

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	The Group			The Company		
		As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000	As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000
ASSETS							
Cash and short term funds		928,658	965,576	887,262	37,474	2,297	10,157
Reverse repurchase agreements		-	-	159,684	-	-	-
Deposits and placements with banks and other financial institutions		227,761	92,167	60,125	-	-	-
Financial assets held-for-trading	11	1,027,628	705,692	430,746	399	409	477
Financial investments available- for-sale	12	322,099	348,185	151,221	-	-	-
Financial investments held-to-maturity	13	248,399	272,855	35,937	-	-	-
Derivative financial assets	19	26,346	31,866	7,350	-	-	-
Loans and advances	14	240,236	247,197	108,996	-	-	-
Clients' and brokers' balances	15	125,518	175,875	169,726	-	-	-
Other assets	16	51,622	77,512	66,643	1,026	19,046	110
Statutory deposits with Bank Negara Malaysia		13,500	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		24,150	35,757	42,151	-	-	-
Property and equipment		7,468	8,106	8,354	-	-	-
Goodwill		33,059	33,059	33,059	-	-	-
Intangible assets		1,306	1,135	1,094	-	-	-
TOTAL ASSETS		3,278,309	3,015,460	2,180,753	531,915	425,119	280,239
LIABILITIES							
Deposits from customers	17	438,197	633,625	395,243	-	-	-
Deposits and placements of banks and other financial institutions	18	1,444,979	973,644	747,999	-	-	-
Repurchased agreements		212,824	115,167	-	-	-	-
Derivative financial liabilities	19	31,617	55,429	7,121	-	-	-
Clients' and brokers' balances		623,499	590,111	591,595	-	-	-
Other liabilities	20	103,921	84,966	77,505	278,059	2,359	601
Current tax liabilities		1,953	994	417	-	-	-
Deferred tax liabilities		-	2,943	-	-	-	-
Borrowings		-	165,051	20,075	-	165,051	20,075
TOTAL LIABILITIES		2,856,990	2,621,930	1,839,955	278,059	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.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	The Group			The Company		
		As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000	As at 31/12/2012 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		187,626	159,837	107,105	(13,203)	25,870	
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)	(13,203)	
TOTAL EQUITY		421,319	393,530	340,798	253,856	259,563	
TOTAL LIABILITIES AND EQUITY							
		3,278,309	3,015,460	2,180,753	531,915	280,239	
COMMITMENTS AND CONTINGENCIES							
	26	6,047,492	6,332,259	3,945,487	-	-	
Net assets per share attributable to ordinary equity holder of the Bank (RM)							
		1.80	1.68	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 31 DECEMBER 2012

		Current	Restated	Current	Restated
		quarter ended	Last year's	year ended	Last
		31/12/2012	quarter ended	31/12/2012	year's ended
Note		RM'000	31/12/2011	RM'000	31/12/2011
			RM'000	RM'000	RM'000
The Group					
Operating revenue		78,222	51,226	145,145	93,028
Interest income	21	32,903	26,182	66,570	44,014
Interest expense	22	(24,455)	(20,695)	(51,480)	(34,107)
Net interest income		8,448	5,487	15,090	9,907
Non-interest income	23	45,319	25,044	78,575	49,014
Net income		53,767	30,531	93,665	58,921
Overhead expenses	24	(38,882)	(21,133)	(66,907)	(39,191)
Operating profit before allowances (Allowance for)/write-back of impairment on loans and advances and other losses	25	14,885	9,398	26,758	19,730
Profit before taxation		14,813	11,808	26,482	22,814
Taxation		(5,886)	(2,238)	(9,391)	(5,187)
Net profit for the period		8,927	9,570	17,091	17,627
Earnings per share (sen)					
- Basic		3.81	4.08	7.28	7.51

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 31 DECEMBER 2012

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
Note				
The Group				
Net profit for the period	8,927	9,570	17,091	17,627
Other comprehensive income:				
Net fair value changes on financial investments available-for-sale				
- as previously reported	-	81	-	(571)
- movement during the period/ effect of adopting MFRS 1	9,671	(853)	9,772	(853)
Income tax relating to net fair value changes on financial investments available-for-sale				
- as previously reported	-	(20)	-	143
- movement during the period/ effect of adopting MFRS 1	(2,418)	213	(2,443)	213
Currency translation differences in respect of foreign operation	-	(4)	-	(4)
Other comprehensive income/expense for the period, net of tax	7,253	(583)	7,329	(1,072)
Total comprehensive income for the period, net of tax	16,180	8,987	24,420	16,555

