

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013

	Note	The Group			The Company		
		As at 31/03/2013 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000	As at 31/03/2013 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000
ASSETS							
Cash and short term funds		1,522,202	965,576	887,262	37,535	2,297	10,157
Reverse repurchase agreements		-	-	159,684	-	-	-
Deposits and placements with banks and other financial institutions		189,874	92,167	60,125	-	-	-
Financial assets held-for-trading	11	1,075,095	705,692	430,746	414	409	477
Financial investments available- for-sale	12	154,078	348,185	151,221	-	-	-
Financial investments held-to-maturity	13	250,238	272,855	35,937	-	-	-
Derivative financial assets	19	24,660	31,866	7,350	-	-	-
Loans and advances	14	218,744	247,197	108,996	-	-	-
Clients' and brokers' balances	15	127,820	175,875	169,726	-	-	-
Other assets	16	59,827	77,512	66,643	4,351	19,046	110
Statutory deposits with Bank Negara Malaysia		6,500	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		23,100	35,757	42,151	-	-	-
Property and equipment		7,122	8,106	8,354	-	-	-
Goodwill		33,059	33,059	33,059	-	-	-
Intangible assets		1,230	1,135	1,094	-	-	-
TOTAL ASSETS		3,694,108	3,015,460	2,180,753	535,316	425,119	280,239
LIABILITIES							
Deposits from customers	17	421,944	633,625	395,243	-	-	-
Deposits and placements of banks and other financial institutions	18	1,656,258	973,644	747,999	-	-	-
Repurchased agreements		113,175	115,167	-	-	-	-
Derivative financial liabilities	19	29,751	55,429	7,121	-	-	-
Clients' and brokers' balances		706,070	590,111	591,595	-	-	-
Other liabilities	20	338,916	84,966	77,505	279,908	2,359	601
Current tax liabilities		2,282	994	417	-	-	-
Deferred tax liabilities		-	2,943	-	-	-	-
Borrowings		-	165,051	20,075	-	165,051	20,075
TOTAL LIABILITIES		3,268,396	2,621,930	1,839,955	279,908	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 MARCH 2013

	Note	The Group			The Company		
		As at 31/03/2013 RM'000	Restated As at 30/06/2012 RM'000	Restated As at 01/07/2011 RM'000	As at 31/03/2013 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		190,665	159,837	107,105	17,890	25,870	
Treasury shares for ESOS scheme		(11,849)	(13,203)	(13,203)	(9,378)	(13,203)	
TOTAL EQUITY		425,712	393,530	340,798	255,408	259,563	
TOTAL LIABILITIES AND EQUITY							
		3,694,108	3,015,460	2,180,753	535,316	280,239	
COMMITMENTS AND CONTINGENCIES							
	26	6,054,752	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 MARCH 2013

		Current	Restated	Current	Restated
		quarter ended	Last year's	year ended	Last
		31/03/2013	quarter ended	31/03/2013	year's ended
Note		RM'000	31/03/2012	RM'000	31/03/2012
		RM'000	RM'000	RM'000	RM'000
The Group					
Operating revenue		72,207	63,863	217,352	156,891
Interest income	21	32,811	28,752	99,381	72,766
Interest expense	22	(24,113)	(24,558)	(75,593)	(58,672)
Net interest income		8,698	4,194	23,788	14,094
Non-interest income	23	39,396	35,111	117,971	84,125
Net income		48,094	39,305	141,759	98,219
Overhead expenses	24	(28,656)	(26,535)	(95,563)	(65,726)
Operating profit before allowances		19,438	12,770	46,196	32,493
Write-back of/(allowance for)					
impairment on loans and advances					
and other losses	25	136	(283)	(140)	2,801
Profit before taxation		19,574	12,487	46,056	35,294
Taxation		(6,507)	(3,307)	(15,898)	(8,494)
Net profit for the period		13,067	9,180	30,158	26,800
Earnings per share (sen)					
- Basic		5.56	3.91	12.84	11.42

