

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	The Group		The Company	
		As at 31/12/2011 RM'000	As at 30/06/2011 RM'000	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
ASSETS					
Cash and short term funds		1,053,370	887,262	15,062	10,157
Reverse repurchase agreements		249,241	159,684	-	-
Deposits and placements with banks and other financial institutions		70,884	60,125	-	-
Financial assets held-for-trading	10	853,858	430,746	463	477
Financial investments available-for-sale	11	141,774	74,882	-	-
Financial investments held-to-maturity	12	528,319	112,647	-	-
Derivative financial assets	18	15,126	5,358	-	-
Loans and advances	13	134,166	107,975	-	-
Clients' and brokers' balances	14	125,600	169,733	-	-
Other assets	15	33,429	68,635	359	110
Statutory deposits with Bank Negara Malaysia		33,400	17,800	-	-
Tax recoverable		365	605	348	1,306
Investment in subsidiary companies		-	-	263,189	268,189
Deferred tax assets		36,627	42,311	-	-
Property and equipment		7,644	8,354	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		876	1,094	-	-
TOTAL ASSETS		3,317,738	2,180,270	279,421	280,239
LIABILITIES					
Deposits from customers	16	595,240	395,243	-	-
Deposits and placements of banks and other financial institutions	17	1,780,915	747,999	-	-
Derivative financial liabilities	18	17,568	5,159	-	-
Clients' and brokers' balances		472,940	591,595	-	-
Other liabilities	19	73,387	79,884	699	601
Borrowings		20,064	20,075	20,064	20,075
TOTAL LIABILITIES		2,960,114	1,839,955	20,763	20,676

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 2011.

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(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	The Group		The Company	
		As at 31/12/2011 RM'000	As at 30/06/2011 RM'000	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		123,931	106,622	24,965	25,870
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
TOTAL EQUITY		357,624	340,315	258,658	259,563
TOTAL LIABILITIES AND EQUITY					
		3,317,738	2,180,270	279,421	280,239
COMMITMENTS AND CONTINGENCIES					
	25	3,822,937	2,958,703	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		1.52	1.45		

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 2011.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	Current quarter ended 31/12/2011	Last year's quarter ended 31/12/2010	Current year ended 31/12/2011	Last year ended 31/12/2010
Note	RM'000	RM'000	RM'000	RM'000
<u>The Group</u>				
Operating revenue	51,226	46,842	93,028	77,704
Interest income	20 26,182	14,745	44,014	24,956
Interest expense	21 (20,695)	(11,082)	(34,107)	(17,750)
Net interest income	5,487	3,663	9,907	7,206
Other operating income	22 25,044	32,097	49,014	52,748
Net income	30,531	35,760	58,921	59,954
Other operating expenses	23 (21,133)	(17,113)	(39,191)	(32,922)
Operating profit	9,398	18,647	19,730	27,032
Write-back of allowance for impairment on loans and advances and other assets	24 2,200	743	2,806	1,234
Profit before tax expense	11,598	19,390	22,536	28,266
Tax expense	(2,186)	(4,913)	(5,118)	(7,222)
Net profit for the period	9,412	14,477	17,418	21,044
Earnings per RM1.00 share: - basic and diluted (sen)	4.0	6.2	7.4	9.0

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 2011.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
<u>The Group</u>				
Net profit for the period	9,412	14,477	17,418	21,044
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	81	40	(571)	40
Income tax relating to net fair value changes on financial investments available-for-sale	(20)	(10)	143	(10)
Currency translation differences in respect of foreign operation	(4)	-	(4)	-
Other comprehensive income for the period, net of tax	57	30	(432)	30
Total comprehensive income for the period	9,469	14,507	16,986	21,074

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 2011.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

		Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
	Note				
<u>The Company</u>					
Operating revenue		148	32	146	80
Interest income	20	95	8	160	30
Interest expense	21	(210)	(195)	(422)	(406)
Net interest expense		(115)	(187)	(262)	(376)
Other operating income/(expenses)	22	53	24	(14)	50
Net expense		(62)	(163)	(276)	(326)
Other operating expenses	23	(387)	(173)	(629)	(421)
Operating loss		(449)	(336)	(905)	(747)
Write-back of allowance for impairment on loans and advances	24	-	-	-	-
Loss before tax expense		(449)	(336)	(905)	(747)
Tax expense		-	-	-	-
Net loss for the period		(449)	(336)	(905)	(747)
Loss per RM1.00 share: - basic and diluted (sen)		(0.2)	(0.1)	(0.4)	(0.3)

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 2011.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
<u>The Company</u>				
Net loss for the period	(449)	(336)	(905)	(747)
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	<u>(449)</u>	<u>(336)</u>	<u>(905)</u>	<u>(747)</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2011.

