

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

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011**

	Note	The Group		The Company	
		As at 30/09/2011 RM'000	As at 30/06/2011 RM'000	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
<b>ASSETS</b>					
Cash and short term funds		<b>634,890</b>	887,262	<b>9,845</b>	10,157
Reverse repurchase agreements		<b>130,054</b>	159,684	-	-
Deposits and placements with banks and other financial institutions		<b>127,796</b>	60,125	-	-
Financial assets held-for-trading	10	<b>542,511</b>	430,746	<b>410</b>	477
Financial investments available-for-sale	11	<b>83,406</b>	74,882	-	-
Financial investments held-to-maturity	12	<b>378,044</b>	112,647	-	-
Derivative financial assets	18	<b>22,394</b>	5,358	-	-
Loans and advances	13	<b>113,243</b>	107,975	-	-
Clients' and brokers' balances	14	<b>120,866</b>	169,733	-	-
Other assets	15	<b>46,332</b>	68,635	<b>5,235</b>	110
Statutory deposits with Bank Negara Malaysia		<b>26,000</b>	17,800	-	-
Tax recoverable		<b>665</b>	605	<b>1,306</b>	1,306
Investment in subsidiary companies		-	-	<b>263,189</b>	268,189
Deferred tax assets		<b>39,696</b>	42,311	-	-
Prepaid lease payments		-	-	-	-
Property and equipment		<b>7,863</b>	8,354	-	-
Goodwill		<b>33,059</b>	33,059	-	-
Intangible assets		<b>977</b>	1,094	-	-
<b>TOTAL ASSETS</b>		<b><u>2,307,796</u></b>	<u>2,180,270</u>	<b><u>279,985</u></b>	<u>280,239</u>
<b>LIABILITIES</b>					
Deposits from customers	16	<b>337,962</b>	395,243	-	-
Deposits and placements of banks and other financial institutions	17	<b>994,441</b>	747,999	-	-
Derivative financial liabilities	18	<b>45,413</b>	5,159	-	-
Clients' and brokers' balances		<b>470,583</b>	591,595	-	-
Other liabilities	19	<b>91,373</b>	79,884	<b>848</b>	601
Borrowings		<b>20,030</b>	20,075	<b>20,030</b>	20,075
<b>TOTAL LIABILITIES</b>		<b><u>1,959,802</u></b>	<u>1,839,955</u>	<b><u>20,878</u></b>	<u>20,676</u>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011**

	Note	The Group		The Company	
		As at 30/09/2011 RM'000	As at 30/06/2011 RM'000	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
<b>EQUITY</b>					
Share capital		246,896	246,896	246,896	246,896
Reserves		114,031	106,622	25,414	25,870
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
<b>TOTAL EQUITY</b>		<b>347,724</b>	<b>340,315</b>	<b>259,107</b>	<b>259,563</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>2,307,526</b>	<b>2,180,270</b>	<b>279,985</b>	<b>280,239</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	25	<b>3,104,879</b>	<b>2,958,703</b>	<b>-</b>	<b>-</b>
<b>Net assets per share attributable to ordinary equity holder of the Company (RM)</b>					
		<b>1.48</b>	<b>1.45</b>		

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

		Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
	Note				
<b><u>The Group</u></b>					
Operating revenue		<b>41,532</b>	30,864	<b>41,532</b>	30,864
Interest income	20	<b>17,562</b>	10,211	<b>17,562</b>	10,211
Interest expense	21	<b>(13,412)</b>	(6,668)	<b>(13,412)</b>	(6,668)
Net interest income		<b>4,150</b>	3,543	<b>4,150</b>	3,543
Other operating income	22	<b>23,970</b>	20,653	<b>23,970</b>	20,653
Net income		<b>28,120</b>	24,196	<b>28,120</b>	24,196
Other operating expenses	23	<b>(18,058)</b>	(15,810)	<b>(18,058)</b>	(15,810)
Operating profit		<b>10,062</b>	8,386	<b>10,062</b>	8,386
Write-back of allowance for impairment on loans and advances and other assets	24	<b>606</b>	491	<b>606</b>	491
Profit before tax expense		<b>10,668</b>	8,877	<b>10,668</b>	8,877
Tax expense		<b>(2,932)</b>	(2,309)	<b>(2,932)</b>	(2,309)
Net profit for the period		<b>7,736</b>	6,568	<b>7,736</b>	6,568
Earnings per RM1.00 share: - basic and diluted (sen)		<b>3.3</b>	2.8	<b>3.3</b>	2.8

