net income		39,842	21,257	99,797	61,768
Other operating expenses	23	(25,067)	(16,397)	(57,989)	(44,726)
Operating profit		14,775	4,860	41,808	17,042
(Allowance for)/Write-back of impairment on loans and advances	24	(443)	(260)	791	(512)
Profit before tax expense		14,332	4,600	42,599	16,530
Tax expense		(3,709)	(1,220)	(10,931)	(4,900)
Net profit for the period		10,623	3,380	31,668	11,630
Earnings per RM1.00 share: - basic and diluted (sen)		4.5	1.4	13.5	4.9

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 STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
<u>The Group</u>				
Net profit for the period	10,623	3,380	31,668	11,630
Other comprehensive income				
Net gain on revaluation of financial investments available-for-sale	13	-	53	-
Income tax relating to components of other comprehensive income	(3)	-	(13)	-
Other comprehensive income for the period, net of tax	10	-	40	-
Total comprehensive income for the period	10,633	3,380	31,708	11,630

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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(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011

		Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
	Note				
<u>The Company</u>					
Operating revenue		41	19	121	135
Interest income	20	12	4	42	100
Interest expense	21	(192)	(200)	(598)	(1,839)
Net interest income		(180)	(196)	(556)	(1,739)
Other operating income	22	29	15	79	35
Net income		(151)	(181)	(477)	(1,704)
Other operating expenses	23	(255)	(808)	(676)	(1,860)
Operating profit		(406)	(989)	(1,153)	(3,564)
Write-back of / (Allowance for) impairment on loans and advances	24	-	-	-	-
Loss before tax expense		(406)	(989)	(1,153)	(3,564)
Tax expense		-	-	-	-
Net loss for the period		(406)	(989)	(1,153)	(3,564)
Loss per RM1.00 share: - basic and diluted (sen)		(0.2)	(0.4)	(0.5)	(1.5)

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 STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
<u>The Company</u>				
Net loss for the period	(406)	(989)	(1,153)	(3,564)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	(406)	(989)	(1,113)	(3,564)

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
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2011

	Share Capital RM'000	Shares held by ESOS Trust RM'000	<----- Non-Distributable ----->			Distributable	Total RM'000
			General Reserve RM'000	Statutory Reserve RM'000	Other Reserve RM'000	Reserves Retained Profits RM'000	
<u>The Group</u>							
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	-	-	-	-	-	31,668	31,668
Other comprehensive income	-	-	-	-	40	-	40
Total comprehensive income for the period	-	-	-	-	40	31,668	31,708
At 31 March 2011	246,896	(13,203)	543	11,044	40	87,834	333,154
At 1 July 2009	123,448	(3,973)	543	4,362	-	51,724	176,104
Net profit for the period	-	-	-	-	-	11,630	11,630
Rights issue	123,448	(3,944)	-	-	-	-	119,504
Purchased during the period	-	(5,286)	-	-	-	-	(5,286)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	123,448	(9,230)	-	-	-	11,630	125,848
Rights issue expenses	-	-	-	-	-	(391)	(391)
At 31 March 2010	246,896	(13,203)	543	4,362	-	62,963	301,561

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 MARCH 2011

	Share Capital RM'000	Shares held by ESOS Trust RM'000	<----- Non-Distributable ----->			Distributable	Total RM'000
			General Reserve RM'000	Statutory Reserve RM'000	Other Reserve RM'000	Reserves Retained Profits RM'000	
<u>The Company</u>							
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	-	-	-	-	-	(1,153)	(1,153)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	(1,153)	(1,153)
At 31 March 2011	246,896	(13,203)	-	-	-	18,460	252,153
At 1 July 2009	123,448	(3,973)	-	-	-	20,564	140,039
Net loss for the period	-	-	-	-	-	(3,564)	(3,564)
Rights issue	123,448	(3,944)	-	-	-	-	119,504
Purchased during the period	-	(5,286)	-	-	-	-	(5,286)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	123,448	(9,230)	-	-	-	(3,564)	110,654
Rights issue expenses	-	-	-	-	-	(391)	(391)
At 31 March 2010	246,896	(13,203)	-	-	-	16,609	250,302

