

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

	Note	The Group			The Company		
		As at 30/09/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000	As at 30/09/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000
ASSETS							
Cash and short term funds		812,329	965,576	887,262	2,492	2,297	10,157
Reverse repurchase agreements		-	-	159,684	-	-	-
Deposits and placements with banks and other financial institutions		132,574	92,167	60,125	-	-	-
Financial assets held-for-trading	11	1,115,897	705,692	430,746	396	409	477
Financial investments available- for-sale	12	85,752	117,712	74,882	-	-	-
Financial investments held-to-maturity	13	479,340	495,380	112,647	-	-	-
Derivative financial assets	19	41,174	31,866	7,350	-	-	-
Loans and advances	14	271,700	247,197	108,996	-	-	-
Clients' and brokers' balances	15	201,176	175,875	169,726	-	-	-
Other assets	16	49,530	77,512	66,643	190	19,046	110
Statutory deposits with Bank Negara Malaysia		18,514	19,550	17,800	-	-	-
Tax recoverable		559	928	605	542	893	1,306
Investment in subsidiary companies		-	-	-	492,474	402,474	268,189
Deferred tax assets		34,799	35,757	42,058	-	-	-
Property and equipment		7,733	8,106	8,354	-	-	-
Goodwill		33,060	33,059	33,059	-	-	-
Intangible assets		1,093	1,135	1,094	-	-	-
TOTAL ASSETS		3,285,230	3,007,512	2,181,031	496,094	425,119	280,239
LIABILITIES							
Deposits from customers	17	788,730	633,625	395,243	-	-	-
Deposits and placements of banks and other financial institutions	18	963,054	973,644	747,999	-	-	-
Repurchased agreements		111,260	115,167	-	-	-	-
Derivative financial liabilities	19	45,642	55,429	7,121	-	-	-
Clients' and brokers' balances		684,080	590,111	591,595	-	-	-
Other liabilities	20	144,046	84,966	77,505	91,053	2,359	601
Current liabilities		-	994	417	-	-	-
Deferred tax liabilities		-	956	-	-	-	-
Borrowings		149,393	165,051	20,075	149,393	165,051	20,075
TOTAL LIABILITIES		2,886,205	2,619,943	1,839,955	240,446	167,410	20,676

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

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

	Note	The Group			The Company		
		As at 30/09/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000	As at 30/09/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000
EQUITY							
Share capital		246,896	246,896	246,896	246,896	246,896	
Reserves		165,332	153,876	107,383	(13,203)	25,870	
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)	(13,203)	
TOTAL EQUITY		399,025	387,569	341,076	255,648	259,563	
TOTAL LIABILITIES AND EQUITY							
		3,285,230	3,007,512	2,181,031	496,094	280,239	
COMMITMENTS AND CONTINGENCIES							
	26	6,279,092	6,332,259	3,945,487	-	-	
Net assets per share attributable to ordinary equity holder of the Bank (RM)							
		1.70	1.65	1.45			

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

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

		Restated		Restated
		Current	Last year's	Current
		quarter ended	quarter ended	year ended
		30/09/2012	30/09/2011	30/09/2012
	Note	RM'000	RM'000	RM'000
				Restated
				Last
				year's ended
				30/09/2011
				RM'000
The Group				
Operating revenue		66,923	41,802	66,923
Interest income	21	33,667	17,832	33,667
Interest expense	22	(27,025)	(13,412)	(27,025)
Net interest income		6,642	4,420	6,642
Non-interest income	23	33,256	23,970	33,256
Net income		39,898	28,390	39,898
Overhead expenses	24	(28,025)	(18,058)	(28,025)
Operating profit before allowances (Allowance for)/write-back of impairment on loans and advances and other losses	25	11,873	10,332	11,873
Profit before taxation		11,669	11,006	11,669
Taxation		(3,505)	(2,949)	(3,505)
Net profit for the period		8,164	8,057	8,164
Earnings per share (sen)				
- Basic		3.5	3.4	3.5

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

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

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
Note				
The Group				
Net profit for the period	8,164	8,057	8,164	8,057
Other comprehensive income:				
Net fair value changes on financial investments available-for-sale	101	(652)	101	(652)
Income tax relating to net fair value changes on financial investments available-for-sale	(25)	163	(25)	163
Other comprehensive income for the period, net of tax	<u>76</u>	<u>(489)</u>	<u>76</u>	<u>(489)</u>
Total comprehensive income for the period, net of tax	<u>8,240</u>	<u>7,568</u>	<u>8,240</u>	<u>7,568</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