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 DECEMBER 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	<u>Reserves</u> Share Option Reserve RM'000	Fair Value Reserve RM'000	Other Reserve RM'000	<u>Reserves</u> Retained Profits RM'000	
The Group									
At 1 July 2011	246,896	(13,203)	543	28,222	288	56	-	77,513	340,315
Net profit for the period	-	-	-	-	-	-	-	17,418	17,418
Other comprehensive income	-	-	-	-	-	(428)	(4)	-	(432)
Total comprehensive income for the period	-	-	-	-	-	(428)	(4)	17,418	16,986
Arising from grant of equity-settled ESOS	-	-	-	-	323	-	-	-	323
At 31 December 2011	246,896	(13,203)	543	28,222	611	(372)	(4)	94,931	357,624
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	-	-	-	-	-	-	-	21,044	21,044
Other comprehensive income	-	-	-	-	-	30	-	-	30
Total comprehensive income for the period	-	-	-	-	-	30	-	21,044	21,074
At 31 December 2010	246,896	(13,203)	543	11,044	-	30	-	77,210	322,520

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 2011.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	<----- Non-Distributable ----->						Distributable		Total
	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	<u>Reserves</u> Share Option Reserve RM'000	Fair Value Reserve RM'000	Other Reserve RM'000	<u>Reserves</u> Retained Profits RM'000	
<u>The Company</u>									
At 1 July 2011	246,896	(13,203)	-	-	-	-	-	25,870	259,563
Net loss for the period	-	-	-	-	-	-	-	(905)	(905)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(905)	(905)
At 31 December 2011	246,896	(13,203)	-	-	-	-	-	24,965	258,658
At 1 July 2010	246,896	(13,203)	-	-	-	-	-	19,613	253,306
Net loss for the period	-	-	-	-	-	-	-	(747)	(747)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	(747)	(747)
At 31 December 2010	246,896	(13,203)	-	-	-	-	-	18,866	252,559

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 2011.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	The Group		The Company	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
<u>Cash flows from operating activities</u>				
Profit/(loss) before tax expense	22,536	28,266	(905)	(747)
<u>Adjustments for non-cash items:</u>				
- Depreciation of property and equipment	1,294	1,165	-	-
- Amortisation of intangible assets	397	420	-	-
- Option charge arising from ESOS	323	-	-	-
- Gain on disposal of property and equipment	(2)	-	-	-
- (Writeback of)/allowances for losses on loans and advances	465	(392)	-	-
- Writeback of allowances for losses on clients' and brokers' balance	(3,218)	(789)	-	-
- Net unrealised loss/(gain) on revaluation:				
- Financial assets held-for-trading	(2,453)	3,650	14	(50)
- Derivatives	2,611	-	-	-
- Interest income from:				
- Financial assets held-for-trading	(25,544)	(11,249)	-	-
- Financial investment available-for-sale	(2,011)	(1,363)	-	-
- Financial investment held-to-maturity	(7,704)	(1,115)	-	-
- Others	-	(11,352)	(160)	(30)
- Interest expense on borrowings	422	17,750	422	406
- Dividend income from:				
- Financial assets held-for-trading	(716)	(298)	-	-
- Financial investment available-for-sale	(147)	-	-	-
	(36,283)	(3,573)	276	326
Operating (loss)/profit before changes in working capital	(13,747)	24,693	(629)	(421)
Changes in working capital:				
- Reverse repurchase agreements	(89,557)	(159,731)	-	-
- Deposits and placements with banks and other financial institutions	(10,759)	(189,930)	-	-
- Financial assets held-for-trading	(420,659)	(319,429)	-	-
- Financial investment available-for-sale	(67,448)	(30,176)	-	-
- Financial investment held-to-maturity	(415,672)	(25,629)	-	-
- Derivative financial instruments	30	-	-	-
- Loans and advances	(26,656)	17,786	-	-
- Clients' and brokers' balances	47,351	(69,897)	-	-
- Other assets	35,951	(65,477)	(249)	2,250
- Statutory deposits with Bank Negara Malaysia	(15,600)	(6,600)	-	-
Net changes in operating assets	(963,019)	(849,083)	(249)	2,250