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 MARCH 2011

	The Group		The Company	
	31/03/2011	31/03/2010	31/03/2011	31/03/2010
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax expense	42,599	16,530	(1,153)	(3,564)
Adjustments for non-cash items	(10,521)	(6,264)	476	1,705
Operating profit/(loss) before changes in working capital	32,078	10,266	(677)	(1,859)
Changes in working capital:				
Net changes in operating assets	(756,964)	(10,825)	2,237	86
Net changes in operating liabilities	717,942	282,403	8,427	(228)
Interest received	41,117	12,009	42	100
Net taxes refund/(paid)	(231)	(686)	344	-
Net cash generated/(used in) from operating activities	33,942	293,167	10,373	(1,901)
Net cash used in investing activities	(32,884)	(296,706)	-	-
Net cash used in financing activities	(30,432)	(4,921)	(2,598)	(1,413)
Net changes in cash and cash equivalents	(29,374)	(8,460)	7,775	(3,314)
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	486,068	99,393	8,005	1,354
Cash and cash equivalents comprise of:				
Cash and short term funds	714,590	306,556	8,005	1,354
Less: Remisiers' and clients' trust monies	(228,522)	(207,163)	-	-
	486,068	99,393	8,005	1,354

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 MARCH 2011

Explanatory Notes pursuant to the Financial Reporting Standard 134 ("FRS 134") and Revised Guideline 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"

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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 March 2011.

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 March 2011.

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 March 2011.

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 31 March 2011.

- (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").

6. Debt and Equity Securities (continued)

- (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 March 2011.

The ESOS options have not been granted as at end of the financial period.

7. Dividends

There was no dividend paid during the financial quarter ended 31 March 2011.

8. Valuations of Property, Plant and Equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 March 2011.

9. Significant Events

There were no significant events during the financial quarter ended 31 March 2011.

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
	31/03/2011	30/06/2010	31/03/2011	30/06/2010
	RM'000	RM'000	RM'000	RM'000
Financial assets held-for-trading				
Negotiable instruments of deposits	250,023	45,003	-	-
Bank Negara Malaysia Bills	139,416	188,748	-	-
Malaysian Government Securities	50,055	-	-	-
Bankers' acceptances	297,852	-	-	-
Quoted securities in Malaysia:				
Shares	7,058	7,117	-	-
Unit trust investment	452	372	452	372
Unquoted securities:				
Private debt securities in Malaysia	110,791	190,543	-	-
Private debt securities outside Malaysia	51,631	-	-	-
Total financial assets held-for-trading	<u>907,278</u>	<u>431,783</u>	<u>452</u>	<u>372</u>

11. Financial investments available-for-sale

	The Group	
	As at	As at
	31/03/2011	30/06/2010
	RM'000	RM'000
Cagamas bonds	5,101	-
Unquoted securities in Malaysia:		
Shares	2,445	2,445
Private debt securities	104,343	-
Total financial investments available-for-sale	<u>111,889</u>	<u>2,445</u>

12. Financial investments held-to-maturity

	The Group	
	As at	As at
	31/03/2011	30/06/2010
	RM'000	RM'000
At amortised cost		
Negotiable instruments of deposits	-	10,000
Malaysian Government Securities	20,013	-
Malaysian Government Investment Issues	5,077	-
Cagamas bonds	10,242	-
Unquoted securities:		
Private debt securities in Malaysia	20,270	-
Total financial investments held-to-maturity	<u>55,602</u>	<u>10,000</u>

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13. Loans and advances

	The Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
At amortised cost		
Term loans	20,028	47,559
Share margin financing	62,385	46,647
Revolving credits	24,206	28,204
Gross loans and advances	<u>106,619</u>	<u>122,410</u>
Allowance for impaired loans and financing:		
- individual assessment allowance	(5,027)	-
- collective assessment allowance	(1,524)	-
- specific allowance	-	(2,688)
- general allowance	-	(1,796)
Net loans and advances	<u><u>100,068</u></u>	<u><u>117,926</u></u>
13a. By type of customer		
Domestic business enterprises		
- Small and medium enterprises	7,445	2,007
- Others	41,874	73,526
Individuals	56,043	45,197
Foreign non-bank entities	1,257	1,680
Gross loans and advances	<u><u>106,619</u></u>	<u><u>122,410</u></u>
13b. By interest rate sensitivity		
Fixed rate		
- Other fixed rate loan/financing	62,385	46,647
Variable rate		
- Cost plus	44,234	75,763
Gross loans and advances	<u><u>106,619</u></u>	<u><u>122,410</u></u>
13c. By residual contractual maturity		
Maturity within 1 year	<u>106,619</u>	122,410
Gross loans and advances	<u><u>106,619</u></u>	<u><u>122,410</u></u>
13d. By geographical distribution		
Malaysia	<u>106,619</u>	122,410
Gross loans and advances	<u><u>106,619</u></u>	<u><u>122,410</u></u>
13e. By economic purpose		
Working capital	30,917	60,841
Purchase of securities	75,702	61,569
Gross loans and advances	<u><u>106,619</u></u>	<u><u>122,410</u></u>