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 31 DECEMBER 2012

	Current quarter ended 31/12/2012	Last year's quarter ended 31/12/2011	Current year ended 31/12/2012	Last year's ended 31/12/2011
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Operating revenue	307	148	310	146
Interest income	21 304	95	320	160
Interest expense	22 (1,616)	(210)	(3,455)	(422)
Net interest expense	(1,312)	(115)	(3,135)	(262)
Non-interest income	23 3	53	(10)	(14)
Net expense	(1,309)	(62)	(3,145)	(276)
Overhead expenses	24 (483)	(387)	(708)	(629)
Operating profit before allowances (Allowance for)/write-back of impairment on loans and advances and other losses	25 (1,792)	(449)	(3,853)	(905)
Loss before taxation	(1,792)	(449)	(3,853)	(905)
Taxation	-	-	-	-
Net loss for the period	(1,792)	(449)	(3,853)	(905)
Earnings per share (sen)				
- Basic	(0.7)	(0.2)	(1.6)	(0.4)

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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 31 DECEMBER 2012

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
Note				
The Company				
Net loss for the period	(1,792)	(449)	(3,853)	(905)
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	-	-	-	-
Income tax relating to net fair value changes on financial investments available-for-sale	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive expense for the period, net of tax	(1,792)	(449)	(3,853)	(905)

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 31 DECEMBER 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	-	-	-	-	-	5,961	-	3,119	9,080
At 1 July 2012, as restated		246,896	(13,203)	543	47,352	884	6,317	14	104,727	393,530
Net profit for the period		-	-	-	-	-	-	-	17,091	17,091
Other comprehensive income		-	-	-	-	-	7,329	-	-	7,329
Total comprehensive income for the year		-	-	-	-	-	7,329	-	17,091	24,420
Option charge arising from ESOS granted		-	-	-	-	306	-	-	-	306
Restatement of deferred tax assets		-	-	-	-	-	-	-	3,063	3,063
At 31 December 2012		246,896	(13,203)	543	47,352	1,190	13,646	14	124,881	421,319
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	-	-	-	-	-	(278)	-	761	483
At 1 July 2011, as restated		246,896	(13,203)	543	28,222	288	(222)	-	78,274	340,798
Net profit for the period		-	-	-	-	-	-	-	17,627	17,627
Other comprehensive expense		-	-	-	-	-	(1,068)	(4)	-	(1,072)
Total comprehensive income for the period		-	-	-	-	-	(1,068)	(4)	17,627	16,555
Option charge arising from ESOS granted		-	-	-	-	323	-	-	-	323
At 31 December 2011		246,896	(13,203)	543	28,222	611	(1,290)	(4)	95,901	357,676

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.

HONG LEONG CAPITAL BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Non-Distributable <u>Reserves</u>			Distributable <u>Reserves</u>			Total 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	
The Company									
At 1 July 2012	246,896	(13,203)	-	-	-	-	-	24,016	257,709
Net loss for the period	-	-	-	-	-	-	-	(3,853)	(3,853)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,853)	(3,853)
At 31 December 2012	246,896	(13,203)	-	-	-	-	-	20,163	253,856
At 1 July 2011	246,896	(13,203)	-	-	-	-	-	25,870	259,563
Net loss for the period	-	-	-	-	-	-	-	(905)	(905)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(905)	(905)
At 31 December 2011	246,896	(13,203)	-	-	-	-	-	24,965	258,658

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 31 DECEMBER 2012

	The Group	
	31/12/2012	31/12/2011
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before tax expense	26,482	22,814
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,349	1,294
- Amortisation of intangible assets	370	397
- Option charge arising from ESOS	306	323
- Gain on disposal of property and equipment	(41)	(2)
- Allowance for impairment for losses on loans and advances	(78)	162
- Allowances for/(writeback of) losses on clients' and brokers' balance	336	(3,193)
- Net unrealised (gain)/loss on revaluation:		
- Financial assets held-for-trading	(1,005)	(2,453)
- Derivative financial instruments	(18,258)	2,611
- Accretion of discount less amortisation of premium	2,132	2,060
- Interest income from:		
- Financial assets held-for-trading	(14,166)	(12,508)
- Financial investments available-for-sale	(2,101)	(2,011)
- Financial investments held-to-maturity	(10,518)	(7,704)
- Derivative financial instruments	(27,727)	(13,036)
- Interest expense on derivative financial instruments	28,357	13,306
- Interest expense on borrowings	1,828	422
- Dividend income from:		
- Financial assets held-for-trading	(1,083)	(716)
- Financial investments available-for-sale	(21)	(147)
	(40,320)	(21,195)
Operating loss before changes in working capital	(13,838)	1,619

