

**HONG LEONG CAPITAL BERHAD**  
 (Company Number 213006-U)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	The Group		The Company	
		As at 30/06/2012 RM'000	As at 30/06/2011 RM'000	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
<b>ASSETS</b>					
Cash and short term funds		965,576	887,262	2,297	10,157
Reverse repurchase agreements		-	159,684	-	-
Deposits and placements with banks and other financial institutions		92,167	60,125	-	-
Financial assets held-for-trading	11	705,692	430,746	409	477
Financial investments available-for-sale	12	117,712	74,882	-	-
Financial investments held-to-maturity	13	495,380	112,647	-	-
Derivative financial assets	19	31,866	7,350	-	-
Loans and advances	14	244,133	107,975	-	-
Clients' and brokers' balances	15	176,019	169,733	-	-
Other assets	16	77,512	66,643	19,046	110
Statutory deposits with Bank Negara Malaysia		19,550	17,800	-	-
Tax recoverable		928	605	893	1,306
Investment in subsidiary companies		-	-	402,474	268,189
Deferred tax assets		35,558	42,311	-	-
Property and equipment		8,106	8,354	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,135	1,094	-	-
<b>TOTAL ASSETS</b>		<b>3,004,393</b>	<b>2,180,270</b>	<b>425,119</b>	<b>280,239</b>
<b>LIABILITIES</b>					
Deposits from customers	17	633,625	395,243	-	-
Deposits and placements of banks and other financial institutions	18	973,644	747,999	-	-
Repurchased agreements		115,167	-	-	-
Derivative financial liabilities	19	55,429	7,121	-	-
Clients' and brokers' balances		590,111	591,595	-	-
Other liabilities	20	84,966	77,505	2,359	601
Current tax liabilities		994	417	-	-
Deferred tax liabilities		956	-	-	-
Borrowings		165,051	20,075	165,051	20,075
<b>TOTAL LIABILITIES</b>		<b>2,619,943</b>	<b>1,839,955</b>	<b>167,410</b>	<b>20,676</b>

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*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	The Group		The Company	
		As at 30/06/2012 RM'000	As at 30/06/2011 RM'000	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
<b>EQUITY</b>					
Share capital		246,896	246,896	246,896	246,896
Reserves		150,757	106,622	24,016	25,870
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
<b>TOTAL EQUITY</b>		<b>384,450</b>	<b>340,315</b>	<b>257,709</b>	<b>259,563</b>
<b>TOTAL LIABILITIES AND EQUITY</b>					
		<b>3,004,393</b>	2,180,270	<b>425,119</b>	280,239
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	<b>6,332,259</b>	3,945,487	-	-
<b>Net assets per share attributable to ordinary equity holder of the Company (RM)</b>					
		<b>1.64</b>	1.45		

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

		Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
	Note				
<b><u>The Group</u></b>					
Operating revenue		<b>62,761</b>	39,684	<b>219,652</b>	167,913
Interest income	21	<b>29,528</b>	19,394	<b>102,294</b>	60,125
Interest expense	22	<b>(24,036)</b>	(12,018)	<b>(82,708)</b>	(40,450)
Net interest income		<b>5,492</b>	7,376	<b>19,586</b>	19,675
Other operating income	23	<b>33,233</b>	20,290	<b>117,358</b>	107,788
Net income		<b>38,725</b>	27,666	<b>136,944</b>	127,463
Other operating expenses	24	<b>(24,375)</b>	(19,716)	<b>(90,101)</b>	(77,705)
Operating profit		<b>14,350</b>	7,950	<b>46,843</b>	49,758
Write-back of impairment for losses on loans and advances and other losses	25	<b>736</b>	(43)	<b>3,150</b>	748
Profit before tax expense		<b>15,086</b>	7,907	<b>49,993</b>	50,506
Tax expense		<b>(4,646)</b>	(1,050)	<b>(13,043)</b>	(11,981)
Net profit for the period		<b>10,440</b>	6,857	<b>36,950</b>	38,525
Earnings per RM1.00 share: - basic and diluted (sen)		<b>4.4</b>	2.9	<b>15.7</b>	16.4

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b><u>The Group</u></b>				
Net profit for the period	<b>10,440</b>	6,857	<b>36,950</b>	38,525
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	<b>(424)</b>	21	<b>401</b>	74
Income tax relating to net fair value changes on financial investments available-for-sale	<b>106</b>	(5)	<b>(101)</b>	(18)
Currency translation differences in respect of foreign operation	<b>24</b>	-	<b>14</b>	-
Other comprehensive income for the period, net of tax	<b>(294)</b>	16	<b>314</b>	56
Total comprehensive income for the period	<b>10,146</b>	6,873	<b>37,264</b>	38,581

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

		Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
	Note				
<b><u>The Company</u></b>					
Operating revenue		<u>2,521</u>	7,838	<u>2,772</u>	<u>7,959</u>
Interest income	21	102	53	356	95
Interest expense	22	<u>(721)</u>	(199)	<u>(1,351)</u>	(797)
Net interest expense		<u>(619)</u>	(146)	<u>(995)</u>	(702)
Other operating income	23	<u>2,419</u>	7,785	<u>2,416</u>	7,864
Net expense		<u>1,800</u>	7,639	<u>1,421</u>	7,162
Other operating expenses	24	<u>(2,276)</u>	(217)	<u>(3,220)</u>	(893)
Operating loss		<u>(476)</u>	7,422	<u>(1,799)</u>	6,269
Write-back of impairment for losses on loans and advances and other losses	25	<u>-</u>	-	<u>-</u>	-
(Loss)/profit before tax expense		<u>(476)</u>	7,422	<u>(1,799)</u>	6,269
Tax expense		<u>(55)</u>	(12)	<u>(55)</u>	(12)
Net (loss)/profit for the period		<u>(531)</u>	7,410	<u>(1,854)</u>	6,257
Loss per RM1.00 share: - basic and diluted (sen)		<u>(0.2)</u>	3.2	<u>(0.8)</u>	2.7

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b><u>The Company</u></b>				
Net (loss)/profit for the period	(531)	7,410	(1,854)	6,257
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)/income for the period	(531)	7,410	(1,854)	6,257