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13. Loans and advances (continued)

	The Group	
	As at 31/03/2011 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	109	178
Recoveries	(1,435)	(11)
Pre-acquisition adjustment	(1,086)	-
Closing balance	10,288	2,688
Gross impaired loans as a percentage of gross loans and advances	9.6%	2.2%
13g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	10,288	2,688
13h. <u>Impaired loans and advances by economic purpose</u>		
Working Capital	8,820	-
Purchase of securities	1,468	2,688
	10,288	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	(219)	-
Closing balance	1,524	-
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	109	-
Recoveries	(243)	-
Pre-acquisition adjustment	(1,086)	-
Closing balance	5,027	-

HLCB Q3 (31.03.11)

13. Loans and advances (continued)

	The Group	
	As at	As at
	31/03/2011	30/06/2010
	RM'000	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	As at
	31/03/2011	30/06/2010
	RM'000	RM'000
Performing accounts	169,470	88,664
Impaired accounts	14,806	37,813
Less: Individual assessment allowance	(13,776)	(37,043)
Collective assessment allowance	-	(9)
Interest-in-suspense	(692)	(627)
	169,808	88,798

HLCB Q3 (31.03.11)**15. Other receivables**

	The Group		The Company	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
Interest receivable	8,838	4,009	-	-
Derivative financial instruments (Note 18)	2,346	23	-	-
Amount due from subsidiary companies	-	-	627	2,864
Deposits and prepayments	4,601	4,913	5	5
Other receivables	24,719	7,949	-	-
Manager's stocks and promotional items	412	351	-	-
	40,916	17,245	632	2,869

16. Deposits from customers

	The Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
16a. <u>By type of deposit</u>		
Fixed deposits	572,417	31,218
16b. <u>By type of customer</u>		
Federal and state governments	30,000	-
Local government and statutory authorities	5,000	-
Business enterprises	536,407	31,218
Individuals	1,010	-
	572,417	31,218

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

Due within six months	572,417	31,218
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17. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
Licensed banks	169,197	61,000
Other financial institutions	788,054	539,990
	957,251	600,990

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18. Derivative financial instruments

	The Group	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
Derivatives at fair value through profit or loss		
- Interest rate swaps	959	23
- Currency forwards	198	-
- Futures	1,189	-
Total derivative financial assets	<u>2,346</u>	<u>23</u>
Derivatives at fair value through profit or loss		
- Futures	369	1,194
- Interest rate swaps	1,892	-
- Currency forwards	55	-
Total derivative financial liabilities	<u>2,316</u>	<u>1,194</u>

19. Payables and other liabilities

	The Group		The Company	
	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000	As at 31/03/2011 RM'000	As at 30/06/2010 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	8,652	-
Amount due to related companies	2,158	1,039	26	25
Remisiers' trust deposits	13,732	11,122	-	-
Derivative financial instruments (Note 18)	2,316	1,194	-	-
Other payables and accrued liabilities	37,175	299,539	363	629
Interest payable	1,897	791	50	10
Provision for taxation	554	204	-	-
Post employment benefits obligation - defined contribution plan	513	502	-	-
	<u>58,347</u>	<u>314,393</u>	<u>9,093</u>	<u>666</u>

20. Interest income

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
	The Group			
Loan and advances	1,630	1,578	4,426	4,593
Money at call and deposits placements with banks and other financial institutions	3,964	1,147	12,114	2,177
Financial assets held at fair value through profit or loss	8,861	150	20,110	150
Financial investments available-for-sale	1,157	1,491	2,520	4,349
Financial investments held-to-maturity	364	-	1,479	-
Others	62	74	468	201
	<u>16,038</u>	<u>4,440</u>	<u>41,117</u>	<u>11,470</u>
Accretion of discount less amortisation of premium	(263)	(1)	(386)	(1)
Total interest income	<u>15,775</u>	<u>4,439</u>	<u>40,731</u>	<u>11,469</u>

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20. Interest income (continued)

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
The Group (continued)				
Of which:				
Interest income earned on impaired loans and advances	85	-	290	-

The Company

Money at call and deposits placements with banks and other financial institutions	12	4	42	100
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21. Interest expense