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	<b>Current quarter ended 30/09/2011 RM'000</b>	<b>Last year's quarter ended 30/09/2010 RM'000</b>	<b>Current year ended 30/09/2011 RM'000</b>	<b>Last year ended 30/09/2010 RM'000</b>
<b><u>The Group</u></b>				
Net profit for the period	7,736	6,568	7,736	6,568
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	(652)	-	(652)	-
Income tax relating to net fair value changes on financial investments available-for-sale	163	-	163	-
Other comprehensive income for the period, net of tax	(489)	-	(489)	-
Total comprehensive income for the period	<u>7,247</u>	<u>6,568</u>	<u>7,247</u>	<u>6,568</u>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

		Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
	Note				
<b><u>The Company</u></b>					
Operating revenue		(2)	48	(2)	48
Interest income	20	65	22	65	22
Interest expense	21	(212)	(211)	(212)	(211)
Net interest expense		(147)	(189)	(147)	(189)
Other operating (expense)/income	22	(67)	26	(67)	26
Net expense		(214)	(163)	(214)	(163)
Other operating expenses	23	(242)	(248)	(242)	(248)
Operating loss		(456)	(411)	(456)	(411)
Write-back of allowance for impairment on loans and advances	24	-	-	-	-
Loss before tax expense		(456)	(411)	(456)	(411)
Tax expense		-	-	-	-
Net loss for the period		(456)	(411)	(456)	(411)
Loss per RM1.00 share: - basic and diluted (sen)		(0.2)	(0.2)	(0.2)	(0.2)

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
<b><u>The Company</u></b>				
Net loss for the period	(456)	(411)	(456)	(411)
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	-	-	-	-
Income tax relating to net fair value changes on financial investments available-for-sale	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive expense for the period	<b>(456)</b>	<b>(411)</b>	<b>(456)</b>	<b>(411)</b>

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**HONG LEONG CAPITAL BERHAD**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	<----- Non-Distributable ----->					Distributable		Total
	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Share Option Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
<b><u>The Group</u></b>								
At 1 July 2011	246,896	(13,203)	543	28,222	288	56	77,513	340,315
Net profit for the period	-	-	-	-	-	-	7,736	7,736
Other comprehensive income	-	-	-	-	-	(489)	-	(489)
Total comprehensive income for the period	-	-	-	-	-	(489)	7,736	7,247
Grant of equity-settled ESOS	-	-	-	-	162	-	-	162
<b>At 30 September 2011</b>	<b>246,896</b>	<b>(13,203)</b>	<b>543</b>	<b>28,222</b>	<b>450</b>	<b>(433)</b>	<b>85,249</b>	<b>347,724</b>
At 1 July 2010								
- as previously reported	246,896	(13,203)	543	11,044	-	-	58,796	304,076
- effect of adopting FRS139	-	-	-	-	-	-	(2,630)	(2,630)
At 1 July 2010, restated	246,896	(13,203)	543	11,044	-	-	56,166	301,446
Net profit for the period	-	-	-	-	-	-	6,568	6,568
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	6,568	6,568
At 30 September 2010	246,896	(13,203)	543	11,044	-	-	62,734	308,014

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	<----- Non-Distributable ----->					Distributable		Total
	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Share Option Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
<b><u>The Company</u></b>								
At 1 July 2011	246,896	(13,203)	-	-	-	-	25,870	259,563
Net loss for the period	-	-	-	-	-	-	(456)	(456)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(456)	(456)
At 30 September 2011	<b>246,896</b>	<b>(13,203)</b>	-	-	-	-	<b>25,414</b>	<b>259,107</b>
At 1 July 2010	246,896	(13,203)	-	-	-	-	19,613	253,306
Net loss for the period	-	-	-	-	-	-	(411)	(411)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(411)	(411)
At 30 September 2010	246,896	(13,203)	-	-	-	-	19,202	252,895