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

	Current quarter ended 30/09/2012	Last year's quarter ended 30/09/2011	Current year ended 30/09/2012	Last year's ended 30/09/2011
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Operating revenue	<u>3</u>	<u>(2)</u>	<u>3</u>	<u>(2)</u>
Interest income	21 <u>16</u>	65	21 <u>16</u>	65
Interest expense	22 <u>(1,839)</u>	(212)	22 <u>(1,839)</u>	(212)
Net interest expense	<u>(1,823)</u>	(147)	<u>(1,823)</u>	(147)
Non-interest income	23 <u>(13)</u>	(67)	23 <u>(13)</u>	(67)
Net expense	<u>(1,836)</u>	(214)	<u>(1,836)</u>	(214)
Overhead expenses	24 <u>(225)</u>	(242)	24 <u>(225)</u>	(242)
Operating profit before allowances (Allowance for)/write-back of impairment on loans and advances and other losses	25 <u>(2,061)</u>	(456)	25 <u>(2,061)</u>	(456)
Loss before taxation	<u>(2,061)</u>	(456)	<u>(2,061)</u>	(456)
Taxation	<u>-</u>	-	<u>-</u>	-
Net loss for the period	<u>(2,061)</u>	(456)	<u>(2,061)</u>	(456)
Earnings per share (sen)				
- Basic	<u>(0.8)</u>	(0.2)	<u>(0.8)</u>	(0.2)

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

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Company				
Net loss for the period	(2,061)	(456)	(2,061)	(456)
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 income for the period, net of tax	(2,061)	(456)	(2,061)	(456)

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

The Group	Note	Non-Distributable Reserves					Distributable Reserves			Total RM'000
		Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	General Reserves RM'000	Statutory Reserves RM'000	Share Option Reserves RM'000	Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000	Retained Profits RM'000	
At 1 July 2012										
- as previously reported		246,896	(13,203)	543	47,352	884	356	14	101,608	384,450
- effects of adopting MFRS 1 and changes in accounting policies	34	-	-	-	-	-	-	-	3,119	3,119
At 1 July 2012, as restated		246,896	(13,203)	543	47,352	884	356	14	104,727	387,569
Net profit for the period		-	-	-	-	-	-	-	8,164	8,164
Other comprehensive income		-	-	-	-	-	76	-	-	76
Total comprehensive income for the year		-	-	-	-	-	76	-	8,164	8,240
Option charge arising from ESOS granted		-	-	-	-	153	-	-	-	153
Restatement of deferred tax assets		-	-	-	-	-	-	-	3,063	3,063
At 30 September 2012		246,896	(13,203)	543	47,352	1,037	432	14	115,954	399,025
At 1 July 2011										
- as previously reported		246,896	(13,203)	543	28,222	288	56	-	77,513	340,315
- effects of adopting MFRS 1 and changes in accounting policies	34	-	-	-	-	-	-	-	761	761
At 1 July 2011, as restated		246,896	(13,203)	543	28,222	288	56	-	78,274	341,076
Net profit for the period		-	-	-	-	-	-	-	8,057	8,057
Other comprehensive income		-	-	-	-	-	(489)	-	-	(489)
Total comprehensive income for the period		-	-	-	-	-	(489)	-	8,057	7,568
Option charge arising from ESOS granted		-	-	-	-	162	-	-	-	162
At 30 September 2011		246,896	(13,203)	543	28,222	450	(433)	-	86,331	348,806

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

HONG LEONG CAPITAL BERHAD
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UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	Non-Distributable Reserves					Distributable Reserves			Total
	Share Capital	Treasury Shares for ESOS Scheme	General Reserves	Statutory Reserves	Share Option Reserves	Fair Value Reserve	Exchange fluctuation Reserve	Retained Profits	
The Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2012	246,896	(13,203)	-	-	-	-	-	24,016	257,709
Net loss for the period	-	-	-	-	-	-	-	(2,061)	(2,061)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(2,061)	(2,061)
At 30 September 2012	246,896	(13,203)	-	-	-	-	-	21,955	255,648
At 1 July 2011	246,896	(13,203)	-	-	-	-	-	25,870	259,563
Net loss for the period	-	-	-	-	-	-	-	(456)	(456)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(456)	(456)
At 30 September 2011	246,896	(13,203)	-	-	-	-	-	25,414	259,107

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2012.

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

	The Group	
	30/09/2012	30/09/2011
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before tax expense	11,669	11,006
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	658	643
- Amortisation of intangible assets	206	200
- Option charge arising from ESOS	153	162
- Gain on disposal of property and equipment	(55)	(2)
- Allowance for impairment for losses on loans and advances	60	35
- Allowances for/(writeback of) losses on clients' and brokers' balance	144	(661)
- Net unrealised loss/(gain) on revaluation:		
- Financial assets held-for-trading	317	605
- Derivative financial instruments	(20,268)	23,141
- Accretion of discount less amortisation of premium	1,166	817
- Interest income from:		
- Financial assets held-for-trading	(7,333)	(4,833)
- Financial investments available-for-sale	(1,222)	(845)
- Financial investments held-to-maturity	(5,426)	(2,874)
- Derivative financial instruments	(13,446)	(5,080)
- Interest expense on derivative financial instruments	13,823	5,242
- Interest expense on borrowings	1,839	212
- Dividend income from:		
- Financial assets held-for-trading	(800)	(426)
- Financial investments available-for-sale	-	(147)
	(30,184)	16,189
Operating (loss)/profit before changes in working capital	(18,515)	27,195

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 2012.