*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 YEAR ENDED 30 JUNE 2012**

	Attributable to owners of the parent							Total RM'000	
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	General Reserve RM'000	Statutory Reserve RM'000	Share Option Reserve RM'000	Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000		Reserves Retained Profits RM'000
<b>The Group</b>									
At 1 July 2011	246,896	(13,203)	543	28,222	288	56	-	77,513	340,315
Net profit for the year	-	-	-	-	-	-	-	36,950	36,950
Other comprehensive income	-	-	-	-	-	300	14	-	314
Total comprehensive income for the year	-	-	-	-	-	300	14	36,950	37,264
Transfer to statutory reserve	-	-	-	19,130	-	-	-	(19,130)	-
Option charge arising from ESOS granted	-	-	-	-	596	-	-	-	596
Acquisition of a subsidiary									
- Effect of predecessor accounting	-	-	-	-	-	-	-	(16,604)	(16,604)
- Merger surplus adjusted against retained earning	-	-	-	-	-	-	-	22,879	22,879
<b>At 30 June 2012</b>	<b>246,896</b>	<b>(13,203)</b>	<b>543</b>	<b>47,352</b>	<b>884</b>	<b>356</b>	<b>14</b>	<b>101,608</b>	<b>384,450</b>
At 1 July 2010	246,896	(13,203)	543	11,044	-	-	-	56,166	301,446
Net profit for the year	-	-	-	-	-	-	-	38,525	38,525
Other comprehensive income	-	-	-	-	-	56	-	-	56
Total comprehensive income for the year	-	-	-	-	-	56	-	38,525	38,581
Grant of equity-settled ESOS	-	-	-	-	288	-	-	-	288
Transfer to statutory reserve	-	-	-	17,178	-	-	-	(17,178)	-
<b>At 30 June 2011</b>	<b>246,896</b>	<b>(13,203)</b>	<b>543</b>	<b>28,222</b>	<b>288</b>	<b>56</b>	<b>-</b>	<b>77,513</b>	<b>340,315</b>

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**HONG LEONG CAPITAL BERHAD**  
*(Company Number 213006-U)*  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	Non-distributable		Distributable	
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Retained Profits RM'000	Total RM'000
<b><u>The Company</u></b>				
At 1 July 2011	246,896	(13,203)	25,870	259,563
Net loss for the year	-	-	(1,854)	(1,854)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(1,854)	(1,854)
At 30 June 2012	<b>246,896</b>	<b>(13,203)</b>	<b>24,016</b>	<b>257,709</b>
At 1 July 2010	246,896	(13,203)	19,613	253,306
Net profit for the year	-	-	6,257	6,257
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	6,257	6,257
At 30 June 2011	246,896	(13,203)	25,870	259,563

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**HONG LEONG CAPITAL BERHAD**  
 (Company Number 213006-U)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	<b>The Group</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
Profit before tax expense	<b>49,993</b>	50,506
<b><u>Adjustments for non-cash items:</u></b>		
- Depreciation of property and equipment	<b>2,506</b>	2,412
- Amortisation of intangible assets	<b>796</b>	835
- Option charge arising from ESOS	<b>596</b>	288
- Gain on disposal of property and equipment	<b>(356)</b>	(27)
- Gain on disposal of a subsidiary	<b>(571)</b>	-
- Writeback of impairment for losses on loans and advances	<b>(2,252)</b>	(581)
- (Writeback of)/allowances for losses on clients' and brokers' balance	<b>(780)</b>	111
- Net unrealised loss/(gain) on revaluation:		
- Financial assets held-for-trading	<b>(881)</b>	913
- Derivative financial instruments	<b>23,590</b>	(1,363)
- Accretion of discount less amortisation of premium	<b>4,218</b>	467
- Interest income from:		
- Financial assets held-for-trading	<b>(24,666)</b>	(22,175)
- Financial investments available-for-sale	<b>(5,030)</b>	(5,788)
- Financial investments held-to-maturity	<b>(18,458)</b>	(2,203)
- Derivative financial instruments	<b>(32,684)</b>	(7,886)
- Interest expenses on derivative financial instruments	<b>33,375</b>	7,545
- Interest expense on borrowings	<b>1,334</b>	844
- Dividend income from:		
- Financial assets held-for-trading	<b>(1,402)</b>	(705)
- Financial investment available-for-sale	<b>(220)</b>	(92)
	<b>(20,885)</b>	(27,405)
<b>Operating profit before changes in working capital</b>	<b>29,108</b>	23,101

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**HONG LEONG CAPITAL BERHAD**  
 (Company Number 213006-U)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	<b>The Group</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Operating profit before changes in working capital (continued)</b>	<b>29,108</b>	<b>23,101</b>
Changes in working capital:		
- Reverse repurchase agreements	<b>159,684</b>	(159,684)
- Deposits and placements with banks and other financial institutions	<b>38,397</b>	(15,055)
- Financial assets held-for-trading	<b>(270,329)</b>	356
- Financial investments available-for-sale	<b>(42,218)</b>	(71,560)
- Financial investments held-to-maturity	<b>(381,022)</b>	(101,885)
- Derivative financial instruments	<b>25</b>	(29)
- Loans and advances	<b>(62,553)</b>	7,026
- Clients' and brokers' balances	<b>5,752</b>	(81,046)
- Other assets	<b>1,316</b>	(49,604)
- Statutory deposits with Bank Negara Malaysia	<b>(1,750)</b>	(13,800)
Net changes in operating assets	<b>(552,698)</b>	(485,281)
- Deposits from customers	<b>238,382</b>	364,025
- Deposits and placements of banks and other financial institutions	<b>225,645</b>	147,009
- Repurchased agreements	<b>115,167</b>	-
- Clients' and brokers' balances	<b>(34,927)</b>	329,180
- Other liabilities	<b>(48,115)</b>	(477,105)
Net changes in operating liabilities	<b>496,152</b>	363,109
<b>Cash used in operating activities</b>	<b>(27,438)</b>	(99,071)
- Net income tax refund	<b>432</b>	211
<b>Net cash used in operating activities</b>	<b>(27,006)</b>	(98,860)