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	The Group		The Company	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
Changes in working capital (continued):				
- Deposits from customers	199,997	240,261	-	-
- Deposits and placements of banks and other financial institutions	1,032,916	749,775	-	-
- Clients' and brokers' balances	(118,655)	92,351	-	-
- Other liabilities	59,498	(286,996)	98	517
Net changes in operating liabilities	1,173,756	795,391	98	517
- Income tax refund	240	187	958	344
- Interest received	-	25,079	160	30
Net cash generated from/(used in) operating activities	197,230	(3,733)	338	2,720
<u>Cash flows from investing activities</u>				
Dividend received from:				
- Financial assets held-for-trading	697	298	-	-
- Financial investment available-for-sale	110	-	-	-
Interest received from:				
- Financial assets held-for-trading	25,544			
- Financial investments available-for-sale	2,011	-	-	-
- Financial investment held-to-maturity	7,704	-	-	-
Proceeds from disposal of property and equipment	1			
Revaluation gain or loss of AFS	1			
Purchase of property and equipment	(583)	(2,490)	-	-
Purchase of intangible assets	(179)	(280)	-	-
Capital repayment from subsidiary	-	-	5,000	-
Net cash generated from/(used in) investing activities	35,306	(2,472)	5,000	-
<u>Cash flows from financing activities</u>				
Interest paid on borrowings	(433)	(406)	(433)	(406)
Repayments of borrowings	-	(2,000)	-	(2,000)
Net cash used in financing activities	(433)	(2,406)	(433)	(2,406)
Net changes in cash and cash equivalents	232,103	(8,664)	4,905	314
Cash and cash equivalents at beginning of the period	438,444	515,442	10,157	230
Cash and cash equivalents at end of the period	670,547	506,778	15,062	544

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	The Group		The Company	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents comprise:				
Cash and short term funds	1,053,370	715,423	15,062	544
Less: Remisiers' and clients' trust monies	(382,823)	(208,645)	-	-
	<u>670,547</u>	<u>506,778</u>	<u>15,062</u>	<u>544</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2011.

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 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 31 December 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 December 2011.

HLCB Q2 (31.12.11)

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 31 December 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 December 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 31 December 2011.

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

Grant date	Expiry date		As at 31 December 2011
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.

HLCB Q2 (31.12.11)

7. Dividends

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

8. Valuations of Property, Plant and Equipment

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

9. Significant Events

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

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

	The Group		The Company	
	As at	As at	As at	As at
	31/12/2011	30/06/2011	31/12/2011	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Money market instruments				
Negotiable instruments of deposits	403,226	20,143	-	-
Bankers' acceptances	67,520	212,418	-	-
	470,746	232,561	-	-
Quoted securities				
In Malaysia:				
Shares	12,125	52,463	-	-
Unit trust investment	19,189	7,401	463	477
Outside Malaysia:				
Foreign currency bonds	5,099	98,036	-	-
	36,413	157,900	463	477
Unquoted securities				
Private and Islamic debt securities	346,699	40,285	-	-
	853,858	430,746	463	477
Total financial assets held-for-trading				

11. Financial investments available-for-sale

	The Group	
	As at	As at
	31/12/2011	30/06/2011
	RM'000	RM'000
Money market instruments		
Cagamas bonds	5,168	5,140
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	21,928	10,902
Unquoted securities		
Shares	2,445	2,445
Private and Islamic debt securities	112,233	56,395
Total financial investments available-for-sale	141,774	74,882

HLCB Q2 (31.12.11)

12. Financial investments held-to-maturity

	The Group	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
Money market instruments		
Bankers' acceptances	32,579	-
Cagamas bonds	10,279	10,319
Malaysian Government Investment Issues	5,142	5,153
	<u>48,000</u>	<u>15,472</u>
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	434,274	76,710
Unquoted securities		
Private and Islamic debt securities	46,045	20,465
	<u>528,319</u>	<u>112,647</u>
Total financial investments held-to-maturity	<u>528,319</u>	<u>112,647</u>