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 31 DECEMBER 2012

	The Group	
	31/12/2012	31/12/2011
	RM'000	RM'000
Operating loss before changes in working capital (continued)	(13,838)	1,619
Changes in working capital:		
- Reverse repurchase agreements	-	(89,557)
- Deposits and placements with banks and other financial institutions	(135,594)	(10,759)
- Financial assets held-for-trading	(326,630)	(418,195)
- Financial investments available-for-sale	37,127	(212,669)
- Financial investments held-to-maturity	21,584	(266,730)
- Derivative financial instruments	(38)	89
- Loans and advances	7,039	(26,659)
- Clients' and brokers' balances	50,005	47,351
- Other assets	26,980	33,980
- Statutory deposits with Bank Negara Malaysia	6,050	(15,600)
Net changes in operating assets	(313,477)	(958,749)
- Deposits from customers	(195,428)	199,997
- Deposits and placements of banks and other financial institutions	471,335	1,032,916
- Repurchased agreements	97,657	-
- Clients' and brokers' balances	33,388	(118,655)
- Other liabilities	(31,226)	61,460
Net changes in operating liabilities	375,726	1,175,718
Cash used in operating activities	48,411	218,588
- Net income tax refund	190	240
Net cash generated from operating activities	48,601	218,828

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HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	The Group	
	31/12/2012	31/12/2011
	RM'000	RM'000
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets held-for-trading	1,058	660
- Financial investments available-for-sale	16	147
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	58,896	24,214
Interest expenses paid on derivative financial instruments	(27,592)	(7,641)
Proceeds from disposal of property and equipment	75	1
Purchase of property and equipment	(541)	(583)
Purchase of intangible assets	(745)	(179)
Net cash generated from investing activities	31,167	16,619
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	(1,879)	(433)
Repayment of borrowings	(165,000)	-
Net cash used in financing activities	(166,879)	(433)
Net changes in cash and cash equivalents	(87,111)	235,014
Cash and cash equivalents at beginning of year	486,477	438,444
Cash and cash equivalents at end of period	399,366	673,458
Cash and cash equivalents comprise:		
Cash and short term funds	928,658	1,053,370
Less: Remisiers' and clients' trust monies	(529,276)	(382,823)
	399,382	670,547

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012

	The Company	
	31/12/2012	12/31/11
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Loss before tax expense	(3,853)	(905)
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss on financial assets held-for-trading	10	14
- Interest income	(320)	(160)
- Interest expense on borrowings	3,455	422
	3,145	276
Operating loss before changes in working capital	(708)	(629)
Changes in working capital:		
- Other assets	18,020	(249)
Net changes in operating assets	18,020	(249)
- Other liabilities	184,073	98
Net changes in operating liabilities	184,073	98
Cash generated from operating activities	201,385	(780)
- Net income tax refund	351	958
- Interest received	320	160
Net cash generated from operating activities	202,056	338
<u>Cash flows from investing activities</u>		
Capital reduction of a subsidiary	-	5,000
Investment in a subsidiary	-	-
Net cash generated from investing activities	-	5,000
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	(1,879)	(433)
Repayment of borrowings	(165,000)	-
Net cash used in financing activities	(166,879)	(433)
Net changes in cash and cash equivalents	35,177	4,905
Cash and cash equivalents at beginning of year	2,297	10,157
Cash and cash equivalents at end of period	37,474	15,062
Cash and cash equivalents comprise:		
Cash and short term funds	37,474	15,062

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 31 DECEMBER 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 is the Group's and the Company's first financial reports 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 2011/2012 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.

HLCB Q2 (31.12.12)

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 31 December 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 31 December 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 31 December 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 31 December 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.

HLCB Q2 (31.12.12)

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 31 December 2012.

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

Grant date	Expiry date		As at 31 December 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 31 December 2012.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 2012.

9. Significant 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.

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10. Subsequent events

OSK Investment Bank Berhad on behalf of Hong Leong Financial Group Berhad ("HLFG") had issued to HLCB a Notice of Conditional Voluntary Take-Over Offer on 14 January 2013 to acquire all the remaining ordinary shares of RM1.00 each in HLCB not already held by HLFGB for a cash consideration of RM1.71 per Offer Share.