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

	The Group	
	30/09/2012	30/09/2011
	RM'000	RM'000
Operating (loss)/profit before changes in working capital (continued)	(18,515)	27,195
Changes in working capital:		
- Reverse repurchase agreements	-	29,630
- Deposits and placements with banks and other financial institutions	(40,407)	(67,671)
- Financial assets held-for-trading	(408,449)	(105,064)
- Financial investments available-for-sale	31,679	(8,650)
- Financial investments held-to-maturity	16,649	(262,337)
- Derivative financial instruments	934	(5,030)
- Loans and advances	(24,563)	(5,380)
- Clients' and brokers' balances	(25,445)	49,538
- Other assets	27,517	22,167
- Statutory deposits with Bank Negara Malaysia	1,036	(8,200)
Net changes in operating assets	(421,049)	(360,997)
- Deposits from customers	155,105	(57,281)
- Deposits and placements of banks and other financial institutions	(10,590)	246,442
- Repurchased agreements	(3,907)	-
- Clients' and brokers' balances	93,969	(121,012)
- Other liabilities	16,533	102,694
Net changes in operating liabilities	251,110	170,843
Cash used in operating activities	(188,454)	(162,959)
- Net income tax paid	(625)	-
Net cash used in operating activities	(189,079)	(162,959)

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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 30 SEPTEMBER 2012

	The Group	
	30/09/2012	30/09/2011
	RM'000	RM'000
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets held-for-trading	800	495
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	21,929	5,901
Interest expenses paid on derivative financial instruments	(11,552)	(4,114)
Proceeds from disposal of property and equipment	75	1
Purchase of property and equipment	(305)	(151)
Purchase of intangible assets	(164)	(83)
Net cash generated from investing activities	10,783	2,049
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	(1,497)	(287)
Repayment of borrowings	(16,000)	-
Net cash used in financing activities	(17,497)	(287)
Net changes in cash and cash equivalents	(195,793)	(161,197)
Cash and cash equivalents at beginning of year	486,477	438,444
Cash and cash equivalents at end of period	290,684	277,247
Cash and cash equivalents comprise:		
Cash and short term funds	812,329	634,890
Less: Remisiers' and clients' trust monies	(521,645)	(357,643)
	290,684	277,247

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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 30 SEPTEMBER 2012

	The Company	
	30/09/2012	30/09/2011
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Loss before tax expense	(2,061)	(456)
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss on financial assets held-for-trading	13	67
- Interest income	(16)	(65)
- Interest expense on borrowings	1,839	212
	1,836	214
Operating loss before changes in working capital	(225)	(242)
Changes in working capital:		
- Other assets	18,856	(5,125)
Net changes in operating assets	18,856	(5,125)
- Other liabilities	88,694	277
Net changes in operating liabilities	88,694	277
Cash generated from/(used in) operating activities	107,325	(5,090)
- Net income tax refund	351	-
- Interest received	16	65
Net cash generated from/(used in) operating activities	107,692	(5,025)
<u>Cash flows from investing activities</u>		
Capital reduction of a subsidiary	-	5,000
Investment in a subsidiary	(90,000)	-
Net cash (used in)/generated from investing activities	(90,000)	5,000
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	(1,497)	(287)
Repayment of borrowings	(16,000)	-
Net cash used in financing activities	(17,497)	(287)
Net changes in cash and cash equivalents	195	(312)
Cash and cash equivalents at beginning of year	2,297	10,157
Cash and cash equivalents at end of period	2,492	9,845
Cash and cash equivalents comprise:		
Cash and short term funds	2,492	9,845

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 2012.

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 SEPTEMBER 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 Malaysian Accounting Standard Board ('MASB') has announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysia Financial Reporting Standards ('MFRS') for financial year commencing on or after 1 January 2012.

These condensed financial statements of the Group and the Company for the period ended 30 September 2012 are the first set of interim financial statements prepared in accordance with the Malaysian Financial Reporting Standard ('MFRS'), including MFRS 1 'First-time adoption of MFRS'. Subject to certain transition elections disclosed in note 34, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 July 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these condensed financial statements have been restated to give effect to these changes. Note 34 discloses the impact of the transition to MFRS on the Group and Company's reported financial position, financial performance and cash flows.

The interim financial statements are unaudited and have been prepared in compliance with MFRS 134 'Interim Financial Reporting' issued by MASB and should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 30 June 2012.

The accounting policies and presentation adopted by the Group and the Company for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2012, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 July 2012:

- MFRS 139 "Financial Instruments: Recognition and Measurement"
- Revised MFRS 124 "Related Party Disclosures"
- Amendment to MFRS 112 "Income Taxes"
- Amendment to MFRS 1 "First Time Adoption on Fixed Dates and Hyperinflation"
- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets"
- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income"

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial effects to the Group and the Bank, except for the adoption of MFRS 139.

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the Bank Negara Malaysia ('BNM') may prescribed the use of an alternative basis for collective assessment of impairments in loans and advances. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

1. Basis of preparation (continued)

Previously, when a collectively assessed loans and receivable is deemed impaired, the Group reversed out the interest income recognised in income statements and set off against the interest receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 July 2012, once a collectively assessed loans and receivables has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's and Company's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The principal effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note 34.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2012 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 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 September 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 September 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 September 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.