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

	<b>The Group</b>		<b>The Company</b>	
	<b>30/09/2011</b>	<b>30/09/2010</b>	<b>30/09/2011</b>	<b>30/09/2010</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit/(loss) before tax expense	<b>10,668</b>	8,877	<b>(456)</b>	(411)
Adjustments for non-cash items	<b>9,787</b>	(2,999)	<b>67</b>	162
Operating profit/(loss) before changes in working capital	<b>20,455</b>	5,878	<b>(389)</b>	(249)
Changes in working capital:				
Net changes in operating assets	<b>(353,116)</b>	(231,737)	<b>(5,125)</b>	118
Net changes in operating liabilities	<b>345,012</b>	108,584	<b>247</b>	253
Income tax paid	-	(904)	-	-
Interest received	-	10,315	-	22
Net cash generated from/(used in) operating activities	<b>12,351</b>	(107,864)	<b>(5,267)</b>	144
Net cash generated from/(used in) investing activities	<b>263</b>	(136,472)	<b>5,000</b>	-
Net cash used in financing activities	<b>(75)</b>	(6,668)	<b>(75)</b>	(211)
Net changes in cash and cash equivalents	<b>12,539</b>	(251,004)	<b>(342)</b>	(67)
Cash and cash equivalents at beginning of the period	<b>264,438</b>	515,442	<b>10,157</b>	230
Cash and cash equivalents at end of the period	<b>276,977</b>	264,438	<b>9,815</b>	163
<b>Cash and cash equivalents comprise:</b>				
Cash and short term funds	<b>634,890</b>	461,660	<b>9,845</b>	163
Less: Remisiers' and clients' trust monies	<b>(357,643)</b>	(197,222)	-	-
	<b>277,247</b>	264,438	<b>9,845</b>	163

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**HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")**  
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**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2011**

**Explanatory Notes pursuant to the Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines 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 2011. 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 2011.

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 2011, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSs and IC Interpretations:

- Amendments to FRS 2 "Share-based Payment: Group, cash-settled share based payment transactions"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 19 "Extinguishing financial liabilities with equity investments"
- FRS 101 "Presentation of Financial Statements"

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.

**2. Auditors' report on preceding annual financial statements**

The auditors' report on the audited financial statements for the financial year ended 30 June 2011 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 30 September 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 30 September 2011.

**5. Change in estimate**

The were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 September 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 30 September 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”).

- (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 statement of financial position 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 30 September 2011.

The ordinary share options of the Group granted under the ESOS are as follows:

<b>Grant date</b>	<b>Expiry date</b>		<b>As at 30 September 2011</b>
19 January 2011	18 July 2013	*	1,342,500
19 January 2011	18 April 2014	^	1,566,250
19 January 2011	18 April 2015	^	1,566,250
			<u>4,475,000</u>

\* The exercise period is up to 6 months from the date of notification of entitlement (“Vesting Date”).

^ The exercise period is up to 3 months from the Vesting Date.

**7. Dividends**

There was no dividend paid during the financial quarter ended 30 September 2011.

**8. Valuations of Property, Plant and Equipment**

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2011.

**9. Significant Events**

On 5 August 2011, HLG Futures Sdn Bhd ("HLG Futures"), a wholly owned subsidiary of the Company, had reduced its issued and paid-up capital from RM5,000,000 divided into 5,000,000 issued and fully paid-up ordinary shares of RM1.00 each to RM2.00 divided into 5,000,000 issued and fully paid-up ordinary shares of RM0.0000004 each and such reduction was effected by returning to the shareholder the 5,000,000 ordinary shares that have been issued as paid-up capital to the extent of RM0.9999996 per share, such capital being in excess of the needs of HLG Futures and by reducing the nominal amount of each such ordinary share to RM0.0000004.

Upon the aforesaid capital reduction taking effect, the 5,000,000 shares of RM0.0000004 each of HLG Futures are consolidated in such manner that every 2,500,000 of the said shares constitute one (1) RM1.00 share upon which the sum of RM1.00 is credited as fully paid-up.