The offer price represents a premium of the volume-weighted average prices ("VWAP") of HLCB shares up to and including 10 January 2013, being the last full trading day prior to the date of the Notice.

The Offer is not conditional upon the level of acceptances.

The Offer is conditional upon approvals being obtained from the following parties:-

- (a) the Securities Commission ("SC"), consenting to the issuance of the Offer Document;
- (b) the Equity Compliance Unit of the SC ("ECU"), approving the Offer under the equity requirement for public companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities");
- (c) Bank Negara Malaysia ("BNM"), if required; and
- (d) any other relevant regulatory authority or parties, if required;

failing which the Offer shall lapse and all acceptances shall be returned to the Holders who have accepted the Offer.

On 18 February 2013, HLFGB has received BNM's approval in relation to the Offer. As such, the Offer has become unconditional.

HLFG does not intend to maintain the listing status of HLCB on the Official List. Pursuant thereto, HLFGB does not have any intention to undertake any steps to address the shortfall in the public shareholding spread requirement of HLCB. HLFGB will procure HLCB to take the necessary procedures to withdraw its listing status from the Official List in accordance with the Listing Requirements. Following such de-listing, HLCB Shares will no longer be traded on the Main Market of Bursa Securities.

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

	The Group		The Company	
	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000
Money market instruments				
Negotiable instruments of deposits	320,486	375,719	-	-
Bank Negara Malaysia Bills	349,071	199,683	-	-
Bankers' acceptances	111,420	-	-	-
	780,977	575,402	-	-
Quoted securities				
In Malaysia:				
Shares	8,732	8,433	-	-
Unit trust investment	38,217	14,797	399	409
Outside Malaysia:				
Foreign currency bonds	39,263	8,684	-	-
	86,212	31,914	399	409
Unquoted securities				
Private and Islamic debt securities	160,439	98,376	-	-
	1,027,628	705,692	399	409

12. Financial investments available-for-sale

	The Group	
	As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000
Money market instruments		
Cagamas bonds	5,144	5,150
Quoted securities		
In Malaysia:		
Shares	16,170	-
Unit trust investment	201	-
Outside Malaysia:		
Foreign currency bonds	241,456	253,099
Unquoted securities		
Shares	2,445	2,445
Private and Islamic debt securities	56,683	87,491
	59,128	89,936
	322,099	348,185

Following from the approval by the regulator, the Group designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation is RM230,473,000 and RM222,525,000 respectively for the Group.

13. Financial investments held-to-maturity

	The Group	
	As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000
Money market instruments		
Malaysian Government Investment Issues	5,119	5,131
Cagamas bonds	10,202	10,240
	<u>15,321</u>	<u>15,371</u>
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	187,225	211,542
Unquoted securities		
Private and Islamic debt securities	45,853	45,942
	<u>248,399</u>	<u>272,855</u>

Following from the approval by the regulator, the Group designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1. The fair value and the carrying amount of the financial investments at the date of designation is RM230,473,000 and RM222,525,000 respectively for the Group.

14. Loans and advances

	The Group	
	As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000
Term loan financing	88,875	107,891
Share margin financing	148,964	137,847
Revolving credits	461	963
Staff loans	2,695	2,589
Gross loans and advances	<u>240,995</u>	249,290
Allowance for impaired loans and advances:		
- individual assessment allowance	-	(1,256)
- collective assessment allowance	(759)	(837)
Net loans and advances	<u>240,236</u>	<u>247,197</u>

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	32,725	18,703
- Others	111,015	133,754
Individuals	93,976	93,288
Foreign entities	3,279	3,545
Gross loans and advances	<u>240,995</u>	<u>249,290</u>

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14. Loans and advances (continued)

	The Group	
	As at 31/12/2012 RM'000	Restated As at 30/06/2012 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	2,233	1,957
- Other fixed rate loan	113,340	44,070
Variable rate		
- Cost plus	125,229	202,631
Non-interest bearing	193	632
Gross loans and advances	<u>240,995</u>	<u>249,290</u>
14c. <u>By residual contractual maturity</u>		
Maturity within 1 year	238,111	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>240,995</u>	<u>249,290</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>240,995</u>	<u>249,290</u>
14e. <u>By economic purpose</u>		
Purchase of securities	149,165	166,103
Working capital	35,461	80,598
Purchase of transport vehicles	462	633
Purchase of residential property	2,233	1,956
Personal use	53,674	-
Gross loans and advances	<u>240,995</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	-	136
Amount written back	(1,256)	(8,254)
Closing balance	<u>-</u>	<u>1,256</u>
% of impaired loans to total loans and advances net of individual assessment allowance	<u>0.0%</u>	<u>0.5%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>-</u>	<u>1,256</u>