6. Debt and Equity Securities (continued)

(b) The shares purchased for the benefit of the ESOS holders are recorded as “Shares held by ESOS Trust” in the Group and the Company’s statement of financial position as deduction in arriving at the shareholders’ equity. Total shares held by ESOS Trust comprise 12,287,200 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 30 September 2012.

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

Grant date	Expiry date		As at 30 September 2012
19 January 2011	18 July 2013	*	1,260,000
19 January 2011	18 April 2014	^	1,470,000
19 January 2011	18 April 2015	^	1,470,000
			<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.

7. Dividends

There was no dividend paid during the financial quarter ended 30 September 2012.

8. Valuations of property, plant and equipment

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

9. Significant events

On 13 August 2012, Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) (“HLIB”)s authorised share capital was increased from RM500,000,000 to RM620,000,000 comprising of 600,000,000 shares of RM1 each and 2,000,000,000 Non-Cumulative Redeemable Preference shares of RM0.01 each.

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 Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) to the HLIB with effect from 29 September 2012.

On 29 September 2012, HLIB had issued 90,000,000 new ordinary shares of RM1.00 each at par and 163,076,524 new redeemable preference shares of RM0.01 each at par.

10. Subsequent events

On 1 October 2012, the Company announced that the entire assets, liabilities, activities, business and undertakings of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) [“HLIB”] had been vested to Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad [“MIMB”]) on 29 September 2012 (“Vesting”). Accordingly, all of the direct subsidiaries of HLIB had, on the event day, become direct subsidiaries of MIMB.

Following the Vesting, HLIB had surrendered its merchant banking license to Bank Negara Malaysia and its Capital Markets Services License to the Securities Commission on 1 October 2012.

The final consideration in respect of the Vesting has been determined at RM295.96 million. HLIB had on 12 October 2012 received the full consideration from MIMB.

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

	The Group		The Company	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Money market instruments				
Malaysian Government Securities	19,922	-	-	-
Negotiable instruments of deposits	477,609	375,719	-	-
Bank Negara Malaysia Bills	363,588	199,683	-	-
Bankers' acceptances	82,692	-	-	-
	943,811	575,402	-	-
Quoted securities				
In Malaysia:				
Shares	8,553	8,433	-	-
Unit trust investment	19,929	14,797	396	409
Outside Malaysia:				
Foreign currency bonds	-	8,684	-	-
	28,482	31,914	396	409
Unquoted securities				
Private and Islamic debt securities	143,604	98,376	-	-
	1,115,897	705,692	396	409

12. Financial investments available-for-sale

	The Group	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Money market instruments		
Cagamas bonds	5,207	5,150
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	11,032	22,626
Unquoted securities		
Shares	2,445	2,445
Private and Islamic debt securities	67,068	87,491
	69,513	89,936
	85,752	117,712

13. Financial investments held-to-maturity

	The Group	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Money market instruments		
Malaysian Government Investment Issues	5,076	5,131
Cagamas bonds	10,335	10,240
	<u>15,411</u>	<u>15,371</u>
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	418,102	434,067
Unquoted securities		
Private and Islamic debt securities	45,827	45,942
	<u>479,340</u>	<u>495,380</u>

14. Loans and advances

	The Group	
	As at 30/09/2012 RM'000	Restated As at 30/06/2012 RM'000
Term loan financing	119,751	107,891
Share margin financing	149,243	137,847
Revolving credits	713	963
Staff loans	2,890	2,589
Gross loans and advances	<u>272,597</u>	<u>249,290</u>
Allowance for impaired loans and advances:		
- individual assessment allowance	-	(1,256)
- collective assessment allowance	(897)	(837)
Net loans and advances	<u>271,700</u>	<u>247,197</u>

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	29,127	18,703
- Others	140,103	133,754
Individuals	99,754	93,288
Foreign entities	3,613	3,545
Gross loans and advances	<u>272,597</u>	<u>249,290</u>

14b. By interest rate sensitivity

Fixed rate		
- Staff housing loans	2,305	1,957
- Other fixed rate loan	6,026	44,070
Variable rate		
- Cost plus	264,266	202,631
Non-interest bearing	-	632
Gross loans and advances	<u>272,597</u>	<u>249,290</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/09/2012 RM'000	Restated As at 30/06/2012 RM'000
14c. <u>By residual contractual maturity</u>		
Maturity within 1 year	269,713	246,681
More than one year to three years	131	398
More than three years to five years	427	52
More than five years	2,326	2,159
Gross loans and advances	<u>272,597</u>	<u>249,290</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>272,597</u>	<u>249,290</u>
14e. <u>By economic purpose</u>		
Purchase of securities	149,595	166,103
Working capital	91,900	80,598
Purchase of transport vehicles	586	633
Purchase of residential property	2,305	1,956
Personal use	28,211	-
Gross loans and advances	<u>272,597</u>	<u>249,290</u>
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
Impaired loans and advances		
At 1 July	1,256	9,374
Impaired during the period	196	136
Amount written back	-	(8,254)
Amount written-off	(1,256)	-
Closing balance	<u>196</u>	<u>1,256</u>
 % of impaired loans to total loans and advances net of individual assessment allowance	 <u>0.1%</u>	 <u>0.5%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>196</u>	<u>1,256</u>
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of securities	<u>196</u>	<u>1,256</u>
Gross impaired loans and advances	<u>196</u>	<u>1,256</u>