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**HONG LEONG CAPITAL BERHAD**  
 (Company Number 213006-U)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	<b>The Group</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from investing activities</u></b>		
Dividend received from:		
- Financial assets held-for-trading	1,358	705
- Financial investments available-for-sale	165	86
Interest received from:		
- Financial assets held-for-trading	19,861	21,552
- Financial investments available-for-sale	4,432	5,120
- Financial investments held-to-maturity	13,985	1,230
- Derivative financial instruments	28,109	5,981
Interest expenses paid on derivative financial instruments	(28,623)	(5,648)
Net cash flow arising from acquisition of MIMB	(106,292)	-
Proceeds from disposal of property and equipment	553	27
Proceeds from sale of a subsidiary	81	-
Purchase of property and equipment	(1,433)	(3,832)
Purchase of intangible assets	(813)	(590)
<b>Net cash (used in)/generated from investing activities</b>	<b>(68,617)</b>	<b>24,631</b>
<b><u>Cash flows from financing activities</u></b>		
Interest paid on borrowings	(1,358)	(844)
Drawdown/(repayments) of borrowings	145,000	(1,925)
<b>Net cash generated from/(used in) financing activities</b>	<b>143,642</b>	<b>(2,769)</b>
<b>Net changes in cash and cash equivalents</b>	<b>48,019</b>	<b>(76,998)</b>
<b>Effect of exchange rate changes</b>	<b>14</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>438,444</b>	<b>515,442</b>
<b>Cash and cash equivalents at end of year</b>	<b>486,477</b>	<b>438,444</b>
<b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	965,576	887,262
Less: Remisiers' and clients' trust monies	(479,099)	(448,818)
	<b>486,477</b>	<b>438,444</b>

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**HONG LEONG CAPITAL BERHAD**  
 (Company Number 213006-U)  
**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012**

	<b>The Company</b>	
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>		
(Loss)/profit before tax expense	(1,799)	6,269
<b><u>Adjustments for non-cash items:</u></b>		
- Gain on liquidation of a subsidiary	-	(6,050)
- Net unrealised loss/(gain) on financial assets held-for-trading	138	(105)
- Interest income	(356)	(95)
- Interest expense on borrowings	1,351	797
- Dividend income from subsidiary companies	(2,400)	(1,700)
	<u>(1,267)</u>	<u>(7,153)</u>
<b>Operating loss before changes in working capital</b>	<b>(3,066)</b>	<b>(884)</b>
 Changes in working capital:		
- Financial assets held-for-trading	(70)	-
- Other assets	(18,936)	2,759
Net changes in operating assets	<u>(19,006)</u>	<u>2,759</u>
 - Other liabilities	<u>1,758</u>	<u>(65)</u>
Net changes in operating liabilities	<u>1,758</u>	<u>(65)</u>
<b>Cash (used in)/generated from operating activities</b>	<b>(20,314)</b>	<b>1,810</b>
- Net income tax refund	958	1,419
- Interest received	356	95
<b>Net cash (used in)/generated from operating activities</b>	<b>(19,000)</b>	<b>3,324</b>
 <b><u>Cash flows from investing activities</u></b>		
Dividend received from subsidiary companies	1,800	1,275
Net purchase consideration for acquisition of MIMB	(139,285)	-
Net proceeds from liquidation of a subsidiary	-	8,050
Capital reduction of a subsidiary	5,000	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(132,485)</b>	<b>9,325</b>
 <b><u>Cash flows from financing activities</u></b>		
Interest paid on borrowings	(1,375)	(797)
Drawdown/(repayments) of borrowings	145,000	(1,925)
<b>Net cash generated from/(used in) financing activities</b>	<b>143,625</b>	<b>(2,722)</b>
 <b>Net changes in cash and cash equivalents</b>	<b>(7,860)</b>	<b>9,927</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>10,157</b>	<b>230</b>
<b>Cash and cash equivalents at end of year</b>	<b>2,297</b>	<b>10,157</b>
 <b>Cash and cash equivalents comprise:</b>		
Cash and short term funds	<u>2,297</u>	<u>10,157</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 30 JUNE 2012**

**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 FRS134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and the Bank 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 the Bank 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 1 "First-time Adoption of Financial Reporting Standards"
- Amendments to FRS 7 "Financial Instruments: Disclosures - improving disclosures about financial instruments"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"
- Improvement to FRSs (2010)

The adoption of the above standards, amendments to published standards and interpretations to existing standards does not give rise to any material financial impact to the Group and 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 June 2012.

**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 June 2012.

## 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 30 June 2012.

## 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 June 2012.

- (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 June 2012.

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

Grant date	Expiry date		As at		As at
			30 June 2011	Lapsed	30 June 2012
19 January 2011	18 July 2013	*	1,342,500	82,500	1,260,000
19 January 2011	18 April 2014	^	1,566,250	96,250	1,470,000
19 January 2011	18 April 2015	^	1,566,250	96,250	1,470,000
			<u>4,475,000</u>	<u>275,000</u>	<u>4,200,000</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.

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### **7. Dividends**

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2012.

### **8. Valuations of property, plant and equipment**

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 June 2012.

### **9. Significant events**

#### **(a) Proposed business rationalisation**

The Company had on 12 March 2012 announced the approval from the Minister of Finance through Bank Negara Malaysia, allow the Company to enter into sale and purchase agreement with Hong Leong Bank Berhad ("HLBB") in respect of the proposed acquisition of MIMB Investment Bank Berhad ("MIMB").

On 10 April 2012, the Company had entered into the following:

- (i) a conditional sale and purchase agreement with HLBB for the proposed acquisition of the entire equity interest in MIMB ("MIMB SPA") for an indicative cash consideration of RM157.90 million in accordance with the terms and subject to the conditions therein;
- (ii) a letter of indemnity from HLBB to HLCB pursuant to the MIMB SPA;
- (iii) a conditional sale and purchase agreement with HLBB for the proposed disposal of the entire equity interest in HLIB ("HLIB SPA") for a sum equal to the net tangible assets of HLIB as at the date immediately preceding the completion date of the HLIB SPA.