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14. Loans and advances (continued)

	The Group	
	As at	Restated
	31/12/2012	30/06/2012
	RM'000	RM'000
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of securities	-	1,256
Gross impaired loans and advances	-	1,256
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 (Written back)/allowance made during the period	(78)	54
Closing balance	759	837
<u>Individual assessment allowance</u>		
At 1 July	1,256	4,679
Allowance made during the period	-	136
Amount written back	(1,256)	(3,559)
Closing balance	-	1,256

15. Clients' and brokers' balances

	The Group	
	As at	Restated
	31/12/2012	30/06/2012
	RM'000	RM'000
Performing accounts	125,101	175,368
Impaired accounts	965	1,403
	126,066	176,771
Less: Individual assessment allowance	(516)	(752)
Collective assessment allowance	(32)	(144)
	125,518	175,875

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16. Other assets

	The Group		The Company	
	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000
Amount due from subsidiary companies	400	-	933	424
Amount due from a related company	723	21,399	88	18,615
Deposits and prepayments	10,937	5,033	5	7
Other receivables	39,372	50,659	-	-
Manager's stocks and consumables	190	421	-	-
	51,622	77,512	1,026	19,046

17. Deposits from customers

	The Group	
	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000
Fixed deposits	438,197	633,625
17a. <u>By type of deposit</u>		
Fixed deposits	438,197	633,625
17b. <u>By type of customer</u>		
Government and statutory bodies	236,617	617,832
Business enterprises	201,580	15,793
	438,197	633,625
17c. The maturity structure of fixed deposits are as follows:		
Due within six months	438,197	633,625

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000
Bank Negara Malaysia	305,834	-
Licensed banks	380,414	406,153
Other financial institutions	758,731	567,491
	1,444,979	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
31/12/2012			
Interest rate related contracts:			
- Interest rate swaps	1,578,500	13,417	(19,508)
- Futures	1,444,656	923	(2,001)
- Cross currency swaps	91,725	310	(254)
Foreign exchange related contracts:			
- Foreign currency swaps	2,433,050	9,434	(9,854)
- Foreign currency spot			
- Foreign currency forwards	513	4	-
Equity related contracts:			
- Call option	10,000	2,258	-
	5,558,444	26,346	(31,617)
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 31/12/2012 RM'000	As at 30/06/2012 RM'000	As at 31/12/2012 RM'000	As at 30/06/2012 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	277,362	-
Amount due to related companies	178	125	31	24
Remisiers' trust deposits	15,200	16,420	-	-
Other payables and accrued liabilities	79,076	59,039	664	2,333
Provision for commitments and contingencies	9,039	9,039	-	-
Post employment benefits obligation				
- defined contribution plan	336	286	-	-
- defined benefit plan	90	55	-	-
	103,921	84,966	278,059	2,359

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21. Interest income

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Group				
Loan and advances	4,133	1,900	8,467	3,651
Money at call and deposits placements with banks and other financial institutions	2,376	3,993	5,247	6,920
Financial assets held-for-trading	6,833	7,675	14,166	12,508
Financial investments available-for-sale	879	1,166	2,101	2,011
Financial investments held-to-maturity	5,092	4,830	10,518	7,704
Derivative financial instruments	14,281	7,956	27,727	13,036
Others	275	(95)	476	244
	33,869	27,425	68,702	46,074
Accretion of discount less amortisation of premium	(966)	(1,243)	(2,132)	(2,060)
Total interest income	32,903	26,182	66,570	44,014
Of which:				
Interest income earned on impaired loans and advances	-	74	-	149
The Company				
Money at call and deposits placements with banks and other financial institutions	304	95	320	160

22. Interest expense

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Group				
Deposits and placements of banks and other financial institutions	2,432	3,742	5,532	4,484
Deposits from customers	7,517	8,679	15,520	15,850
Derivative financial liabilities	14,534	8,064	28,357	13,306
Borrowings	(11)	210	1,828	422
Other finance cost	(17)	-	243	45
Total interest expense	24,455	20,695	51,480	34,107
The Company				
Borrowings	1,616	210	3,455	422