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14. Loans and advances (continued)

	The Group	
	As at	Restated
	30/09/2012	As at 30/06/2012
	RM'000	RM'000
14i. Movement in the allowance for loss on loans and advances are as follows:		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously reported	3,901	1,644
- effects of adopting MFRS	(3,064)	(1,021)
At 1 July, restated	837	623
Arising from acquisition of MIMB	-	1,086
Prior year adjustment for amount arising from acquisition of MIMB	-	(926)
Allowance made/(written back) during the period	60	54
Closing balance	897	837

Individual assessment allowance

At 1 July	1,256	4,679
Allowance made during the period	-	136
Amount written back	-	(3,559)
Amount written off	(1,256)	-
Closing balance	-	1,256

15. Clients' and brokers' balances

	The Group	
	As at	Restated
	30/09/2012	As at 30/06/2012
	RM'000	RM'000
Performing accounts	201,304	175,368
Impaired accounts	1,255	1,403
	202,559	176,771
Less: Individual assessment allowance	(1,216)	(752)
Collective assessment allowance	(167)	(144)
	201,176	175,875

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16. Other assets

	The Group		The Company	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Amount due from subsidiary companies	-	-	186	424
Amount due from a related company	-	21,399	-	18,615
Deposits and prepayments	5,260	5,033	4	7
Other receivables	43,935	50,659	-	-
Manager's stocks and consumables	335	421	-	-
	49,530	77,512	190	19,046

17. Deposits from customers

	The Group	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Fixed deposits	788,730	633,625
17a. <u>By type of deposit</u>		
Fixed deposits	788,730	633,625
17b. <u>By type of customer</u>		
Government and statutory bodies	625,000	617,832
Business enterprises	163,730	15,793
	788,730	633,625
17c. The maturity structure of fixed deposits are as follows:		
Due within six months	788,730	633,625

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Licensed banks	434,384	406,153
Other financial institutions	528,670	567,491
	963,054	973,644

19. Derivative financial instruments

	The Group		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
30/09/2012			
Interest rate related contracts:			
- Interest rate swaps	1,658,500	14,934	(21,634)
- Futures	1,602,950	867	(2,282)
- Cross currency swaps	61,180	207	(281)
Foreign exchange related contracts:			
- Foreign currency swaps	2,389,287	22,306	(21,445)
- Foreign currency spot			
- Foreign currency forwards	612	10	-
Equity related contracts:			
- Call option	10,000	2,850	-
	5,722,529	41,174	(45,642)
30/06/2012			
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	-
	5,839,034	31,866	(55,429)

20. Other liabilities

	The Group		The Company	
	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	90,000	-
Amount due to related companies	132	125	32	24
Remisiers' trust deposits	16,689	16,420	-	-
Other payables and accrued liabilities	117,849	59,039	1,019	2,333
Provision for commitments and contingencies	9,039	9,039	-	-
Post employment benefits obligation				
- defined contribution plan	289	286	-	-
- defined benefit plan	46	55	-	-
	144,046	84,966	91,053	2,359

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21. Interest income

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Group				
Loan and advances	4,334	1,751	4,334	1,751
Money at call and deposits placements with banks and other financial institutions	2,871	2,927	2,871	2,927
Financial assets held-for-trading	7,333	4,833	7,333	4,833
Financial investments available-for-sale	1,222	845	1,222	845
Financial investments held-to-maturity	5,426	2,874	5,426	2,874
Derivative financial instruments	13,446	5,080	13,446	5,080
Others	201	339	201	339
	34,833	18,649	34,833	18,649
Accretion of discount less amortisation of premium	(1,166)	(817)	(1,166)	(817)
Total interest income	33,667	17,832	33,667	17,832
Of which:				
Interest income earned on impaired loans and advances	-	75	-	75
The Company				
Money at call and deposits placements with banks and other financial institutions	16	65	16	65

22. Interest expense

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Group				
Deposits and placements of banks and other financial institutions	3,100	742	3,100	742
Deposits from customers	8,003	7,171	8,003	7,171
Derivative financial liabilities	13,823	5,242	13,823	5,242
Borrowings	1,839	257	1,839	257
Other finance cost	260	-	260	-
Total interest expense	27,025	13,412	27,025	13,412
The Company				
Borrowings	1,839	212	1,839	212