**Financial Reporting for Licensed Institutions ("BNM/GP8")****10. Financial assets held-for-trading**

	The Group		The Company	
	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
<b>Money market instruments</b>				
Negotiable instruments of deposits	120,579	20,143	-	-
Bankers' acceptances	31,737	212,418	-	-
Malaysian Government Investment Issues	72,214	-	-	-
	<b>224,530</b>	<b>232,561</b>	<b>-</b>	<b>-</b>
<b>Quoted securities</b>				
In Malaysia:				
Shares	7,237	52,463	-	-
Unit trust investment	23,707	7,401	410	477
Outside Malaysia:				
Foreign currency bonds	26,725	98,036	-	-
	<b>57,669</b>	<b>157,900</b>	<b>410</b>	<b>477</b>
<b>Unquoted securities</b>				
Private and Islamic debt securities	260,312	40,285	-	-
	<b>542,511</b>	<b>430,746</b>	<b>410</b>	<b>477</b>
Total financial assets held-for-trading				

**11. Financial investments available-for-sale**

	The Group	
	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
<b>Money market instruments</b>		
Cagamas bonds	5,213	5,140
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	18,832	10,902
<b>Unquoted securities</b>		
Shares	2,445	2,445
Private and Islamic debt securities	56,916	56,395
Total financial investments available-for-sale	<b>83,406</b>	<b>74,882</b>

**HLCB Q1 (30.09.11)**

**12. Financial investments held-to-maturity**

	<b>The Group</b>	
	<b>As at 30/09/2011 RM'000</b>	<b>As at 30/06/2011 RM'000</b>
<b>Money market instruments</b>		
Cagamas bonds	10,415	10,319
Malaysian Government Investment Issues	5,099	5,153
	<u>15,514</u>	<u>15,472</u>
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	316,509	76,710
<b>Unquoted securities</b>		
Private and Islamic debt securities	46,021	20,465
	<u>378,044</u>	<u>112,647</u>
Total financial investments held-to-maturity		

**13. Loans and advances**

	<b>The Group</b>	
	<b>As at 30/09/2011 RM'000</b>	<b>As at 30/06/2011 RM'000</b>
<b>At amortised cost</b>		
Term loan financing	32,529	15,022
Share margin financing	66,416	76,819
Revolving credits	20,733	22,457
Gross loans and advances	119,678	114,298
Less :		
Allowance for losses on loans and advances		
- individual assessment allowance	(4,711)	(4,679)
- collective assessment allowance	(1,724)	(1,644)
Net loans and advances	<u>113,243</u>	<u>107,975</u>

**13a. By type of customer**

Domestic business enterprises		
- Small and medium enterprises	9,780	8,807
- Others	52,353	35,568
Individuals	55,912	68,722
Foreign entities	1,633	1,201
Gross loans and advances	<u>119,678</u>	<u>114,298</u>

**13b. By interest rate sensitivity**

Fixed rate		
- Other fixed rate loan	66,416	76,819
Variable rate		
- Cost plus	53,262	37,479
Gross loans and advances	<u>119,678</u>	<u>114,298</u>

**HLCB Q1 (30.09.11)**

**13. Loans and advances (continued)**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>13c. <u>By residual contractual maturity</u></b>		
Maturity within 1 year	<b>119,678</b>	114,298
<b>13d. <u>By geographical distribution</u></b>		
Malaysia	<b>119,678</b>	114,298
<b>13e. <u>By economic purpose</u></b>		
Purchase of securities	<b>78,202</b>	89,354
Working capital	<b>41,476</b>	24,944
Gross loans and advances	<b>119,678</b>	114,298
<b>13f. Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
Impaired loans and advances		
At 1 July		
- as previously stated	<b>9,374</b>	2,688
- effect of adopting FRS139	-	10,012
At 1 July, as restated	<b>9,374</b>	12,700
Impaired during the year	<b>3,893</b>	107
Amount written back	<b>(68)</b>	(2,347)
Amount written off	-	(1,086)
Closing balance	<b>13,199</b>	9,374
Ratio of impaired loans to total loans and advances net of individual assessment allowance	<b>11.5%</b>	8.6%
<b>13g. <u>Impaired loans and advances by geographical distribution</u></b>		
Malaysia	<b>13,199</b>	9,374
<b>13h. <u>Impaired loans and advances by economic purpose</u></b>		
Working Capital	<b>8,186</b>	8,254
Purchase of securities	<b>5,013</b>	1,120
	<b>13,199</b>	9,374
<b>13i. Movements in allowance for impaired loans and advances are as follows:</b>		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	<b>1,644</b>	-
- effect of adopting FRS139	-	1,743
At 1 July, as restated	<b>1,644</b>	1,743
Allowance made/(written back) during the period	<b>80</b>	(99)
Closing balance	<b>1,724</b>	1,644