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23. Non-interest income

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	472	73	823	156
Arranger fees	3,568	3,350	5,958	5,969
Placement fee	15,123	130	20,943	570
Guarantee fees	216	233	449	233
Corporate advisory fees	1,360	1,750	3,221	3,840
Underwriting Commission	130	890	695	890
Brokerage commissions	8,978	8,839	19,751	19,183
Net commission from futures business	249	223	423	491
Net unit trust and asset management income	4,840	3,756	9,579	7,772
Other fee income	6,115	1,747	9,373	10,322
	41,051	20,991	71,215	49,426
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	2,071	(517)	819	(260)
- Financial investments available-for-sale	-	-	324	210
- Derivative financial instruments	627	(17,756)	(12,621)	(20,819)
	2,698	(18,273)	(11,478)	(20,869)
(c) Dividend income from:				
- Financial assets held-for-trading	283	290	1,083	716
- Financial investments available-for-sale	21	-	21	147
	304	290	1,104	863
(d) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	1,322	3,058	1,005	2,453
- Derivative financial instruments	(1,142)	20,530	18,258	(2,611)
	180	23,588	19,263	(158)
(e) (Loss)/gain on disposal of property and equipment	(14)	-	41	2
(f) Foreign exchange gain/(loss)	1,023	(1,546)	(1,774)	19,887
(g) Other income/(expense)	77	(6)	204	(137)
Total non-interest income	45,319	25,044	78,575	49,014

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23. Non-interest income (continued)

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Company				
(a) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	3	53	(10)	(14)
	3	53	(10)	(14)

24. Overhead expenses

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	17,596	9,866	32,000	18,013
- Option charge arising from ESOS	153	161	306	323
- Others	3,791	2,342	6,385	3,804
	21,540	12,369	38,691	22,140
Establishment costs				
- Depreciation of property and equipment	691	651	1,349	1,294
- Amortisation of intangible assets	164	197	370	397
- Rental of premises	1,576	1,326	3,283	2,678
- Information technology expenses	1,686	1,284	3,205	2,382
- Others	716	593	1,290	1,023
	4,833	4,051	9,497	7,774
Marketing expenses				
- Advertisement and publicity	130	215	216	365
- Entertainment and business improvement	298	199	633	542
- Others	54	139	177	283
	482	553	1,026	1,190
Administration and general expenses				
- Management fees	1,522	584	2,229	1,199
- Communication expenses	493	502	1,140	932
- Auditors' remuneration				
- Statutory audit	33	259	98	320
- Other fees	23	-	27	-
- Legal and professional fees	1,676	1,556	3,892	3,140
- Others	8,280	1,259	10,307	2,496
	12,027	4,160	17,693	8,087
	38,882	21,133	66,907	39,191

24. Overhead expenses (continued)

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Company				
Personnel costs				
- Salaries, bonuses and allowances	66	36	45	70
- Others	31	40	42	56
	97	76	87	126
Establishment costs				
- Rental	-	-	-	-
- Others	17	7	22	23
	17	7	22	23
Marketing expenses				
- Advertisement and publicity	-	-	-	-
- Others	-	3	1	6
	-	3	1	6
Administration and general expenses				
- Communication expenses	2	1	3	2
- Auditors' remuneration				
- Statutory audit	16	13	33	26
- Other fees	4	-	7	-
- Legal and professional fees	-	115	71	125
- Others	347	172	484	321
	369	301	598	474
	483	387	708	629

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

	Current quarter ended 31/12/2012 RM'000	Last year's quarter ended 31/12/2011 RM'000	Current year ended 31/12/2012 RM'000	Last year's ended 31/12/2011 RM'000
The Group				
Allowance for/(write-back of) losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period	-	34	-	66
Collective assessment allowance (written back)/made during the period	(138)	93	(78)	96
Bad debts on loans and advances				
- written off	2	-	2	-
Bad debts on clients' and brokers' balances				
- written off	16	-	16	-
- recovered	-	(5)	-	(53)
Allowance for losses on clients' and brokers' balances:				
Collective Assessment allowance made during the period	(135)	16	(112)	25
Individual assessment allowance				
- made during the period	364	(632)	933	51
- written back during the period	(37)	(1,916)	(485)	(3,269)
	72	(2,410)	276	(3,084)

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26. Commitments and contingencies