23. Non-interest income

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	351	83	351	83
Advisory fees	1,861	-	1,861	-
Arranger fees	2,390	2,619	2,390	2,619
Placement fee	5,820	440	5,820	440
Guarantee fees	233	-	233	-
Corporate advisory fees	1,861	2,090	1,861	2,090
Underwriting Commission	565	-	565	-
Brokerage commissions	10,773	10,344	10,773	10,344
Net commission from futures business	174	268	174	268
Net unit trust and asset management income	4,739	4,016	4,739	4,016
Other fee income	1,397	8,575	1,397	8,575
	30,164	28,435	30,164	28,435
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	(1,252)	257	(1,252)	257
- Financial investments available-for-sale	324	210	324	210
- Derivative financial instruments	(13,248)	(3,063)	(13,248)	(3,063)
	(14,176)	(2,596)	(14,176)	(2,596)
(c) Dividend income from:				
- Financial assets held-for-trading	800	426	800	426
- Financial investments available-for-sale	-	147	-	147
	800	573	800	573
(d) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(317)	(605)	(317)	(605)
- Derivative financial instruments	20,268	(23,141)	20,268	(23,141)
	19,951	(23,746)	19,951	(23,746)
(e) Gain on disposal of property and equipment	55	2	55	2
(f) Foreign exchange gain/(loss)	(3,665)	21,433	(3,665)	21,433
(g) Other income/(expense)	127	(131)	127	(131)
Total non-interest income	33,256	23,970	33,256	23,970

23. Non-interest income (continued)

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Company				
(a) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(13)	(67)	(13)	(67)
	(13)	(67)	(13)	(67)

24. Overhead expenses

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	14,404	8,147	14,404	8,147
- Option charge/(writeback) arising from ESOS	153	162	153	162
- Others	2,594	1,462	2,594	1,462
	17,151	9,771	17,151	9,771
Establishment costs				
- Depreciation of property and equipment	658	643	658	643
- Amortisation of intangible assets	206	200	206	200
- Rental	1,707	1,352	1,707	1,352
- Information technology expenses	1,519	1,098	1,519	1,098
- Others	574	430	574	430
	4,664	3,723	4,664	3,723
Marketing expenses				
- Advertisement and publicity	86	150	86	150
- Entertainment and business improvement	335	343	335	343
- Others	123	144	123	144
	544	637	544	637
Administration and general expenses				
- Management fees	707	615	707	615
- Teletransmission expenses	647	430	647	430
- Auditors' remuneration				
- Statutory audit	65	61	65	61
- Other fees	4	-	4	-
- Legal and professional fees	2,216	1,584	2,216	1,584
- Others	2,027	1,237	2,027	1,237
	5,666	3,927	5,666	3,927
	28,025	18,058	28,025	18,058

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24. Overhead expenses (continued)

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Company				
Personnel costs				
- Salaries, bonuses and allowances	(21)	34	(21)	34
- Others	11	16	11	16
	<u>(10)</u>	<u>50</u>	<u>(10)</u>	<u>50</u>
Establishment costs				
- Rental	-	-	-	-
- Others	5	16	5	16
	<u>5</u>	<u>16</u>	<u>5</u>	<u>16</u>
Marketing expenses				
- Advertisement and publicity	-	-	-	-
- Others	1	3	1	3
	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>
Administration and general expenses				
- Teletransmission expenses	1	1	1	1
- Auditors' remuneration				
- Statutory audit	17	13	17	13
- Other fees	3	-	3	-
- Legal and professional fees	71	10	71	10
- Others	137	149	137	149
	<u>229</u>	<u>173</u>	<u>229</u>	<u>173</u>
	<u>225</u>	<u>242</u>	<u>225</u>	<u>242</u>

25. Allowance for/(write-back) of impairment on loans and advances and other losses

	Current quarter ended 30/09/2012 RM'000	Last year's quarter ended 30/09/2011 RM'000	Current year ended 30/09/2012 RM'000	Last year's ended 30/09/2011 RM'000
The Group				
Allowance for/(write-back of) losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period	-	32	-	32
Collective assessment allowance made during the period	60	3	60	3
Bad debts on clients' and brokers' balances				
- recovered	-	(48)	-	(48)
Allowance for losses on clients' and brokers' balances:				
Collective Assessment allowance made during the period	23	9	23	9
Individual assessment allowance				
- made during the period	569	683	569	683
- written back during the period	(448)	(1,353)	(448)	(1,353)
	204	(674)	204	(674)

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26. Commitments and contingencies

	30 September 2012			30 June 2012		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
The Group and the Company						
Commitments and contingent liabilities						
Obligations under underwriting agreement	71,000	35,500	35,500	-	-	-
Direct Credit Substitutes	50,750	50,750	50,750	50,750	50,750	50,750
Other commitments, such as formal standby facilities and credit lines						
- maturity less than one year	3,766	753	753	15,266	3,053	3,053
- maturity over one year	277	139	139	641	321	321
Any commitments that are unconditionally cancelled at any time by the bank without prior notice						
- maturity less than one year	430,770	-	-	426,568	-	-
	556,563	87,142	87,142	493,225	54,124	54,124
Derivative Financial Instruments						
Interest rate related contracts:						
- One year or less	864,130	2,249	450	960,241	1,214	243
- Over one year to five years	2,458,500	56,338	12,150	2,579,963	48,838	9,767
- Over five years	-	-	-	57,189	-	-
Foreign exchange related contracts						
- One year or less	2,389,899	52,788	10,833	2,231,641	41,028	8,206
Equity related contracts						
- One year or less	-	-	-	-	-	-
- Over one year to five years	10,000	-	-	10,000	-	-
	5,722,529	111,375	23,432	5,839,034	91,080	18,216
	6,279,092	198,517	110,574	6,332,259	145,204	72,340