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
The Group				
Deposits and placements of banks and other financial institutions	3,376	68	7,844	99
Deposits from customers	7,115	1,616	19,944	3,298
Borrowings	191	235	644	1,952
Total interest expense	10,682	1,919	28,432	5,349

The Company

Borrowings	192	200	598	1,839
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22. Other operating income

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	795	114	2,266	437
Arranger fees	886	1,750	7,870	3,741
Corporate advisory fees	1,762	495	4,637	675
Underwriting commissions	-	-	1,329	-
Brokerage commissions	14,472	10,364	36,794	32,142
Net commission from futures business	240	211	745	641
Net unit trust and asset management income	4,876	4,466	14,491	13,379
Other fee income	5,643	206	8,065	1,344
	28,674	17,606	76,197	52,359
(b) Net gain arising from sale of securities - held at fair value through profit or loss	9,744	35	11,776	573
	9,744	35	11,776	573

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22. Other operating income (continued)

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
The Group (continued)				
(c) Gross dividend from: - held at fair value through profit or loss	366	299	664	598
	<u>366</u>	<u>299</u>	<u>664</u>	<u>598</u>
(d) Unrealised gain on revaluation of securities held at fair value through profit or loss	(4,113)	575	(1,207)	1,312
(e) Gain on disposal of property and equipment	-	72	1	320
(f) Other income/(expense)	78	150	67	486
Total other operating income	<u>34,749</u>	<u>18,737</u>	<u>87,498</u>	<u>55,648</u>
The Company				
(a) Unrealised gain on revaluation of securities held at fair value through profit or loss	29	15	79	35
Total other operating income	<u>29</u>	<u>15</u>	<u>79</u>	<u>35</u>

23. Other operating expenses

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 RM'000
The Group				
Personnel costs	16,791	10,044	33,209	25,238
- Salaries, allowances and bonuses	15,277	8,002	29,003	20,406
- Others	1,514	2,042	4,206	4,832
Establishment costs	3,648	3,341	12,470	10,262
- Depreciation of property and equipment	611	464	1,776	1,351
- Amortisation of intangible assets	216	187	636	476
- Rental	1,303	1,099	4,075	3,301
- Information technology expenses	972	1,105	3,441	3,493
- Others	546	486	2,542	1,641
Marketing expenses	589	482	1,792	1,423
- Advertisement and publicity	167	192	592	577
- Entertainment and business improvement	371	178	807	494
- Others	51	112	393	352
Administration and general expenses	4,039	2,530	10,518	7,803
- Management fees	651	371	1,928	1,219
- Teletransmission expenses	424	228	1,248	796
- Audit fees	61	43	153	206
- Legal and professional fees	1,494	715	3,547	2,476
- Others	1,409	1,173	3,642	3,106
	25,067	16,397	57,989	44,726
The Company				
Personnel costs	71	510	159	982
- Salaries, allowances and bonuses	33	421	99	673
- Others	38	89	60	309
Establishment costs	2	1	22	7
- Rental	-	-	5	-
- Others	2	1	17	7
Marketing expenses	3	1	7	17
- Others	3	1	7	17
Administration and general expenses	179	296	488	854
- Teletransmission expenses	1	1	2	21
- Audit fees	16	6	29	18
- Legal and professional fees	-	81	14	142
- Others	162	208	443	673
	255	808	676	1,860

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24. Write-back of impairment on loans and advances

	Current quarter ended 31/03/2011 RM'000	Last year's quarter ended 31/03/2010 RM'000	Current year ended 31/03/2011 RM'000	Last year ended 31/03/2010 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	-	27	-	158
General allowance write-back				
during the period	-	(18)	-	165
Individual assessment allowance				
- written back during the period	3	-	(243)	-
- made during the period	37	-	109	-
Collective assessment allowance				
write-back during the period	(1)	-	(219)	-
Bad debts on loans and advance				
- recovered	-	(16)	-	(16)
Allowance for losses on clients' and brokers' balances:				
Specific allowance				
- written back during the period	(847)	265	(1,757)	254
- made during the period	1,411	-	1,541	-
General allowance write-back				
during the period	-	2	(9)	(38)
Bad debts on clients' and brokers' balances				
-Recovered	(160)	-	(213)	-
	<u>443</u>	<u>260</u>	<u>(791)</u>	<u>512</u>