13. Loans and advances

	The Group	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
At amortised cost		
Term loan financing	58,063	15,022
Share margin financing	63,587	76,819
Revolving credits	19,304	22,457
Gross loans and advances	<u>140,954</u>	<u>114,298</u>
Less :		
Allowance for losses on loans and advances		
- individual assessment allowance	(4,745)	(4,679)
- collective assessment allowance	(2,043)	(1,644)
Net loans and advances	<u>134,166</u>	<u>107,975</u>

13a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	8,201	8,807
- Others	76,591	35,568
Individuals	54,458	68,722
Foreign entities	1,704	1,201
Gross loans and advances	<u>140,954</u>	<u>114,298</u>

13b. By interest rate sensitivity

Fixed rate		
- Other fixed rate loan	63,587	76,819
Variable rate		
- Cost plus	77,367	37,479
Gross loans and advances	<u>140,954</u>	<u>114,298</u>

HLCB Q2 (31.12.11)

13. Loans and advances (continued)

	The Group	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
13c. <u>By residual contractual maturity</u>		
Maturity within 1 year	140,954	114,298
13d. <u>By geographical distribution</u>		
Malaysia	140,954	114,298
13e. <u>By economic purpose</u>		
Purchase of securities	74,621	89,354
Working capital	66,333	24,944
Gross loans and advances	140,954	114,298
13f. Movements in impaired loans and advances ("impaired loans") are as follows:		
Impaired loans and advances		
At 1 July		
- as previously stated	9,374	2,688
- effect of adopting FRS139	-	10,012
At 1 July, as restated	9,374	12,700
Impaired during the year	66	107
Amount written back	(646)	(2,347)
Amount written off	-	(1,086)
Closing balance	8,794	9,374
Ratio of impaired loans to total loans and advances net of individual assessment allowance	6.5%	8.6%
13g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	8,794	9,374
13h. <u>Impaired loans and advances by economic purpose</u>		
Working Capital	7,608	8,254
Purchase of securities	1,186	1,120
	8,794	9,374
13i. Movements in allowance for impaired loans and advances are as follows:		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	1,644	-
- effect of adopting FRS139	-	1,743
At 1 July, as restated	1,644	1,743
Allowance made/(written back) during the period	399	(99)
Closing balance	2,043	1,644

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13. Loans and advances (continued)

	The Group	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
<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	66	107
Allowance written back during the period	-	(589)
Amount written off	-	(1,086)
Closing balance	<u>4,745</u>	<u>4,679</u>

14. Clients' and brokers' balances

	The Group	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
Performing accounts	125,599	169,525
Impaired accounts	522	12,589
	<u>126,121</u>	<u>182,114</u>
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(521)	(12,381)
	<u>125,600</u>	<u>169,733</u>

15. Other assets

	The Group		The Company	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
Amount due from subsidiary companies	-	-	348	105
Deposits and prepayments	4,926	4,971	11	5
Other receivables	28,210	63,275	-	-
Manager's stocks and consumables	293	389	-	-
	<u>33,429</u>	<u>68,635</u>	<u>359</u>	<u>110</u>

HLCB Q2 (31.12.11)**16. Deposits from customers**

	The Group	
	As at	As at
	31/12/2011	30/06/2011
	RM'000	RM'000
16a. <u>By type of deposit</u>		
Fixed deposits	595,240	395,243
16b. <u>By type of customer</u>		
Government and statutory bodies	506,328	205,501
Business enterprises	88,912	188,724
Individual	-	1,018
	595,240	395,243
16c. The maturity structure of fixed deposits are as follows:		
Due within six months	595,240	395,243

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/12/2011	30/06/2011
	RM'000	RM'000
Licensed banks	837,212	211,431
Licensed investment banks	50,205	-
Other financial institutions	893,498	536,568
	1,780,915	747,999

18. Derivative financial instruments

	Contract or underlying principal amount RM'000	The Group	
		Positive fair value RM'000	Negative fair value RM'000
31/12/2011			
Interest rate related contracts:			
- Interest rate swaps	995,000	6,667	(8,966)
- Futures	2,014,336	466	(4,096)
Foreign exchange related contracts:			
- Foreign currency swaps	315,778	4,992	(4,462)
- Foreign currency forwards	249	1	-
Equity related contracts:			
- Futures	5,129	-	(44)
- Call option	10,000	3,000	-
	3,340,492	15,126	(17,568)

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	-
	2,636,216	5,358	(5,159)