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

HLCB Q1 (30.09.12)**27. Capital adequacy**

	HLIB	
	As at	As at
	30/09/2012	30/06/2012[^]
Core capital ratio	23.3%	147.6%
Risk-weighted capital ratio	23.7%	148.5%

	HLIB	
	As at	As at
	30/09/2012	30/06/2012[^]
	RM'000	RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	165,000	75,000
Share premium	87,950	87,950
Retained profit	(71,611)	(71,611)
Other reserves	83,385	83,385
	264,724	174,724
Less: Goodwill	-	-
Deferred tax assets (net)	(35,469)	(35,469)
Total Tier I capital	229,255	139,255
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	1,631	-
Collective assessment allowance	897	1,086
Total tier II capital	2,528	1,086
Total capital	231,783	140,341
Less: Investment in subsidiary companies	(1,218)	(220)
Capital base	230,565	140,121

The capital adequacy ratios of Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ["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% (2012 - 8.00%) for the risk-weighted capital ratio.

[^] The above capital adequacy ratios has not been adjusted for the effect of the adoption of MFRS.

28. Segmental reporting

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

	Fund					
	Investment banking and stockbroking	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
30 September 2012						
REVENUE & EXPENSES						
Revenue						
Net Interest income	8,031	314	107	(1,810)	-	6,642
Non interest income	28,596	4,737	185	(262)	-	33,256
Results						
Profit/(loss) from operations	12,601	1,502	(41)	(2,393)	-	11,669
Taxation						(3,505)
Profit after taxation						8,164
30 September 2011						
REVENUE & EXPENSES						
Revenue						
Net Interest income	4,243	236	86	(145)	-	4,420
Non interest income	19,652	4,018	291	9	-	23,970
Results						
Profit/(loss) from operations	11,269	105	72	(440)	-	11,006
Taxation						(2,949)
Profit after taxation						8,057

(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.

30. Changes in composition of the Group

On 1 October 2012, the Company announced that the entire assets, liabilities, activities, business and undertakings of Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ["HLIB"] had been vested to Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad ["MIMB"]) on 29 September 2012 ("Vesting"). Accordingly, all of the direct subsidiaries of HLIB had, on the event day, become direct subsidiaries of MIMB.

Following the Vesting, HLIB had surrendered its merchant banking license to Bank Negara Malaysia and its Capital Markets Services License to the Securities Commission on 1 October 2012.

31. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 September 2012 is RM0.6 million.

32. 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 one sector fund. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if the fund 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 the fund was above the minimum of RM1 million as at 30 September 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.

34. Adoption of MFRS 1 and changes in accounting policies

(A) Adoption of MFRS 1

(i) MFRS 1 mandatory exceptions

Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

(ii) MFRS 1 exemption options

Designation of previously recognised financial instruments

MFRS 1 permits a previously recognised financial instrument to be designated as available for sale on the transition date provided the criteria in MFRS 139 'Financial instruments: Recognition and measurement' are met. The Group is assessing if the option is to be adopted to re-designate certain of its previously recognised held-to-maturity securities as available-for-sale securities at the transition date of 1 July 2012, including obtaining feedback from the regulator. The Group expects to be in the position to make a decision before the end of the 2nd quarter ending 31 December 2012.

34. Adoption of MFRS 1 and changes in accounting policies (continued)**(A) Adoption of MFRS 1 (continued)****(iii) Explanation of transition from FRSs to MFRSs**

MFRS 1 requires an entity to reconcile equity, total comprehensive income and cash flows for prior years. The following tables represent the reconciliations from FRSs to MFRSs for the respective years noted for equity and total comprehensive income arising from the adoption of the new MFRS framework and the change in accounting policy on impairment of loans and advances as disclosed in Note 1.

(B) Impact on adoption of MFRSs**(i) Impacts on the Group's Statements of Financial Position**

As at 1 July 2011	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
Assets			
Loans and advances			
- Net loans and advances	107,975	1,021	108,996
- Collective impairment allowances	(1,644)	1,021	(623)
Clients' and brokers' balances			
- Net clients' and brokers' balances	169,733	(7)	169,726
- Collective impairment allowances	-	(7)	(7)
Deferred tax assets	42,311	(253)	42,058
Total equity	340,315	761	341,076
Retained profits	77,513	761	78,274
As at 30 June 2012	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
Assets			
Loans and advances			
- Net loans and advances	244,133	3,064	247,197
- Collective impairment allowances	(3,901)	3,064	(837)
Clients' and brokers' balances			
- Net clients' and brokers' balances	176,019	(144)	175,875
- Collective impairment allowances	-	(144)	(144)
Deferred tax assets	35,558	199	35,757
Total equity	384,450	3,119	387,569
Retained profits	101,608	3,119	104,727

34. Adoption of MFRS 1 and changes in accounting policies (continued)

(B) Impact on adoption of MFRS

(ii) Impacts on the Group's Income Statements/Statements of Comprehensive Income
For the 3 months ended 30 September 2011