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**13. Loans and advances (continued)**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Individual assessment allowance</u>		
At 1 July		
- as previously stated	4,679	-
- effect of adopting FRS139	-	6,247
At 1 July, as restated	<u>4,679</u>	<u>6,247</u>
Allowance made during the period	32	107
Allowance written back during the period	-	(589)
Amount written off	-	(1,086)
Closing balance	<u>4,711</u>	<u>4,679</u>

**14. Clients' and brokers' balances**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Performing accounts	120,289	169,525
Impaired accounts	<u>12,288</u>	<u>12,589</u>
	<u>132,577</u>	182,114
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	<u>(11,711)</u>	<u>(12,381)</u>
	<u>120,866</u>	<u>169,733</u>

**15. Other assets**

	<b>The Group</b>		<b>The Company</b>	
	<b>As at</b>	<b>As at</b>	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due from subsidiary companies	-	-	5,227	105
Deposits and prepayments	5,333	4,971	8	5
Other receivables	40,589	63,275	-	-
Manager's stocks and consumables	410	389	-	-
	<u>46,332</u>	<u>68,635</u>	<u>5,235</u>	<u>110</u>



**HLCB Q1 (30.09.11)****16. Deposits from customers**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>16a. <u>By type of deposit</u></b>		
Fixed deposits	<b>337,962</b>	395,243
<b>16b. <u>By type of customer</u></b>		
Government and statutory bodies	<b>262,405</b>	205,501
Business enterprises	<b>73,992</b>	188,724
Individual	<b>1,565</b>	1,018
	<b>337,962</b>	395,243
<b>16c. The maturity structure of fixed deposits are as follows:</b>		
Due within six months	<b>337,962</b>	395,243

**17. Deposits and placements of banks and other financial institutions**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/09/2011</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>255,402</b>	211,431
Other financial institutions	<b>739,039</b>	536,568
	<b>994,441</b>	747,999

## 18. Derivative financial instruments

	The Group		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
<b>30/09/2011</b>			
Interest rate related contracts:			
- Interest rate swaps	715,000	3,918	(6,053)
- Futures	1,729,196	438	(3,790)
Foreign exchange related contracts:			
- Foreign currency swaps	311,789	14,974	(35,570)
- Foreign currency forwards	12,282	64	-
Equity related contracts:			
- Call option	10,000	3,000	-
	<b>2,778,267</b>	<b>22,394</b>	<b>(45,413)</b>

**30/06/2011**

Interest rate related contracts:			
- Interest rate swaps	455,000	622	(1,600)
- Futures	2,013,753	515	(919)
Foreign exchange related contracts:			
- Foreign currency swaps	64,471	1,192	(2,247)
- Foreign currency spot	18,119	29	(25)
- Foreign currency forwards	30,198	-	(301)
Equity related contracts:			
- Futures	44,675	-	(67)
- Call option	10,000	3,000	-
	<b>2,636,216</b>	<b>5,358</b>	<b>(5,159)</b>

## 19. Other liabilities

	The Group		The Company	
	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	201	80
Amount due to related companies	343	1,880	26	27
Remisiers' trust deposits	10,254	10,210	-	-
Other payables and accrued liabilities	80,014	66,858	619	492
Current tax liability	240	417	-	-
Post employment benefits obligation				
- defined contribution plan	520	517	-	-
	<b>91,373</b>	<b>79,884</b>	<b>848</b>	<b>601</b>

**20. Interest income**

	Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
<b>The Group</b>				
Loan and advances	1,751	1,505	1,751	1,505
Money at call and deposits placements with banks and other financial institutions	2,927	3,420	2,927	3,420
Financial investments available-for-sale	845	522	845	522
Financial investments held-to-maturity	2,874	295	2,874	295
Others	69	131	69	131
	<b>8,466</b>	5,873	<b>8,466</b>	5,873
Financial assets held-for-trading	9,913	4,442	9,913	4,442
Accretion of discount less amortisation of premium	(817)	(104)	(817)	(104)
Total interest income	<b>17,562</b>	10,211	<b>17,562</b>	10,211

Of which:

Interest income earned on impaired loans  
and advances

75	99	75	99
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**The Company**Money at call and deposits placements  
with banks and other financial institutions