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 MARCH 2013

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
Note				
The Group				
Net profit for the period	13,067	9,180	30,158	26,800
Other comprehensive income:				
Net fair value changes on financial investments available-for-sale				
- as previously reported	-	1,396	-	825
- movement during the period/ effect of adopting MFRS 1	(14,120)	8,162	(4,348)	7,309
Income tax relating to net fair value changes on financial investments available-for-sale				
- as previously reported	-	(350)	-	(207)
- movement during the period/ effect of adopting MFRS 1	3,530	(2,040)	1,087	(1,827)
Currency translation differences in respect of foreign operation	(2)	(6)	(2)	(10)
Other comprehensive income/expense for the period, net of tax	(10,592)	7,162	(3,263)	6,090
Total comprehensive income for the period, net of tax	2,475	16,342	26,895	32,890

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	Current quarter ended 31/03/2013	Last year's quarter ended 31/03/2012	Current year ended 31/03/2013	Last year's ended 31/03/2012
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Operating revenue	257	105	567	251
Interest income	21 242	94	562	254
Interest expense	22 (1,732)	(208)	(5,187)	(630)
Net interest expense	(1,490)	(114)	(4,625)	(376)
Non-interest income	23 15	11	5	(3)
Net expense	(1,475)	(103)	(4,620)	(379)
Overhead expenses	24 (798)	(315)	(1,506)	(944)
Operating profit before allowances	(2,273)	(418)	(6,126)	(1,323)
Write-back of/(allowance for) impairment on loans and advances and other losses	25 -	-	-	-
Loss before taxation	(2,273)	(418)	(6,126)	(1,323)
Taxation	-	-	-	-
Net loss for the period	(2,273)	(418)	(6,126)	(1,323)
Earnings per share (sen)				
- Basic	(0.9)	(0.2)	(2.5)	(0.5)

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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 MARCH 2013

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Company				
Net loss for the period	(2,273)	(418)	(6,126)	(1,323)
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	(2,273)	(418)	(6,126)	(1,323)

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 CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

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		-	-	-	-	-	-	-	30,158	30,158
Other comprehensive income		-	-	-	-	-	(3,261)	(2)	-	(3,263)
Total comprehensive income for the year		-	-	-	-	-	(3,261)	(2)	30,158	26,895
ESOS exercised		-	1,354	-	-	(338)	-	-	773	1,789
Option charge arising from ESOS granted		-	-	-	-	435	-	-	-	435
Restatement of deferred tax assets		-	-	-	-	-	-	-	3,063	3,063
At 31 March 2013		246,896	(11,849)	543	47,352	981	3,056	12	138,721	425,712
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		-	-	-	-	-	-	-	26,800	26,800
Other comprehensive expense		-	-	-	-	-	6,100	(10)	-	6,090
Total comprehensive income for the period		-	-	-	-	-	6,100	(10)	26,800	32,890
Option charge arising from ESOS granted		-	-	-	-	484	-	-	-	484
At 31 March 2012		246,896	(13,203)	543	28,222	772	5,878	(10)	105,074	374,172

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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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Non-Distributable Reserves			Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000	Distributable Reserves Retained Profits RM'000	Total RM'000
			General Reserves RM'000	Statutory Reserves RM'000	Share Option Reserves RM'000				
The Company									
At 1 July 2012	246,896	(13,203)	-	-	-	-	-	24,016	257,709
Net loss for the period	-	-	-	-	-	-	-	(6,126)	(6,126)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(6,126)	(6,126)
ESOS exercised	-	1,354	-	-	-	-	-	-	1,354
Transferred of treasury shares	-	2,471	-	-	-	-	-	-	2,471
At 31 March 2013	246,896	(9,378)	-	-	-	-	-	17,890	255,408
At 1 July 2011	246,896	(13,203)	-	-	-	-	-	25,870	259,563
Net loss for the period	-	-	-	-	-	-	-	(1,323)	(1,323)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,323)	(1,323)
At 31 March 2012	246,896	(13,203)	-	-	-	-	-	24,547	258,240