	As previously reported RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
Write-back of allowance for impairment on loans, advances and other losses	606	68	674
Profit before taxation	10,938	68	11,006
Taxation	(2,932)	(17)	(2,949)
Net profit for the financial period	8,006	51	8,057
Earnings per share (sen) - basic	3.3	0.1	3.4

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

1. Performance review

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

The group recorded a higher profit before tax ("PBT") of RM11.7 million for the 1st quarter September 2012 as compared to RM11.0 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 RM12.6 million for the 1st quarter September 2012 as compared to previous year corresponding quarter of RM11.3 million mainly due to higher contribution from its Treasury & Markets and Equity Markets divisions.

Fund management and unit trust management

Fund management and unit trust management recorded a profit before tax of RM1.5 million for the 1st quarter September 2012 as compared to PBT of RM0.1 million in previous year corresponding quarter, mainly due to higher net contribution from management fee income and lower overheads incurred.

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

For the financial quarter ended 30 September 2012, the Group reported a lower PBT of RM11.7 million compared to the PBT of RM15.1 million in the preceding financial quarter. This was mainly due to lower contribution from investment banking and stockbroking segments.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a lower PBT of RM12.6 million for the 1st quarter September 2012 as compared to preceding financial quarter of RM15.6 million mainly due to higher overheads incurred arising from under provision of staff costs.

Fund management and unit trust management

The fund management and unit trust management segment recorded a lower profit before tax of RM1.5 million for 4th quarter June 2012 as compared to PBT of RM1.7 million in preceding financial quarter. This is mainly due to lower net contribution from management fee income.

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	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	445	154	445	154
Deferred tax	3,060	2,795	3,060	2,795
	3,505	2,949	3,505	2,949

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, other than as mentioned below:

On 13 August 2012, the Company announced that Promilia Berhad (formerly known as Hong Leong Investment Bank Berhad) ("HLIB") had entered into a Business Transfer Agreement with Hong Leong Investment Bank Berhad (formerly known as MIMB Investment Bank Berhad) ("MIMB") for the transfer of the entire assets, liabilities, activities, business and undertakings of HLIB ("HLIB's Business Undertakings") to MIMB for a provisional consideration of RM251.30 million ("Proposed Business Rationalisation"). HLIB's Business Undertakings shall subsequently be vested to HLIB pursuant to a Court Order to be procured. The completion of the Proposed Business Rationalisation shall take place on such date as may be ordered by the High Court of Malaya. Upon completion of the Proposed Business Rationalisation, HLIB shall surrender its merchant banking license to Bank Negara Malaysia and its Capital Markets Services License to the Securities Commission.

On 16 August 2012, the Company announced that the High Court of Malaya had on 15 August 2012 granted a Vesting Order for the transfer of HLIB's Business Undertakings to MIMB with effect from 29 September 2012.

On 1 October 2012, the Company announced that the entire assets, liabilities, activities, business and undertakings of HLIB had been vested to MIMB on 29 September 2012 ("Vesting").

Following the Vesting, HLIB had surrendered its merchant banking license to Bank Negara Malaysia and its Capital Markets Services License to the Securities Commission on 1 October 2012.

6. Group borrowings

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

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7. Material litigation

The Banking subsidiary has incurred the following:

As at 30.09.2012 <u>Derivatives financial instrument</u>	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	864,130	958	(1,756)
(ii) 1 year to 3 years	870,000	1,469	(3,109)
(iii) More than 3 years	1,588,500	13,581	(19,332)
Foreign exchange related contracts			
(i) Less than 1 year	2,389,899	22,316	(21,445)
Equity related contractes			
(i) More than 3 years	10,000	2,850	-
	<u>5,722,529</u>	<u>41,174</u>	<u>(45,642)</u>

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

Credit risk

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

Market risk

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

Related accounting policies

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

8. Material litigation

The Group and the Company do not have any material litigation which would materially and adversely affect the financial position of the Group and the Company.

9. Dividends

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

HLCB Q1 (30.09.12)**10. Earnings per share ("EPS")**

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
Net profit attributable to shareholders of the Company (RM'000):	8,164	8,057	8,164	8,057
Weighted average number of Ordinary Shares in issue ('000):	234,609	234,609	234,609	234,609
Basic earnings per share (sen)	3.5	3.4	3.5	3.4

(b) Fully diluted earnings per share

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

11. 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 30 September 2012 RM'000	Restated As at 30 June 2012 RM'000
The Group		
Total retained profit		
- Realised	98,743	102,766
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	34,799	34,801
- in respect of other items of income and expense	41,241	25,684
	<u>174,783</u>	<u>163,251</u>
Less : Consolidation adjustment	(58,829)	(58,524)
	<u>115,954</u>	<u>104,727</u>
The Company		
Total retained profit		
- Realised	21,955	24,007
- Unrealised		
- in respect of other items of income and expense	-	9
	<u>21,955</u>	<u>24,016</u>

11. Realised and unrealised profits/losses (continued)

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 14 November 2012.