19. Other liabilities

	The Group		The Company	
	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000	As at 31/12/2011 RM'000	As at 30/06/2011 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	417	80
Amount due to related companies	78	1,880	26	27
Remisiers' trust deposits	10,764	10,210	-	-
Other payables and accrued liabilities	61,840	66,858	254	492
Current tax liability	154	417	-	-
Post employment benefits obligation				
- defined contribution plan	549	517	-	-
	73,387	79,884	699	601

20. Interest income

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Group				
Loan and advances	1,900	1,291	3,651	2,796
Money at call and deposits placements with banks and other financial institutions	3,993	4,708	6,920	8,150
Financial investments available-for-sale	1,166	841	2,011	1,363
Financial investments held-to-maturity	4,830	820	7,704	1,115
Others	(95)	297	244	406
	11,794	7,957	20,530	13,830
Financial assets held-for-trading	15,631	6,807	25,544	11,249
Accretion of discount less amortisation of premium	(1,243)	(19)	(2,060)	(123)
Total interest income	26,182	14,745	44,014	24,956
Of which:				
Interest income earned on impaired loans and advances	74	106	149	205
The Company				
Money at call and deposits placements with banks and other financial institutions	95	8	160	30

21. Interest expense

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Group				
Deposits and placements of banks and other financial institutions	11,806	2,624	17,790	4,468
Deposits from customers	8,679	8,263	15,850	12,829
Borrowings	210	195	422	406
Others	-	-	45	47
Total interest expense	20,695	11,082	34,107	17,750
The Company				
Borrowings	210	195	422	406

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22. Other operating income

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Group				
(a) Fee income:				
Brokerage commissions	8,839	12,246	19,183	22,322
Fee on loans and advances	73	122	156	1,471
Agency fees	453	-	453	-
Arranger fees	3,350	5,525	5,969	6,984
Placement fee	130	-	570	-
Corporate advisory fees	1,750	1,285	3,840	2,875
Guarantee fees	233	-	233	-
Net commission from futures business	223	280	491	505
Net unit trust and asset management income	3,756	5,036	7,772	9,615
Underwriting commissions	890	1,329	890	1,329
Other fee income	1,294	2,044	9,869	2,422
	20,991	27,867	49,426	47,523
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	(441)	1,561	(260)	3,221
- Financial investments available-for-sale	-	-	210	-
- Derivatives	(17,832)	(918)	(20,819)	(1,189)
	(18,273)	643	(20,869)	2,032
(c) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	3,058	(4,241)	2,453	(3,650)
- Derivatives	20,530	7,684	(2,611)	6,556
	23,588	3,443	(158)	2,906
(d) Dividend income from:				
- Financial assets held-for-trading	290	29	716	298
- Financial investments available-for-sale	-	-	147	-
	290	29	863	298
(e) Other income				
- Gain on disposal of property and equipment	-	-	2	-
- Foreign exchange (loss)/gain	(1,546)	(519)	19,887	(165)
- Other (expenses)/income	(6)	634	(137)	154
	(1,552)	115	19,752	(11)
Total other operating income	25,044	32,097	49,014	52,748

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22. Other operating income (continued)

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Company				
(a) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	53	24	(14)	50

23 Other operating expenses

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Group				
Personnel costs	12,369	8,917	22,140	16,418
- Salaries, bonus and allowances	9,866	7,522	18,013	13,726
- Option charge arising from ESOS	161	-	323	-
- Others	2,342	1,395	3,804	2,692
Establishment costs	4,051	3,996	7,774	8,822
- Depreciation of property and equipment	651	622	1,294	1,165
- Amortisation of intangible assets	197	212	397	420
- Rental	1,326	1,433	2,678	2,772
- Information technology expenses	1,284	1,013	2,382	2,469
- Others	593	716	1,023	1,996
Marketing expenses	553	597	1,190	1,203
- Advertisement and publicity	215	244	365	425
- Entertainment and business improvement	199	217	542	436
- Others	139	136	283	342
Administration and general expenses	4,160	3,603	8,087	6,479
- Management fees	584	785	1,199	1,277
- Teletransmission expenses	502	459	932	824
- Auditors' remunerations	259	45	320	92
- Legal and professional fees	1,556	1,181	3,140	2,053
- Others	1,259	1,133	2,496	2,233
	21,133	17,113	39,191	32,922

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23 Other operating expenses (continued)