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)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	The Group	
	31/03/2013	31/03/2012
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before tax expense	46,056	35,294
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,846	1,898
- Amortisation of intangible assets	524	612
- Option charge arising from ESOS	435	484
- Gain on disposal of property and equipment	(40)	(2)
- (Write-back of)/allowance for impairment for losses on loans and advances	(183)	371
- Allowances for/(writeback of) losses on clients' and brokers' balance	(320)	(3,113)
- Net unrealised (gain)/loss on revaluation:		
- Financial assets held-for-trading	(263)	(2,189)
- Derivative financial instruments	(18,706)	8,384
- Accretion of discount less amortisation of premium	3,005	3,247
- Interest income from:		
- Financial assets held-for-trading	(22,031)	(19,418)
- Financial investments available-for-sale	(3,910)	(3,517)
- Financial investments held-to-maturity	(13,238)	(13,051)
- Derivative financial instruments	(41,705)	(21,814)
- Interest expense on derivative financial instruments	42,567	22,183
- Interest expense on borrowings	1,829	630
- Other interest costs	3,358	-
- Dividend income from:		
- Financial assets held-for-trading	(1,776)	(1,423)
- Financial investments available-for-sale	(114)	(172)
	(48,722)	(26,890)
Operating (loss)/profit before changes in working capital	(2,666)	8,404

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)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	The Group	
	31/03/2013	31/03/2012
	RM'000	RM'000
Operating (loss)/profit before changes in working capital (continued)	(2,666)	8,404
Changes in working capital:		
- Reverse repurchase agreements	-	75,703
- Deposits and placements with banks and other financial institutions	(97,707)	(311,555)
- Financial assets held-for-trading	(373,411)	(295,589)
- Financial investments available-for-sale	189,377	(10,538)
- Financial investments held-to-maturity	18,105	(442,533)
- Derivative financial instruments	(32)	49
- Loans and advances	28,636	(45,760)
- Clients' and brokers' balances	47,998	(66,359)
- Other assets	17,595	26,597
- Statutory deposits with Bank Negara Malaysia	13,050	(15,300)
Net changes in operating assets	(156,389)	(1,085,285)
- Deposits from customers	(211,681)	258,838
- Deposits and placements of banks and other financial institutions	682,614	918,911
- Repurchased agreements	(1,992)	-
- Clients' and brokers' balances	115,959	9,145
- Other liabilities	(67,995)	33,756
Net changes in operating liabilities	516,905	1,220,650
Cash generated from operating activities	357,850	143,769
- Net income tax (paid)/refund	(256)	446
Net cash generated from operating activities	357,594	144,215

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	The Group	
	31/03/2013	31/03/2012
	RM'000	RM'000
<u>Cash flows from investing activities</u>		
Dividend received from:		
- Financial assets held-for-trading	1,751	1,423
- Financial investments available-for-sale	109	172
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	85,377	36,209
Interest expenses paid on derivative financial instruments	(40,636)	(19,250)
Proceeds from disposal of property and equipment	75	2
Purchase of property and equipment	(897)	(830)
Purchase of intangible assets	(619)	(699)
Net cash generated from investing activities	45,160	17,027
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	(1,880)	(666)
(Repayment)/drawdown of borrowings	(165,000)	10,000
Cash received from ESOS exercised	1,789	-
Net cash (used in)/generated from financing activities	(165,091)	9,334
Net changes in cash and cash equivalents	237,663	170,576
Effect of exchange rate changes	(2)	(10)
Cash and cash equivalents at beginning of year	486,477	438,444
Cash and cash equivalents at end of period	724,138	609,010
Cash and cash equivalents comprise:		
Cash and short term funds	1,522,202	1,048,741
Less: Remisiers' and clients' trust monies	(797,687)	(439,731)
	724,515	609,010

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HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013

	The Company	
	31/03/2013	3/31/12
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Loss before tax expense	(6,126)	(1,323)
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss on financial assets held-for-trading	(5)	147
- Interest income	(562)	(254)
- Interest expense on borrowings	1,829	630
- Other interest costs	3,358	-
	4,620	523
Operating loss before changes in working capital	(1,506)	(800)
Changes in working capital:		
- Other assets	14,695	(38)
Net changes in operating assets	14,695	(38)
- Other liabilities	186,661	337
Net changes in operating liabilities	186,661	337
Cash generated from/(used in) operating activities	199,850	(501)
- Net income tax refund	351	958
- Interest received	562	254
Net cash generated from operating activities	200,763	711
<u>Cash flows from investing activities</u>		
Capital reduction of a subsidiary	-	5,000
Net cash generated from investing activities	-	5,000
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	(1,879)	(666)
(Repayment)/drawdown of borrowings	(165,000)	10,000
Cash received from ESOS exercised	1,354	-
Net cash (used in)/generated from financing activities	(165,525)	9,334
Net changes in cash and cash equivalents	35,238	15,045
Cash and cash equivalents at beginning of year	2,297	10,157
Cash and cash equivalents at end of period	37,535	25,202
Cash and cash equivalents comprise:		
Cash and short term funds	37,535	25,202

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 MARCH 2013

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.