The abovesaid proposals were tabled and approved by the shareholders at the Extraordinary General Meeting of HLCB held on 9 May 2012.

The proposed acquisition of MIMB had been completed on 1 June 2012. With effect from 1 June 2012, MIMB had become a wholly-owned subsidiary of HLCB.

Upon completion of the proposed acquisition, the Company will rationalise its investment banking businesses with the Group by transferring the entire assets, liabilities, activity, business and undertakings of HLIB to MIMB for a provisional consideration of RM251.30 million, to be satisfied by MIMB to HLIB in the following manner:

- (a) cash consideration of RM159,669,234.76;
- (b) 90 million new ordinary shares of RM1.00 each in MIMB; and
- (c) 163,076,524 new redeemable preference shares of RM0.01 each in MIMB.

HLIB's business undertakings shall subsequently be vested to MIMB pursuant to a Court Order to be procured. The proposed business rationalisation is expected to be completed by end of 2012. Upon completion of the proposed business rationalisation, HLIB shall surrender its merchant banking license to BNM and its Capital Markets License to the Securities Commission. HLIB shall thereafter undertake a capital reduction exercise to reduce its capital to a nominal amount.

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### **9. Significant events** (continued)

#### (b) Disposal of a subsidiary

On 28 June 2012, Hong Leong Investment Bank Berhad ("HLIB"), a wholly owned subsidiary of the Company, had entered into a share sale agreement with HLA Holdings Sdn Bhd ("HLAH"), a wholly-owned subsidiary of Hong Leong Financial Group Berhad ("HLFG"), for the disposal of its entire equity interest in RC Holdings Sdn Bhd ("RCH") to HLAH for a consideration equivalent to the net assets of RCH (excluding tax recoverable) as at 28 June 2012 or such other date as may be mutually agreed by the parties. The unaudited net assets of RCH (excluding tax recoverable) as at 28 June 2012 is approximately RM81,000.

The disposal has no material effect on the results of the Group for the financial year ended 30 June 2012.

The Disposal is not subject to the approval of the shareholders of HLCB and any regulatory authorities.

### **10. Subsequent events**

#### (a) Proposed business rationalisation

Following from the certification by the Auditors of the Completion Net Tangible Assets ("NTA"), the final consideration in respect of the acquisition of MIMB has been determined at RM139.29 million. HLCB had on 14 August 2012 received the sum of RM18.61 million from HLBB, being the differential amount between the final consideration and the MIMB consideration of RM157.90 million.

On 15 August 2012, High Court Malaysia had granted a Vesting Order for the transfer of the entire assets, liabilities, activities, business and undertakings of HLIB to MIMB with effect from 29 September 2012.

#### (b) Increased authorised share capital

On 13 August 2012, MIMB Investment Bank Berhad ("MIMB") increased its authorised share capital by 120,000,000 shares of RM1 each from RM500,000,000 comprising 500,000,000 shares of RM1 each to RM620,000,000 comprising 620,000,000 shares of RM1 each.

On the same day, MIMB further increased its authorised share capital by way of 2,000,000,000 Non-Cumulative Redeemable Preference shares of RM0.01 each.

**Financial Reporting for Licensed Institutions ("BNM/GP8")****11. Financial assets held-for-trading**

	<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>30/06/2012</b>	<b>30/06/2011</b>	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>				
Negotiable instruments of deposits	375,719	20,143	-	-
Bank Negara Malaysia Bills	199,683	-	-	-
Bankers' acceptances	-	212,418	-	-
	<b>575,402</b>	<b>232,561</b>	<b>-</b>	<b>-</b>
<b>Quoted securities</b>				
In Malaysia:				
Shares	8,433	52,463	-	-
Unit trust investment	14,797	7,401	409	477
Outside Malaysia:				
Foreign currency bonds	8,684	98,036	-	-
	<b>31,914</b>	<b>157,900</b>	<b>409</b>	<b>477</b>
<b>Unquoted securities</b>				
Private and Islamic debt securities	98,376	40,285	-	-
	<b>705,692</b>	<b>430,746</b>	<b>409</b>	<b>477</b>
Total financial assets held-for-trading				

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Money market instruments</b>		
Cagamas bonds	5,150	5,140
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	22,626	10,902
<b>Unquoted securities</b>		
Shares	2,445	2,445
Private and Islamic debt securities	87,491	56,395
Total financial investments available-for-sale	<b>117,712</b>	<b>74,882</b>

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

	The Group	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
<b>Money market instruments</b>		
Cagamas bonds	10,240	10,319
Malaysian Government Investment Issues	5,131	5,153
	<b>15,371</b>	<b>15,472</b>
<b>Quoted securities</b>		
Outside Malaysia:		
Foreign currency bonds	434,067	76,710
<b>Unquoted securities</b>		
Private and Islamic debt securities	45,942	20,465
	<b>495,380</b>	<b>112,647</b>
Total financial investments held-to-maturity		

**14. Loans and advances**

	The Group	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
<b>At amortised cost</b>		
Term loan financing	107,891	15,022
Share margin financing	137,847	76,819
Revolving credit	963	22,457
Staff loans	2,589	-
Gross loans and advances	<b>249,290</b>	<b>114,298</b>
Less :		
Allowance for losses on loans and advances		
- individual assessment allowance	(1,256)	(4,679)
- collective assessment allowance	(3,901)	(1,644)
Net loans and advances	<b>244,133</b>	<b>107,975</b>

**14a. By type of customer**

Domestic business enterprises		
- Small and medium enterprises	18,703	8,807
- Others	133,754	35,568
Individuals	93,288	69,923
Foreign entities	3,545	-
Gross loans and advances	<b>249,290</b>	<b>114,298</b>

**14b. By interest rate sensitivity**

Fixed rate		
- Staff housing loans	1,957	-
- Other fixed rate loan	44,070	11,237
Variable rate		
- Cost plus	202,631	103,061
Non-interest bearing	632	-
Gross loans and advances	<b>249,290</b>	<b>114,298</b>