25. Commitments and contingencies

The Group	Principal	Credit	Risk
31 March 2011	Amount	Equivalent	Weighted
	RM'000	RM'000	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	<u>273,814</u>	<u>-</u>	<u>-</u>
<u>Derivative Financial Instruments</u>			
Interest rate related contracts:			
- One year or less	1,053,465	-	-
- Over one year to five years	3,877,671	15,159	3,032
- Over five years	309,252	-	-
Foreign exchange related contracts			
- One year or less	48,014	198	40
	<u>5,288,402</u>	<u>15,357</u>	<u>3,072</u>
	<u>5,562,216</u>	<u>15,357</u>	<u>3,072</u>

30 June 2010

<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	<u>267,940</u>	<u>-</u>	<u>-</u>
<u>Derivative Financial Instruments</u>			
Interest rate related contracts:			
- One year or less	680,000	-	-
- Over one year to five years	2,545,000	1,021	204
	<u>3,225,000</u>	<u>1,021</u>	<u>204</u>
	<u>3,492,940</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 31/03/2011	As at 30/06/2010
<u>Before and after deducting proposed dividends</u>		
Core capital ratio	40.7%	33.1%
Risk-weighted capital ratio	41.2%	33.5%

	HLIB	
	As at 31/03/2011 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	1,524	-
General allowance	-	1,805
Total tier II capital	<u>3,155</u>	<u>3,436</u>
Total capital	207,545	207,826
Less: Investment in subsidiary companies	(588)	(588)
Capital base	<u>206,957</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.

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27. Segmental reporting

(a) Segment information by activities for the financial year ended 31 March 2011.

	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 March 2011						
REVENUE & EXPENSES						
Revenue						
Net Interest income	11,578	832	301	(412)	-	12,299
Non interest income	71,880	14,517	762	339	-	87,498
Results						
Profit / (loss) from operations	38,960	4,387	126	(874)	-	42,599
Taxation						(10,931)
Profit after taxation						31,668
31 March 2010						
REVENUE & EXPENSES						
Revenue						
Net Interest income	7,256	396	208	(1,740)	-	6,120
Non interest income	41,454	13,373	641	173	7	55,648
Results						
Profit / (loss) from operations	15,955	4,364	(211)	(3,576)	(2)	16,530
Taxation						(4,900)
Profit after taxation						11,630

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

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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 March 2011.

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 March 2011.

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	<u>(876)</u>

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.

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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 March 2011, the Group reported a higher profit before taxation of RM14.3 million as compared to the profit before taxation of RM4.6 million in the previous corresponding financial quarter. This was due to higher investment banking business income contributed by higher fee income.

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

For the financial period ended 31 March 2011, the Group reported a higher profit before taxation of RM42.6 million compared to the profit before taxation of RM16.5 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 March 2011, the Group reported a operating profit before tax of RM14.3 million compared to the profit of RM19.4 million for the preceding financial quarter. The decrease in profit was due to lower 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	
	31/03/11 RM'000	31/03/10 RM'000	31/03/11 RM'000	31/03/10 RM'000
Tax expense on Malaysian tax				
– Current	425	166	1,157	910
Deferred tax	3,284	1,054	9,774	3,990
	3,709	1,220	10,931	4,900

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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 than 7 days from the issue of this report.

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	1,053,465	184	17
(ii) 1 year to 3 years	1,983,651	505	94
(iii) More than 3 years	2,203,272	1,459	2,149
Foreign exchange related contracts			
(i) Less than 1 year	48,014	198	55
	5,288,402	2,346	2,315

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.

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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 March 2011.

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	
	31/03/11	31/03/10	31/03/11	31/03/10
Net profit attributable to shareholders of the Company (RM'000):	10,623	3,380	31,668	11,630
Weighted average number of Ordinary Shares in issue	234,609	237,783	234,609	237,783
Basic earnings per share (sen)	4.5	1.4	13.5	4.9

(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 March 2011 RM'000	As at 31 December 2010 RM'000
The Group		
Total retained profit		
- Realised	79,285	62,646
- Unrealised		
- in respect of deferred tax recognised in the income statement	44,127	47,414
- in respect of other items of income and expense	22	2,750
	<u>123,434</u>	<u>112,810</u>
Less : Consolidation adjustment	<u>(35,600)</u>	<u>(35,600)</u>
	<u>87,834</u>	<u>77,210</u>
The Company		
Total retained profit		
- Realised	18,308	18,743
- Unrealised		
- in respect of other items of income and expense	152	123
	<u>18,460</u>	<u>18,866</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 10th May 2011.