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Company				
Personnel costs	76	43	126	88
- Salaries, bonus and allowances	36	33	70	66
- Others	40	10	56	22
Establishment costs	7	12	23	20
- Rental	-	-	-	5
- Others	7	12	23	15
Marketing expenses	3	-	6	4
- Advertisement and publicity	-	-	-	-
- Others	3	-	6	4
Administration and general expenses	301	118	474	309
- Teletransmission expenses	1	-	2	1
- Auditors' remunerations	13	7	26	13
- Legal and professional fees	115	-	125	14
- Others	172	111	321	281
	387	173	629	421

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

	Current quarter ended 31/12/2011 RM'000	Last year's quarter ended 31/12/2010 RM'000	Current year ended 31/12/2011 RM'000	Last year ended 31/12/2010 RM'000
The Group				
Allowance for losses on impaired loans and advances:				
Individual assessment allowance				
- written back during the period	-	(246)	-	(246)
- made during the period	34	30	66	72
Collective assessment allowance made/(writeback) during the period	319	61	399	(218)
Bad debts on clients' and brokers' balances				
- recovered	(5)	1	(53)	(53)
Allowance for losses on clients' and brokers' balances:				
Individual assessment allowance				
- written back during the period	(1,916)	(385)	(3,269)	(910)
- made during the period	(632)	-	51	130
Collective allowance made during the period	-	(204)	-	(9)
	(2,200)	(743)	(2,806)	(1,234)

25. Commitments and contingencies

The Group	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
31 December 2011			
Commitments and contingent liabilities			
Direct Credit Substitutes	50,750	50,750	50,750
Obligations under underwriting agreement	25,761	12,880	12,880
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to one year	62,000	12,400	12,400
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	343,934	-	-
	<u>482,445</u>	<u>76,030</u>	<u>76,030</u>
Derivative Financial Instruments			
Interest rate related contracts			
- One year or less	862,272	737	147
- Over one year to five years	2,052,024	34,804	6,962
- Over five years	95,040	-	-
Foreign exchange related contracts			
- One year or less	316,027	22,249	4,450
Equity related contracts			
- One year or less	5,129	-	-
- Over one year to five years	10,000	-	-
	<u>3,340,492</u>	<u>57,790</u>	<u>11,559</u>
	<u>3,822,937</u>	<u>133,820</u>	<u>87,589</u>
30 June 2011			
Commitments and contingent liabilities			
Obligations under underwriting agreement	20,238	10,119	10,119
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	302,249	-	-
	<u>322,487</u>	<u>10,119</u>	<u>10,119</u>
Derivative Financial Instruments			
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 Q2 (31.12.11)**26. Capital adequacy**

	HLIB	
	As at 31/12/2011	As at 30/06/2011
Core capital ratio	20.48%	35.66% *
Risk-weighted capital ratio	20.75%	36.06% *

* After deducting final dividend

	HLIB	
	As at 31/12/2011 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	265,535	265,535
Retained profit	8,884	25,192
Statutory reserves	28,222	28,222
	302,641	318,949
Less: Goodwill	(30,236)	(30,236)
Deferred tax assets (net)	(41,716)	(41,716)
Total Tier I capital	230,689	246,997
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	1,631	1,631
Collective assessment allowance	1,982	1,574
Total tier II capital	3,613	3,205
Total capital	234,302	250,202
Less: Investment in subsidiary companies	(588)	(588)
Capital base	233,714	249,614

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% (2011 - 8.00%) for the risk-weighted capital ratio.

27. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 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
31 December 2011						
REVENUE & EXPENSES						
Revenue						
Net Interest income	9,478	511	176	(258)	-	9,907
Non interest income	40,356	7,775	548	16,643	(16,308)	49,014
Results						
Profit/(loss) from operations	23,335	93	132	15,284	(16,308)	22,536
Taxation						(5,118)
Profit after taxation						17,418
31 December 2010						
REVENUE & EXPENSES						
Revenue						
Net Interest income	6,635	627	216	(272)	-	7,206
Non interest income	42,387	9,615	507	239	-	52,748
Results						
Profit/(loss) from operations	25,887	2,839	66	(526)	-	28,266
Taxation						(7,222)
Profit after taxation						21,044

(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.

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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 31 December 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 31 December 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.