65	22	65	22
----	----	----	----

**21. Interest expense**

	Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
<b>The Group</b>				
Deposits and placements of banks and other financial institutions	5,984	1,844	5,984	1,844
Deposits from customers	7,171	4,566	7,171	4,566
Borrowings	257	258	257	258
Total interest expense	<b>13,412</b>	6,668	<b>13,412</b>	6,668
<b>The Company</b>				
Borrowings	212	211	212	211

## 22. Other operating income

	Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
<b>The Group</b>				
(a) Fee income:				
Brokerage commissions	10,344	10,076	10,344	10,076
Fee on loans and advances	83	1,349	83	1,349
Arranger fees	2,619	1,459	2,619	1,459
Placement fee	440	-	440	-
Corporate advisory fees	2,090	1,590	2,090	1,590
Net commission from futures business	268	225	268	225
Net unit trust and asset management income	4,016	4,579	4,016	4,579
Other fee income	8,575	352	8,575	352
	<u>28,435</u>	<u>19,630</u>	<u>28,435</u>	<u>19,630</u>
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	(2,806)	1,389	(2,806)	1,389
- Financial investments available-for-sale	210	-	210	-
	<u>(2,596)</u>	<u>1,389</u>	<u>(2,596)</u>	<u>1,389</u>
(c) Net unrealised loss on revaluation of:				
- Financial assets held-for-trading	(605)	(657)	(605)	(657)
- Derivatives	(23,141)	-	(23,141)	-
	<u>(23,746)</u>	<u>(657)</u>	<u>(23,746)</u>	<u>(657)</u>
(d) Dividend income from:				
- Financial assets held-for-trading	426	269	426	269
- Financial investments available-for-sale	147	-	147	-
	<u>573</u>	<u>269</u>	<u>573</u>	<u>269</u>
(e) Gain on disposal of property and equipment	2	-	2	-
(f) Other income	21,302	22	21,302	22
Total other operating income	<u>23,970</u>	<u>20,653</u>	<u>23,970</u>	<u>20,653</u>

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22. Other operating income (continued)

	Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
--	--	--	---	--

**The Company**

(a) Net unrealised (loss)/gain on revaluation of:

- Financial assets held-for-trading

(67) 26 (67) 26

23 Other operating expenses

	Current quarter ended 30/09/2011 RM'000	Last year's quarter ended 30/09/2010 RM'000	Current year ended 30/09/2011 RM'000	Last year ended 30/09/2010 RM'000
--	--	--	---	--

**The Group**

Personnel costs

9,771 7,501 9,771 7,501

- Salaries, bonus and allowances

8,147 6,204 8,147 6,204

- Option charge arising from ESOS

162 - 162 -

- Others

1,462 1,297 1,462 1,297

Establishment costs

3,723 4,827 3,723 4,827

- Depreciation of property and equipment

643 543 643 543

- Amortisation of intangible assets

200 208 200 208

- Rental

1,352 1,339 1,352 1,339

- Information technology expenses

1,098 1,456 1,098 1,456

- Others

430 1,281 430 1,281

Marketing expenses

637 606 637 606

- Advertisement and publicity

150 181 150 181

- Entertainment and business improvement

343 219 343 219

- Others

144 206 144 206

Administration and general expenses

3,927 2,876 3,927 2,876

- Management fees

615 492 615 492

- Teletransmission expenses

430 365 430 365

- Auditors' remunerations

61 47 61 47

- Legal and professional fees

1,584 872 1,584 872

- Others

1,237 1,100 1,237 1,100

18,058 15,810 18,058 15,810

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23 Other operating expenses (continued)

<b>The Company</b>	<b>Current quarter ended 30/09/2011 RM'000</b>	<b>Last year's quarter ended 30/09/2010 RM'000</b>	<b>Current year ended 30/09/2011 RM'000</b>	<b>Last year ended 30/09/2010 RM'000</b>
Personnel costs	50	45	50	45
- Salaries, bonus and allowances	34	33	34	33
- Others	16	12	16	12
Establishment costs	16	8	16	8
- Rental	-	5	-	5
- Others	16	3	16	3
Marketing expenses	3	4	3	4
- Advertisement and publicity	-	-	-	-
- Others	3	4	3	4
Administration and general expenses	173	191	173	191
- Teletransmission expenses	1	1	1	1
- Auditors' remunerations	13	7	13	7
- Legal and professional fees	10	14	10	14
- Others	149	169	149	169
	<b>242</b>	<b>248</b>	<b>242</b>	<b>248</b>