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

	<b>The Group</b>	
	<b>As at 30/06/2012 RM'000</b>	<b>As at 30/06/2011 RM'000</b>
<b>14c. <u>By residual contractual maturity</u></b>		
Maturity within one year	246,681	113,338
More than one year to three years	398	960
More than three years to five years	52	-
More than five years	2,159	-
Gross loans and advances	<u>249,290</u>	<u>114,298</u>
<b>14d. <u>By geographical distribution</u></b>		
Malaysia	<u>249,290</u>	<u>114,298</u>
<b>14e. <u>By economic purpose</u></b>		
Purchase of securities	166,103	89,354
Working capital	80,598	24,944
Purchase of transport vehicles	633	-
Purchase of residential property	1,956	-
Gross loans and advances	<u>249,290</u>	<u>114,298</u>
<b>14f. Movements in impaired loans and advances ("impaired loans") are as follows:</b>		
Impaired loans and advances		
At 1 July	9,374	12,700
Impaired during the year	136	107
Amount written back	(8,254)	(2,347)
Amount written off	-	(1,086)
Closing balance	<u>1,256</u>	<u>9,374</u>
Ratio of impaired loans to total loans and advances net of individual assessment allowance	<u>0.5%</u>	<u>8.6%</u>
<b>14g. <u>Impaired loans and advances by geographical distribution</u></b>		
Malaysia	<u>1,256</u>	<u>9,374</u>
<b>14h. <u>Impaired loans and advances by economic purpose</u></b>		
Working Capital	-	8,254
Purchase of securities	1,256	1,120
	<u>1,256</u>	<u>9,374</u>
<b>14i. Movements in allowance for impaired loans and advances are as follows:</b>		
<u>Collective assessment allowance</u>		
At 1 July	1,644	1,743
Arising from acquisition of MIMB	1,086	-
Allowance made/(written back) during the year	1,171	(99)
Closing balance	<u>3,901</u>	<u>1,644</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
<u>Individual assessment allowance</u>		
At 1 July	4,679	6,247
Allowance made during the year	136	107
Allowance written back during the year	(3,559)	(589)
Amount written off	-	(1,086)
Closing balance	<u>1,256</u>	<u>4,679</u>

15. Clients' and brokers' balances

	The Group	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
Performing accounts	175,368	169,525
Impaired accounts	1,403	12,589
	<u>176,771</u>	<u>182,114</u>
Less: Allowance for bad and doubtful debts - individual assessment allowance	(752)	(12,381)
	<u>176,019</u>	<u>169,733</u>

16. Other assets

	The Group		The Company	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
Amount due from subsidiary companies	-	-	424	105
Amount due from a related company	21,399	-	18,615	-
Deposits and prepayments	5,033	4,971	7	5
Other receivables	50,659	61,283	-	-
Manager's stocks and consumables	421	389	-	-
	<u>77,512</u>	<u>66,643</u>	<u>19,046</u>	<u>110</u>

**HLCB Q4 (30.06.12)****17. Deposits from customers**

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>17a. <u>By type of deposit</u></b>		
Fixed deposits	<b>633,625</b>	395,243
<b>17b. <u>By type of customer</u></b>		
Government and statutory bodies	<b>617,832</b>	205,501
Business enterprises	<b>15,793</b>	188,724
Individual	<b>-</b>	1,018
	<b>633,625</b>	395,243
<b>17c. The maturity structure of fixed deposits are as follows:</b>		
Due within six months	<b>633,625</b>	395,243

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

	<b>The Group</b>	
	<b>As at</b>	<b>As at</b>
	<b>30/06/2012</b>	<b>30/06/2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>406,153</b>	211,431
Other financial institutions	<b>567,491</b>	536,568
	<b>973,644</b>	747,999

## 19. Derivative financial instruments

	The Group		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
<b>30/06/2012</b>			
Interest rate related contracts:			
- Interest rate swaps	1,408,500	13,389	(20,822)
- Futures	2,157,121	881	(3,426)
- Cross Currency Swaps	31,772	107	(57)
Foreign exchange related contracts:			
- Foreign currency swaps	2,231,056	15,228	(31,121)
- Foreign currency forwards	585	11	(3)
Equity related contracts:			
- Call option	10,000	2,250	-
	<b>5,839,034</b>	<b>31,866</b>	<b>(55,429)</b>

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Interest rate related contracts:			
- Interest rate swaps	455,000	2,614	(3,562)
- Futures	2,253,753	515	(919)
Foreign exchange related contracts:			
- Foreign currency swaps	811,255	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>3,623,000</b>	<b>7,350</b>	<b>(7,121)</b>

## 20. Other liabilities

	The Group		The Company	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	-	80
Amount due to related companies	125	1,880	24	27
Remisiers' trust deposits	16,420	10,210	-	-
Other payables and accrued liabilities	68,078	64,896	2,333	492
Post employment benefits obligation				
- defined contribution plan	286	517	-	-
- defined benefit plan	55	-	-	-
	<b>84,966</b>	<b>77,505</b>	<b>2,359</b>	<b>601</b>

**21. Interest income**

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b>The Group</b>				
Loan and advances	3,538	1,632	9,545	6,058
Money at call and deposits placements with banks and other financial institutions	3,746	3,563	15,554	15,677
Financial assets held-for-trading	5,248	6,383	24,666	22,175
Financial investments available-for-sale	1,513	3,268	5,030	5,788
Financial investments held-to-maturity	5,407	724	18,458	2,203
Derivative financial instruments	10,870	3,568	32,684	7,886
Others	177	337	575	805
	<b>30,499</b>	19,475	<b>106,512</b>	60,592
Accretion of discount less amortisation of premium	(971)	(81)	(4,218)	(467)
Total interest income	<b>29,528</b>	19,394	<b>102,294</b>	60,125
Of which:				
Interest income earned on impaired loans and advances	758	84	972	374
<b>The Company</b>				
Money at call and deposits placements with banks and other financial institutions	102	28	356	70
Others	-	25	-	25
	<b>102</b>	53	<b>356</b>	95

**22. Interest expense**

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b>The Group</b>				
Deposits and placements of banks and other financial institutions	2,188	1,827	10,980	5,775
Deposits from customers	9,860	6,342	36,875	26,286
Derivative financial instruments	11,192	3,649	33,375	7,545
Borrowings	704	246	1,334	844
Others	92	(46)	144	-
Total interest expense	<b>24,036</b>	12,018	<b>82,708</b>	40,450
<b>The Company</b>				
Borrowings	721	199	1,351	797