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

The group recorded a profit before tax ("PBT") of RM11.6 million for the 2nd quarter December 2011 as compared to RM19.4 million in the previous year corresponding quarter. This is mainly due to lower contribution from its major operating segments, ie. investment banking and stockbroking segment and fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a PBT of RM12.2 million for the 2nd quarter December 2011 as compared to previous year corresponding quarter of RM18.0 million mainly due to lower fee income earned arising from lower brokerage earned and higher overhead incurred.

The lower brokerage income mainly due to lower volumes recorded arising from the lower Bursa Malaysia trading volumes by 30.5% as compared to previous year corresponding quarter.

The higher overhead expenses incurred for the current quarter as compared to previous year corresponding quarter mainly due to higher personnel expenses attributed to enlarged headcount.

Fund management and unit trust management

Fund management and unit trust management recorded a loss before tax ("LBT") of RM12 thousand for the 2nd quarter December 2011 as compared to a PBT of RM1.6 million in previous year corresponding quarter, mainly due to lower net contribution from management fee income and higher overhead incurred.

The higher overhead incurred for the quarter mainly arising from the start up cost of its new subsidiary in Singapore, HL Asset Management Pte. Ltd.

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

The group recorded a PBT of RM22.5 million for the financial period ended 31 December 2011 as compared to RM28.3 million in the previous financial period, lower by 20.3%. This is mainly due to lower profit from investment banking division arising from higher overhead incurred; and lower net contribution from management fee income and higher overheads incurred for start up cost of the new subsidiary in Singapore for fund management and unit trust segment.

Investment banking and stockbroking

For the current period under review, the investment banking and stockbroking segment recorded an decrease in PBT by 9.6% compared to previous year corresponding period mainly due to higher overheads incurred, partially offset by higher write-back of allowance made for clients' and brokers' balances.

The higher overhead expenses incurred for the current period as compared to previous year corresponding period mainly due to higher personnel costs arising from enlarged headcount.

Fund management and unit trust management

For the current period under review, the fund management and unit trust management segment recorded a reduced PBT of RM93 thousand from RM2.8 million in the previous year corresponding period. This is mainly due to lower net contribution from management fee income and overheads incurred for start up cost of its new subsidiary in Singapore.

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1. Performance review (continued)

(c) Current financial quarter under review against preceding financial quarter

For the financial quarter ended 31 December 2011, the Group reported a PBT of RM11.6 million compared to the PBT of RM10.9 million in the preceding financial quarter. This was mainly due to higher contribution from investment banking business.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a PBT of RM12.2 million for the 2nd quarter December 2011 as compared to preceding financial quarter of RM11.3 million mainly due to higher revenue earned from investment banking division and higher write-back of allowance made for clients' and brokers' balances. This is partially offset by the higher overhead incurred arising from enlarged headcount.

Fund management and unit trust management

The fund management and unit trust management segment recorded a LBT of RM12 thousand for 2nd quarter December 2011 as compared to a PBT of RM105 thousand in preceding financial quarter. This is mainly due to lower net contribution from management fee income and higher overheads incurred for start up cost of its new subsidiary in Singapore.

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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	93	402	247	733
- Over provision in prior years	(940)	-	(940)	-
Deferred tax	3,033	4,511	5,811	6,489
	2,186	4,913	5,118	7,222

5. 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.

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6. Group borrowings

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

7. 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's appeal was finally dismissed by the Court of Appeal on 3 November 2011.

8. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 31 December 2011.

9. 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	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Net profit attributable to shareholders of the Company (RM'000):	9,412	14,477	17,418	21,044
Weighted average number of Ordinary Shares in issue ('000):	234,609	234,609	234,609	234,609
Basic earnings per share (sen)	4.0	6.2	7.4	9.0

(b) Fully diluted earnings per share

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

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10. 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:

	As at 31 December 2011 RM'000	As at 30 June 2011 RM'000
The Group		
Total retained profit		
- Realised	90,735	68,562
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	36,627	42,311
- in respect of other items of income and expense	59	1,600
	<u>127,421</u>	<u>112,473</u>
Less : Consolidation adjustment	<u>(32,490)</u>	<u>(34,960)</u>
	<u><u>94,931</u></u>	<u><u>77,513</u></u>
 The Company		
Total retained profit		
- Realised	24,802	25,693
- Unrealised		
- in respect of other items of income and expense	163	177
	<u>24,965</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 27 February 2012