	31 December 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						
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	-	-	-	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	438,021	-	-	426,568	-	-
	489,048	50,889	50,889	493,225	54,124	54,124
Derivative Financial Instruments						
Interest rate related contracts:						
- One year or less	806,381	3,456	691	960,241	1,214	243
- Over one year to five years	2,308,500	54,654	13,283	2,579,963	48,838	9,767
- Over five years	-	-	-	57,189	-	-
Foreign exchange related contracts						
- One year or less	2,433,563	36,793	7,359	2,231,641	41,028	8,206
Equity related contracts						
- One year or less	-	-	-	-	-	-
- Over one year to five years	10,000	-	-	10,000	-	-
	5,558,444	94,903	21,333	5,839,034	91,080	18,216
	6,047,492	145,792	72,222	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").

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27. Capital adequacy

	HLIB	
	As at	As at
	31/12/2012	30/06/2012[^]
Core capital ratio	22.0%	147.6%
Risk-weighted capital ratio	22.1%	148.5%
	<hr/>	<hr/>
	HLIB	
	As at	As at
	31/12/2012	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	(52,953)	(71,611)
Other reserves	64,727	83,385
	<hr/>	<hr/>
	264,724	174,724
Less: Goodwill	-	-
Deferred tax assets (net)	(35,469)	(35,469)
Total Tier I capital	<hr/> 229,255 <hr/>	<hr/> 139,255 <hr/>
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	1,631	-
Collective assessment allowance	759	1,086
Total tier II capital	<hr/> 2,390 <hr/>	<hr/> 1,086 <hr/>
Total capital	231,645	140,341
Less: Investment in subsidiary companies	(1,470)	(220)
Capital base	<hr/> 230,175 <hr/>	<hr/> 140,121 <hr/>

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 31 December 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
31 December 2012						
REVENUE & EXPENSES						
Revenue						
Net Interest income	15,890	446	239	(1,485)	-	15,090
Non interest income	68,076	9,577	438	19,323	(18,839)	78,575
Results						
Profit/(loss) from operations	33,052	(3,674)	7	16,552	(19,455)	26,482
Taxation						(9,391)
Profit after taxation						17,091
31 December 2011						
REVENUE & EXPENSES						
Revenue						
Net Interest income	9,478	511	176	(258)	-	9,907
Non interest income	40,356	7,775	548	16,643	(16,308)	49,014
Results						
Profit/(loss) from operations	23,613	93	132	15,284	(16,308)	22,814
Taxation						(5,187)
Profit after taxation						17,627

(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 from 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 31 December 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 31 December 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. Following from the approved by the regulator, the Group designated a previously held financial investments held-to-maturity to financial investments available-for-sale, as allowed under MFRS 1.

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 1 RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
<u>Assets</u>				
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	93	(253)	42,151
Financial investments available-for-sale	74,882	76,339	-	151,221
Financial investments held-to-maturity	112,647	(76,710)	-	35,937
Fair value reserve	56	(278)	-	(222)
Total equity	340,315	(278)	761	340,798
Retained profits	77,513	-	761	78,274
As at 30 June 2012	As previously reported RM'000	Adoption of MFRS 1 RM'000	Adoption of MFRS 139 RM'000	As restated RM'000
<u>Assets</u>				
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
Financial investments available-for-sale	117,712	230,473	-	348,185
Financial investments held-to-maturity	495,380	(222,525)	-	272,855
<u>Liabilities</u>				
Deferred tax liabilities	956	1,987	-	2,943
Fair value reserve	356	5,961	-	6,317
Total equity	384,450	5,961	3,119	393,530
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 6 months ended 31 December 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	2,806	278	3,084
Profit before taxation	22,536	278	22,814
Taxation	(5,118)	(69)	(5,187)
Net profit for the financial period	17,418	209	17,627
Earnings per share (sen) - basic	3.3	4.2	7.5

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 RM14.8 million for the 2nd quarter December 2012 as compared to RM11.8 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 RM20.7 million for the 2nd quarter December 2012 as compared to previous year corresponding quarter of RM12.3 million mainly due to higher contribution from its Debts Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a loss before tax of RM5.2 million for the 2nd quarter December 2012 as compared to loss before tax of RM12 thousand in previous year corresponding quarter, mainly due to higher overheads incurred offset by higher net contribution from management fee income.