## 23. Other operating income

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b>The Group</b>				
(a) Fee income:				
Brokerage commissions	9,432	9,849	40,918	46,643
Fee on loans and advances	790	62	1,828	2,328
Arranger fees	4,897	7,174	12,511	15,044
Corporate advisory fees	2,503	1,189	7,808	5,826
Net commission from futures business	229	182	882	927
Net unit trust and asset management income	4,975	5,703	16,651	20,194
Underwriting commissions	396	509	1,286	1,838
Guarantee fees	700	-	700	-
Other fee income	3,055	1,750	18,236	13,678
	<u>26,977</u>	<u>26,418</u>	<u>100,820</u>	<u>106,478</u>
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	1,584	(1,247)	4,580	2,841
- Financial investments available-for-sale	234	690	444	690
- Derivative financial instruments	(6,111)	(7,534)	4,309	154
	<u>(4,293)</u>	<u>(8,091)</u>	<u>9,333</u>	<u>3,685</u>
(c) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(1,308)	1,484	881	(913)
- Derivative financial instruments	(15,206)	173	(23,590)	1,363
	<u>(16,514)</u>	<u>1,657</u>	<u>(22,709)</u>	<u>450</u>
(d) Dividend income from:				
- Financial assets held-for-trading	226	41	1,402	705
- Financial investments available-for-sale	48	92	220	92
	<u>274</u>	<u>133</u>	<u>1,622</u>	<u>797</u>
(e) Other income				
- Gain on disposal of property and equipment	354	26	356	27
- Loss on liquidation of a subsidiary	-	(156)	-	(156)
- Gain on disposal of a subsidiary	571	-	571	-
- Foreign exchange gain/(loss)	24,339	(213)	25,658	(3,548)
- Other income	1,525	516	1,707	55
	<u>26,789</u>	<u>173</u>	<u>28,292</u>	<u>(3,622)</u>
Total other operating income	<u>33,233</u>	<u>20,290</u>	<u>117,358</u>	<u>107,788</u>

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**23. Other operating income (continued)**

	<b>Current quarter ended 30/06/2012 RM'000</b>	<b>Last year's quarter ended 30/06/2011 RM'000</b>	<b>Current year ended 30/06/2012 RM'000</b>	<b>Last year ended 30/06/2011 RM'000</b>
<b>The Company</b>				
(a) Net realised gain arising from sale of:				
- Financial assets held-for-trading	-	-	<b>144</b>	-
(b) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	<b>9</b>	26	<b>(138)</b>	105
(b) Dividend income from:				
- Subsidiary company	<b>2,400</b>	1,700	<b>2,400</b>	1,700
(c) Other income				
- Gain on liquidation of a subsidiary	-	6,050	-	6,050
- Other non-operating income	<b>10</b>	9	<b>10</b>	9
Total other operating income	<u>2,419</u>	<u>7,785</u>	<u>2,416</u>	<u>7,864</u>

## 24 Other operating expenses

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b>The Group</b>				
Personnel costs	<b>12,485</b>	10,079	<b>52,553</b>	43,288
- Salaries, bonus and allowances	<b>9,704</b>	7,909	<b>42,913</b>	36,912
- Option charge arising from ESOS	<b>112</b>	288	<b>596</b>	288
- Others	<b>2,669</b>	1,882	<b>9,044</b>	6,088
Establishment costs	<b>4,479</b>	3,990	<b>16,120</b>	16,460
- Depreciation of property and equipment	<b>608</b>	636	<b>2,506</b>	2,412
- Amortisation of intangible assets	<b>184</b>	199	<b>796</b>	835
- Rental	<b>1,472</b>	1,057	<b>5,427</b>	5,132
- Information technology expenses	<b>1,650</b>	1,479	<b>5,175</b>	4,920
- Others	<b>565</b>	619	<b>2,216</b>	3,161
Marketing expenses	<b>574</b>	1,087	<b>2,255</b>	2,879
- Advertisement and publicity	<b>67</b>	600	<b>449</b>	1,192
- Travelling and accomodation	<b>119</b>	116	<b>496</b>	509
- Others	<b>388</b>	371	<b>1,310</b>	1,178
Administration and general expenses	<b>6,837</b>	4,560	<b>19,173</b>	15,078
- Management fees	<b>1,167</b>	498	<b>3,054</b>	2,426
- Communication expenses	<b>429</b>	480	<b>1,738</b>	1,728
- Auditors' remunerations				
- Statutory audit	<b>230</b>	87	<b>544</b>	240
- Tax compliance fee	<b>6</b>	12	<b>20</b>	12
- Other fees	<b>205</b>	38	<b>274</b>	38
- Legal and professional fees	<b>1,868</b>	1,823	<b>6,658</b>	5,370
- Others	<b>2,932</b>	1,622	<b>6,885</b>	5,264
	<b>24,375</b>	19,716	<b>90,101</b>	77,705

## 24 Other operating expenses (continued)

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b>The Company</b>				
Personnel costs	70	33	277	192
- Salaries, bonus and allowances	58	28	199	127
- Others	12	5	78	65
Establishment costs	129	9	163	31
- Rental	-	-	-	5
- Others	129	9	163	26
Marketing expenses	4	1	16	8
- Advertisement and publicity	-	-	5	-
- Others	4	1	11	8
Administration and general expenses	2,073	174	2,764	662
- Communication expenses	-	-	3	2
- Auditors' remunerations	22	17	60	46
- Legal and professional fees	47	-	172	14
- Others	2,004	157	2,529	600
	<b>2,276</b>	<b>217</b>	<b>3,220</b>	<b>893</b>