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 March 2013.

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 March 2013.

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 March 2013.

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 March 2013, other than as mentioned below.

- (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.

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6. Debt and Equity Securities (continued)

- (c) 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 11,027,200 (2012: 12,287,200) shares in the Company costing RM11,849,502 (2012: RM13,203,461) inclusive of transaction costs, as at 31 March 2013.

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

Grant date	Expiry date		As at	Granted	Exercised	As at
			1.07.2012			31.03.2013
19 January 2011	18 July 2013	*	1,260,000	-	1,260,000	-
19 January 2011	18 April 2014	^	1,470,000	-	-	1,470,000
19 January 2011	18 April 2015	^	1,470,000	-	-	1,470,000
16 January 2013	3 April 2015	~	-	1,150,000	-	1,150,000
16 January 2013	20 January 2016		-	1,150,000	-	1,150,000
			<u>4,200,000</u>	<u>2,300,000</u>	<u>1,260,000</u>	<u>5,240,000</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.

~ The exercise period is up to 3 months after the second anniversary of grant date.

7. Dividends

There was no dividend paid during the financial quarter ended 31 March 2013.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 March 2013.

9. Significant events

There were no significant events during the financial quarter ended 31 March 2013.

10. Subsequent events

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited interim financial statements.

Financial Reporting for Licensed Institutions ("BNM/GP8")**11. Financial assets at fair value through profit or loss**

	The Group		The Company	
	As at 31/03/2013 RM'000	As at 30/06/2012 RM'000	As at 31/03/2013 RM'000	As at 30/06/2012 RM'000
Money market instruments				
Negotiable instruments of deposits	180,563	375,719	-	-
Bank Negara Malaysia Bills	350,551	199,683	-	-
Bankers' acceptances	320,269	-	-	-
	851,383	575,402	-	-
Quoted securities				
In Malaysia:				
Shares	8,912	8,433	-	-
Unit trust investment	38,510	14,797	414	409
Outside Malaysia:				
Foreign currency bonds	59,156	8,684	-	-
	106,578	31,914	414	409
Unquoted securities				
Private and Islamic debt securities	117,134	98,376	-	-
	1,075,095	705,692	414	409

HLCB Q3 (31.03.13)**12. Financial investments available-for-sale**

	The Group	
	As at	Restated
	31/03/2013	As at
	RM'000	30/06/2012
		RM'000
Money market instruments		
Cagamas bonds	5,188	5,150
Quoted securities		
In Malaysia:		
Shares	-	-
Unit trust investment	202	
Outside Malaysia:		
Foreign currency bonds	58,479	253,099
Unquoted securities		
Shares	2,445	2,445
Private and Islamic debt securities	87,764	87,491
	<u>90,209</u>	<u>89,936</u>
	<u>154,078</u>	<u>348,185</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.

13. Financial investments held-to-maturity

	The Group	
	As at	Restated
	31/03/2013	As at
	RM'000	30/06/2012
		RM'000
Money market instruments		
Malaysian Government Investment Issues	5,064	5,131
Cagamas bonds	10,295	10,240
	<u>15,359</u>	<u>15,371</u>
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	189,155	211,542
Unquoted securities		
Private and Islamic debt securities	45,724	45,942
	<u>250,238</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.