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

The group recorded a higher profit before tax ("PBT") of RM26.5 million for the financial period ended December 2012 as compared to RM22.8 million in the previous financial period, higher by 16.1%. This is mainly due to higher contribution from its major operating segments, ie. investment banking and stockbroking segment offset against higher overheads incurred for fund management and unit trust segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded an increase in PBT by 39.4% as compared to previous year corresponding period of RM23.6 million mainly due to higher contribution from its Treasury & Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a loss before tax of RM3.7 million for the financial period ended December 2012 as compared to a PBT of RM0.1 million in previous year corresponding period, mainly due to higher overheads incurred offset against higher net contribution from management fee income.

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

For the financial quarter ended 31 December 2012, the Group reported a higher PBT of RM15.0 million compared to the PBT of RM11.7 million in the preceding financial quarter. This was mainly due to higher contribution from investment banking and stockbroking segments.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM20.7 million for the 2nd quarter December 2012 as compared to preceding financial quarter of RM12.6 million mainly due to higher fee income from its Debts Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a loss before tax of RM5.1 million for 2nd quarter December 2012 as compared to PBT of RM1.5 million in preceding financial quarter. This is mainly due to lower net contribution from management fee income and higher overheads incurred.

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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	803	93	1,248	247
- Over provision in prior years	-	(940)	-	(940)
Deferred tax	5,083	3,085	8,143	5,880
	5,886	2,238	9,391	5,187

HLCB Q2 (31.12.12)

5. Status of corporate proposals

OSK Investment Bank Berhad on behalf of Hong Leong Financial Group Berhad ("HLFG") had issued to HLCB a Notice of Conditional Voluntary Take-Over Offer on 14 January 2013 to acquire all the remaining ordinary shares of RM1.00 each in HLCB not already held by HLFG for a cash consideration of RM1.71 per Offer Share.

The offer price represents a premium of the volume-weighted average prices ("VWAP") of HLCB shares up to and including 10 January 2013, being the last full trading day prior to the date of Notice.

The Offer is not conditional upon the level of acceptances.

The Offer is conditional upon approvals being obtained from the following parties:-

- (a) the Securities Commission ("SC"), consenting to the issuance of the Offer Document;
- (b) the Equity Compliance Unit of the SC ("ECU"), approving the Offer under the equity requirement for public companies listed on Bursa Malaysia Securities Berhad ("Bursa Securities");
- (c) Bank Negara Malaysia ("BNM"), if required; and
- (d) any other relevant regulatory authority or parties, if required;

failing which the Offer shall lapse and all acceptances shall be returned to the Holders who have accepted the Offer.

On 18 February 2013, HLFG has received BNM's approval in relation to the Offer. As such, the Offer has become unconditional.

HLFG does not intend to maintain the listing status of HLCB on the Official List. Pursuant thereto, HLFG does not have any intention to undertake any steps to address the shortfall in the public shareholding spread requirement of HLCB. HLFG will procure HLCB to take the necessary procedures to withdraw its listing status from the Official List in accordance with the Listing Requirements. Following such de-listing, HLCB Shares will no longer be traded on the Main Market of Bursa Securities.

6. Group borrowings

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

HLCB Q2 (31.12.12)

7. Off-balance sheet financial instruments

The Banking subsidiary has incurred the following:

As at 31.12.2012 <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	806,381	1,147	(1,668)
(ii) 1 year to 3 years	870,000	3,964	(2,731)
(iii) More than 3 years	1,438,500	9,538	(17,363)
Foreign exchange related contracts			
(i) Less than 1 year	2,433,563	9,439	(9,855)
Equity related contractes			
(i) More than 3 years	10,000	2,258	-
	<u>5,558,444</u>	<u>26,346</u>	<u>(31,617)</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 31 December 2012.

HLCB Q2 (31.12.12)

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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Net profit attributable to shareholders of the Company (RM'000):	8,927	9,570	17,091	17,627
Weighted average number of Ordinary Shares in issue ('000):	234,609	234,609	234,609	234,609
Basic earnings per share (sen)	3.8	4.1	7.3	7.5

(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 31 December 2012 RM'000	Restated As at 30 June 2012 RM'000
The Group		
Total retained profit		
- Realised	186,875	101,810
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	24,150	35,757
- in respect of other items of income and expense	20,112	25,684
	<u>231,137</u>	<u>163,251</u>
Less : Consolidation adjustment	(106,256)	(58,524)
	<u>124,881</u>	<u>104,727</u>
The Company		
Total retained profit		
- Realised	20,163	24,007
- Unrealised		
- in respect of other items of income and expense	-	9
	<u>20,163</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 22 February 2013.