## 25. Writeback of impairment for losses on loans and advances and other losses

	Current quarter ended 30/06/2012 RM'000	Last year's quarter ended 30/06/2011 RM'000	Current year ended 30/06/2012 RM'000	Last year ended 30/06/2011 RM'000
<b>The Group</b>				
<b>Allowance for losses on impaired loans and advances:</b>				
Individual assessment allowance				
- written back during the period/year	(3,559)	(346)	(3,559)	(589)
- made during the period/year	36	(2)	136	107
Collective assessment allowance made/(writeback) during the period/year	486	120	1,171	(99)
Bad debts on clients' and brokers' balances				
- recovered	(59)	(65)	(118)	(278)
<b>Allowance for losses on clients' and brokers' balances:</b>				
Individual assessment allowance				
- written back during the period/year	2,374	315	(887)	(1,442)
- made during the period/year	(14)	21	107	1,562
Collective allowance written back during the period	-	-	-	(9)
	<b>(736)</b>	<b>43</b>	<b>(3,150)</b>	<b>(748)</b>

## 26. Commitments and contingencies

<b>The Group</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk Weighted Amount RM'000</b>
<b>30 June 2012</b>			
<b>Commitments and contingent liabilities</b>			
Direct Credit Substitutes	50,750	50,750	50,750
Other commitments, such as formal standby facilities and credit lines			
- maturity less than 1 year	15,266	3,053	3,053
- maturity more than 1 year	641	321	321
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	426,568	-	-
	<b>493,225</b>	<b>54,124</b>	<b>54,124</b>
<b>Derivative Financial Instruments</b>			
Interest rate related contracts			
- One year or less	960,241	1,214	243
- Over one year to five years	2,579,963	48,838	9,768
- Over five years	57,189	-	-
Foreign exchange related contracts			
- One year or less	2,231,641	41,028	8,205
Equity related contracts			
- Over one year to five years	10,000	-	-
	<b>5,839,034</b>	<b>91,080</b>	<b>18,216</b>
	<b>6,332,259</b>	<b>145,204</b>	<b>72,340</b>
<b>30 June 2011</b>			
<b>Commitments and contingent liabilities</b>			
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	-	-
	<b>322,487</b>	<b>10,119</b>	<b>10,119</b>
<b>Derivative Financial Instruments</b>			
Interest rate related contracts:			
- One year or less	527,573	-	-
- Over one year to five years	2,057,370	18,572	3,714
- Over five years	123,810	-	-
Foreign exchange related contracts			
- One year or less	859,572	5,750	1,512
Equity related contracts			
- One year or less	44,675	-	-
- Over one year to five years	10,000	-	-
	<b>3,623,000</b>	<b>24,322</b>	<b>5,226</b>
	<b>3,945,487</b>	<b>34,441</b>	<b>15,345</b>

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 Q4 (30.06.12)

### 27. Capital adequacy

	HLIB		MIMB	
	As at 30/06/2012	As at 30/06/2011	As at 30/06/2012	As at 31/12/2010
<b>Before deducting proposed dividends</b>				
Core capital ratio	<b>24.8%</b>	38.2%	<b>147.6%</b>	73.4%
Risk-weighted capital ratio	<b>25.1%</b>	38.6%	<b>148.5%</b>	73.9%
<b>After deducting proposed dividends</b>				
Core capital ratio	<b>23.1%</b>	35.7%	<b>147.6%</b>	73.4%
Risk-weighted capital ratio	<b>23.5%</b>	36.1%	<b>148.5%</b>	73.9%

	HLIB		MIMB	
	As at 30/06/2012 RM'000	As at 30/06/2011 RM'000	As at 30/06/2012 RM'000	As at 31/12/2010 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	<b>75,000</b>	75,000
Retained profit	<b>(31,416)</b>	25,192	<b>(71,611)</b>	9,717
Share premium	-	-	<b>87,950</b>	87,950
Statutory reserves	<b>47,352</b>	28,222	<b>83,385</b>	83,385
	<b>281,471</b>	318,949	<b>174,724</b>	256,052
Less: Goodwill	-	(30,236)	-	(66,663)
Deferred tax assets (net)	-	(41,716)	<b>(35,469)</b>	(35,319)
Total Tier I capital	<b>281,471</b>	246,997	<b>139,255</b>	154,070
<u>Tier II capital</u>				
Redeemable preference shares	<b>1,631</b>	1,631	-	-
Collective assessment allowance <sup>(1)</sup>	<b>2,815</b>	1,574	<b>1,086</b>	1,294
Total tier II capital	<b>4,446</b>	3,205	<b>1,086</b>	1,294
Total capital	<b>285,917</b>	250,202	<b>140,341</b>	155,364
Less: Investment in subsidiary companies	<b>(588)</b>	(588)	<b>(220)</b>	(220)
Capital base	<b>285,329</b>	249,614	<b>140,121</b>	155,144

The capital adequacy ratios of the banking subsidiaries are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). The banking subsidiaries have 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.

Note :

(1) Excludes collective assessment allowance attributable to loans and advances classified as impaired.

**HLCB Q4 (30.06.12)****27. Capital adequacy (continued)**

	<b>HLIB</b>		<b>MIMB</b>	
	<b>As at 30/06/2012 RM'000</b>	<b>As at 30/06/2011 RM'000</b>	<b>As at 30/06/2012 RM'000</b>	<b>As at 31/12/2010 RM'000</b>
Credit risk	<b>750,181</b>	286,833	<b>34,602</b>	90,139
Market risk	<b>204,798</b>	237,494	-	55,130
Operation risk	<b>180,741</b>	122,594	<b>59,760</b>	64,717
	<b><u>1,135,720</u></b>	<u>646,921</u>	<b><u>94,362</u></b>	<u>209,986</u>

The detailed disclosures on the capital base and risk-weighted assets, are presented in accordance with para 4.3 of BNM's Guidelines on Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirement (Pillar 3).