24. Writeback of allowance for losses on loans and advances and other losses

<b>The Group</b>	<b>Current quarter ended 30/09/2011 RM'000</b>	<b>Last year's quarter ended 30/09/2010 RM'000</b>	<b>Current year ended 30/09/2011 RM'000</b>	<b>Last year ended 30/09/2010 RM'000</b>
<b>Allowance for losses on impaired loans and advances:</b>				
Individual assessment allowance				
- made during the period	32	42	32	42
Collective assessment allowance made/(writeback) during the period	80	(279)	80	(279)
Bad debts on loans and advance				
- recovered	(48)	(54)	(48)	(54)
<b>Allowance for losses on clients' and brokers' balances:</b>				
Individual assessment allowance				
- written back during the period	(1,353)	(525)	(1,353)	(525)
- made during the period	683	130	683	130
General allowance made during the period	-	195	-	195
	<b>(606)</b>	<b>(491)</b>	<b>(606)</b>	<b>(491)</b>

## 25. Commitments and contingencies

<b>The Group</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>30 September 2011</b>			
<b>Commitments and contingent liabilities</b>			
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	326,612	-	-
	<u>326,612</u>	<u>-</u>	<u>-</u>
<b>Derivative Financial Instruments</b>			
Interest rate related contracts			
- One year or less	519,863	-	-
- Over one year to five years	1,793,584	31,718	6,344
- Over five years	130,749	-	-
Foreign exchange related contracts			
- One year or less	324,071	24,134	4,827
Equity related contracts			
- Over one year to five years	10,000	-	-
	<u>2,778,267</u>	<u>55,852</u>	<u>11,171</u>
	<u>3,104,879</u>	<u>55,852</u>	<u>11,171</u>
<b>30 June 2011</b>			
<b>Commitments and contingent liabilities</b>			
Obligations under underwriting agreement			
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	20,238	10,119	10,119
	<u>302,249</u>	<u>-</u>	<u>-</u>
	<u>322,487</u>	<u>10,119</u>	<u>10,119</u>
<b>Derivative Financial Instruments</b>			
Interest rate related contracts:			
- One year or less	527,573	-	-
- Over one year to five years	1,817,370	18,572	3,714
- Over five years	123,810	-	-
Foreign exchange related contracts			
- One year or less	112,788	5,750	1,512
Equity related contracts			
- One year or less	44,675	-	-
- Over one year to five years	10,000	-	-
	<u>2,636,216</u>	<u>24,322</u>	<u>5,226</u>
	<u>2,958,703</u>	<u>34,441</u>	<u>15,345</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").

**HLCB Q1 (30.09.11)****26. Capital adequacy**

	<b>HLIB</b>	
	As at 30/09/2011	As at 30/06/2011
Core capital ratio	<b>31.4%</b>	35.7% *
Risk-weighted capital ratio	<b>31.8%</b>	36.1% *

\* After deducting final dividend

	<b>HLIB</b>	
	As at 30/09/2011 RM'000	As at 30/06/2011 RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	<b>265,535</b>	265,535
Retained profit	<b>8,884</b>	25,192
Statutory reserves	<b>28,222</b>	28,222
	<b>302,641</b>	318,949
Less: Goodwill	<b>(30,236)</b>	(30,236)
Deferred tax assets (net)	<b>(41,716)</b>	(41,716)
Total Tier I capital	<b>230,689</b>	246,997
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	<b>1,631</b>	1,631
Collective assessment allowance	<b>1,655</b>	1,574
Total tier II capital	<b>3,286</b>	3,205
Total capital	<b>233,975</b>	250,202
Less: Investment in subsidiary companies	<b>(588)</b>	(588)
Capital base	<b>233,387</b>	249,614

The capital adequacy ratios of HLIB are computed in accordance with BNM's revised Risk-Weighted Adequacy Framework ("RWCAF-Basel II"). HLIB has adopted the Standardised Approach for Credit Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital requirement is 8.0% (2011 - 8.00%) for the risk-weighted capital ratio.