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### 28. Segmental reporting

(a) Segment information by activities for the financial period ended 30 June 2012:

	Investment banking and stockbroking	Fund management and unit trust management	Futures and options broking	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 June 2012</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	19,044	1,181	332	(971)	-	19,586
Non interest income	98,636	16,699	950	20,031	(18,958)	117,358
<b>Results</b>						
Profit/(loss) from operations	52,021	1,883	(97)	15,841	(19,655)	49,993
Taxation						(13,043)
Profit after taxation						36,950
<b>30 June 2011</b>						
<b>REVENUE &amp; EXPENSES</b>						
<b>Revenue</b>						
Net Interest income	18,712	1,077	443	(557)	-	19,675
Non interest income	86,311	20,224	985	8,028	(7,760)	107,788
<b>Results</b>						
Profit/(loss) from operations	46,057	5,714	152	6,343	(7,760)	50,506
Taxation						(11,981)
Profit after taxation						38,525

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

### 29. 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 2012.

## **HLCB Q4 (30.06.12)**

### **30. Changes in composition of the Group**

The proposed acquisition of MIMB Investment Bank Berhad ("MIMB") had been completed on 1 June 2012. With effect from 1 June 2012, MIMB had become a wholly-owned subsidiary of HLCB.

### **31. Capital commitments**

There were capital commitments of RM5,771,000 for the purchase of property and equipment as at 30 June 2012.

### **32. Changes in contingent liabilities**

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

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of HLG Sectoral Funds ("Funds"), which comprises five (5) 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 RM1,000,000, 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 RM1,000,000 as at 30 June 2012.

### **33. 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 higher profit before tax ("PBT") of RM15.1 million for the 4th quarter June 2012 as compared to RM7.9 million in the previous year corresponding quarter. This is mainly due to higher contribution from its major operating segments, ie. investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a PBT of RM15.6 million for the 4th quarter June 2012 as compared to previous year corresponding quarter of RM7.0 million mainly due to higher contribution from its Treasury & Markets divisions.

Fund management and unit trust management

Fund management and unit trust management recorded a profit before tax of RM1.7 million for the 4th quarter June 2012 as compared to a PBT of RM1.3 million in previous year corresponding quarter, mainly due to lower overheads incurred offset against lower net contribution from management fee income.

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 year under review against previous corresponding financial year**

The group recorded a PBT of RM50.0 million for the financial year ended 30 June 2012 as compared to RM50.5 million in the previous financial year, lower by 1.0%. This is mainly due to 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 year under review, the investment banking and stockbroking segment recorded an increase in PBT by 12.2% compared to previous financial year mainly due to higher contribution from Investment banking division offset by lower contribution from Stockbroking division.

Higher contribution of Investment banking division mainly from higher fee income earned by Treasury & Markets and individual assessment allowance written back during the year.

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

Fund management and unit trust management

For the current year under review, the fund management and unit trust management segment recorded a profit before tax of RM1.9 million from a PBT of RM5.7 million in the previous financial year. 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.

## HLCB Q4 (30.06.12)

### 1. Performance review (continued)

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

For the financial quarter ended 30 June 2012, the Group reported a higher PBT of RM15.1 million compared to the PBT of RM12.4 million in the preceding financial quarter. This was mainly due to lower overheads incurred for investment banking and stockbroking segment.

#### Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM15.6 million for the 4th quarter June 2012 as compared to preceding financial quarter of RM12.7 million mainly due to lower overheads incurred arising from higher provision of bonus for previous financial quarter.

#### Fund management and unit trust management

The fund management and unit trust management segment recorded a higher profit before tax of RM1.7 million for 4th quarter June 2012 as compared to PBT of RM0.1 million in preceding financial quarter. This is mainly due to 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 2013 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 year ended	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	(211)	211	138	1,368
- Over provision in prior years	(38)	(972)	(978)	(972)
Deferred tax	4,895	1,811	13,883	11,585
	4,646	1,050	13,043	11,981

## **HLCB Q4 (30.06.12)**

### **5. Status of corporate proposals**

Hong Leong Capital Berhad ("HLCB") had on 10 April 2012 entered into the following:

- (i) a conditional sale and purchase agreement with Hong Leong Bank Berhad ("HLB") for the proposed acquisition of the entire equity interest in MIMB Investment Bank Berhad ("MIMB") ("MIMB SPA") for an indicative cash consideration of RM157.90 million in accordance with the terms and subject to the conditions therein ("Proposed Acquisition of MIMB");
- (ii) a letter of indemnity from HLB to HLCB pursuant to the MIMB SPA ("HLB's Letter of Indemnity"); and
- (iii) a conditional sale and purchase agreement with HLB for the proposed disposal of the entire equity interest in Hong Leong Investment Bank ("HLIB") ("HLIB SPA") for a sum equal to the net tangible assets ("NTA") of HLIB as at the date immediately preceding the completion date of the HLIB SPA, or such other date as HLCB and HLB may mutually agree ("HLIB Consideration") ("Proposed Disposal of HLIB");

The Proposed Acquisition of MIMB and the Proposed Disposal of HLIB shall be collectively referred to as the "Proposals".

Upon completion of the Proposals, MIMB will become a wholly-owned subsidiary of HLCB and HLIB will cease to be a subsidiary of HLCB.

The proposed acquisition of MIMB had been completed on 1 June 2012. With effect from 1 June 2012, MIMB had become a wholly-owned subsidiary of HLCB.

### **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.

The last day for the Plaintiff to lodge its application for leave to appeal further to the Federal Court was on 3 December 2011 (1 month from the date of the decision of the Court of Appeal) and no such application has filed or served to our solicitors. As such, the matter can be considered closed.

## HLCB Q4 (30.06.12)

### 8. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial year ended 30 June 2012.

### 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	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
Net profit attributable to shareholders of the Company (RM'000):	10,440	6,857	36,950	38,525
Weighted average number of Ordinary Shares in issue ('000):	234,609	234,609	234,609	234,609
Basic earnings per share (sen)	4.4	2.9	15.7	16.4

#### (b) Fully diluted earnings per share

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

## HLCB Q4 (30.06.12)

### 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:

	<b>As at 30 June 2012 RM'000</b>	<b>As at 30 June 2011 RM'000</b>
<b>The Group</b>		
Total retained profit		
- Realised	99,846	62,961
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	34,602	42,311
- in respect of other items of income and expense	25,684	7,201
	<u>160,132</u>	<u>112,473</u>
Less : Consolidation adjustment	(58,524)	(34,960)
	<u><u>101,608</u></u>	<u><u>77,513</u></u>
<b>The Company</b>		
Total retained profit		
- Realised	24,007	25,693
- Unrealised		
- in respect of other items of income and expense	9	177
	<u>24,016</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 28 August 2012.