**HLCB Q1 (30.09.11)****27. Segmental reporting**

(a) Segment information by activities for the financial period ended 30 September 2011:

	Fund Investment banking and stockbroking	Futures 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
<b>30 September 2011</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	4,243	236	86	(145)	-	4,420
Non interest income	19,652	4,018	291	9	-	23,970
<b>Results</b>						
Profit/(loss) from operations	11,201	(7)	72	(328)	-	10,938
Taxation						(2,932)
Profit after taxation						8,006
<b>30 September 2010</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	3,255	344	79	(135)	-	3,543
Non interest income	15,717	4,579	225	132	-	20,653
<b>Results</b>						
Profit/(loss) from operations	7,918	1,272	(33)	(280)	-	8,877
Taxation						(2,309)
Profit after taxation						6,568

(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 2011.

**29. Changes in composition of the Group**

There were no changes in 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 30 September 2011.

**31. Changes in contingent liabilities**

Details of contingent liabilities since the last audited reporting period are as follows:

Hong Leong Asset Management 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 30 September 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.

## HLCB Q1 (30.09.11)

### 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 30 September 2011, the Group reported a higher profit before taxation of RM10.9 million as compared to the profit before taxation of RM8.9 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 30 September 2011, the Group reported a higher profit before taxation of RM10.9 million as compared to the profit before taxation of RM8.9 million in the previous corresponding financial quarter. This was due to higher investment banking business income contributed by higher fee income.

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

For the financial quarter ended 30 September 2011, the Group reported a higher profit before taxation of RM10.9 million compared to the profit before taxation of RM7.9 million in the preceding financial quarter. This was due to higher contribution from investment banking business.

#### 2. Prospects for the next financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2012 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 ended		Financial period ended	
	30-09-11 RM'000	30-09-10 RM'000	30-09-11 RM'000	30-09-10 RM'000
Tax expense on Malaysian tax				
- Current	154	331	154	331
Deferred tax	2,778	1,978	2,778	1,978
	<u>2,932</u>	<u>2,309</u>	<u>2,932</u>	<u>2,309</u>

## HLCB Q1 (30.09.11)

### 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>	<b>Principal amount</b> RM'000	<b>Fair Value</b>	
		<b>Assets</b> RM'000	<b>Liabilities</b> RM'000
Interest rate related contracts			
(i) Less than 1 year	519,863	3	492
(ii) 1 year to 3 years	915,670	1	1,891
(iii) More than 3 years	1,008,663	4,352	7,460
Foreign exchange related contracts			
(i) Less than 1 year	324,071	15,038	35,570
Equity related contracts			
(i) More than 3 years	10,000	3,000	-
	<u>2,778,267</u>	<u>22,394</u>	<u>45,413</u>

The above contracts are subject to credit risk and market risk.

#### **Credit risk**

Credit risk arises when counterparties to derivatives contracts are not able to or willing to fulfil their obligation to pay the Bank the positive fair value or receivable resulting from the execution of contract terms. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to credit risk.

## HLCB Q1 (30.09.11)

### 9. Off-balance sheet financial instruments (continued)

#### Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk.

#### 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.

Plaintiff's claims against all of the defendants were dismissed with costs to the defendants; the Plaintiff had filed their Notice of Appeal and the appeal was fixed for hearing on 3 November 2011.

### 11. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 30 September 2011.

### 12. Earnings per share ("EPS")

#### (a) Basic earnings 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	
	30-09-2011	30-09-2010	30-09-2011	30-09-2010
Net profit attributable to shareholders of the Company (RM'000):	7,736	6,568	7,736	6,568
Weighted average number of Ordinary Shares in issue ('000):	234,609	234,609	234,609	234,609
Basic earnings per share (sen)	3.3	2.8	3.3	2.8

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### 12. Earnings per share ("EPS")

(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

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	<b>As at 30 September 2011 RM'000</b>	<b>As at 30 June 2011 RM'000</b>
<b>The Group</b>		
Total retained profit		
- Realised	100,336	68,562
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	39,696	42,311
- in respect of other items of income and expense	<u>(21,736)</u>	<u>1,600</u>
	118,296	112,473
Less : Consolidation adjustment	<u>(33,047)</u>	<u>(34,960)</u>
	<u><u>85,249</u></u>	<u><u>77,513</u></u>
 <b>The Company</b>		
Total retained profit		
- Realised	25,304	25,693
- Unrealised		
- in respect of other items of income and expense	110	177
	<u>25,414</u>	<u>25,870</u>

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

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure of realised and unrealised profits or losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Dated this 25 November 2011