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14. Loans and advances

	The Group	
	As at 31/03/2013 RM'000	Restated As at 30/06/2012 RM'000
Term loan financing	63,420	107,891
Share margin financing	153,265	137,847
Revolving credits	211	963
Staff loans	2,502	2,589
Gross loans and advances	219,398	249,290
Allowance for impaired loans and advances:		
- individual assessment allowance	-	(1,256)
- collective assessment allowance	(654)	(837)
Net loans and advances	218,744	247,197
14a. <u>By type of customer</u>		
Domestic business enterprises		
- Small and medium enterprises	31,696	18,703
- Others	85,219	133,754
Individuals	99,545	93,288
Foreign entities	2,938	3,545
Gross loans and advances	219,398	249,290
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	2,206	1,957
- Other fixed rate loan	110,332	44,070
Variable rate		
- Cost plus	106,564	202,631
Non-interest bearing	296	632
Gross loans and advances	219,398	249,290
14c. <u>By residual contractual maturity</u>		
Maturity within 1 year	216,896	246,681
More than one year to three years	-	398
More than three years to five years	2,502	52
More than five years	-	2,159
Gross loans and advances	219,398	249,290
14d. <u>By geographical distribution</u>		
Malaysia	219,398	249,290

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14. Loans and advances (continued)

	The Group	
	As at 31/03/2013 RM'000	Restated As at 30/06/2012 RM'000
14e. <u>By economic purpose</u>		
Purchase of securities	154,600	166,103
Working capital	34,538	80,598
Purchase of transport vehicles	297	633
Purchase of residential property	2,205	1,956
Personal use	27,758	-
Gross loans and advances	<u>219,398</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>
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of securities	<u>-</u>	<u>1,256</u>
Gross impaired loans and advances	<u>-</u>	<u>1,256</u>
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	<u>837</u>	<u>623</u>
Arising from acquisition of MIMB	-	1,086
Prior year adjustment for amount arising from acquisition of MIMB (Written back)/allowance made during the period	-	(926)
Closing balance	<u>(183)</u>	<u>54</u>
	<u>654</u>	<u>837</u>

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14. Loans and advances (continued)

14i. Movement in the allowance for loss on loans and advances are as follows: (continued)

	The Group	
	As at	Restated
	31/03/2013	30/06/2012
	RM'000	RM'000
<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	<u>-</u>	<u>1,256</u>

15. Clients' and brokers' balances

	The Group	
	As at	Restated
	31/03/2013	30/06/2012
	RM'000	RM'000
Performing accounts	127,299	175,368
Impaired accounts	991	1,403
	<u>128,290</u>	<u>176,771</u>
Less: Individual assessment allowance	(459)	(752)
Collective assessment allowance	(11)	(144)
	<u>127,820</u>	<u>175,875</u>

16. Other assets

	The Group		The Company	
	As at	As at	As at	As at
	31/03/2013	30/06/2012	31/03/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary companies	-	-	1,875	424
Amount due from a related company	-	21,399	-	18,615
Deposits and prepayments	5,753	5,033	5	7
Other receivables	53,914	50,659	2,471	-
Manager's stocks and consumables	160	421	-	-
	<u>59,827</u>	<u>77,512</u>	<u>4,351</u>	<u>19,046</u>

HLCB Q3 (31.03.13)**17. Deposits from customers**

	The Group	
	As at	As at
	31/03/2013	30/06/2012
	RM'000	RM'000
Fixed deposits	421,944	633,625
17a. <u>By type of deposit</u>		
Fixed deposits	421,944	633,625
17b. <u>By type of customer</u>		
Government and statutory bodies	398,011	617,832
Business enterprises	23,933	15,793
	421,944	633,625
17c. The maturity structure of fixed deposits are as follows:		
Due within six months	421,944	633,625

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at	As at
	31/03/2013	30/06/2012
	RM'000	RM'000
Bank Negara Malaysia	309,522	-
Licensed banks	235,001	406,153
Licensed investment banks	40,013	-
Other financial institutions	1,071,722	567,491
	1,656,258	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	1,658,500	13,628	(19,796)
- Futures	1,336,016	412	(2,367)
- Cross currency swaps	92,812	287	(202)
Foreign exchange related contracts:			
- Foreign currency swaps	2,339,255	7,736	(7,371)
- Foreign currency forwards	332	5	-
- Foreign currency spot	52,594	36	(15)
Equity related contracts:			
- Call option	10,000	2,556	-
	<u>5,489,509</u>	<u>24,660</u>	<u>(29,751)</u>
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	-
	<u>5,839,034</u>	<u>31,866</u>	<u>(55,429)</u>

20. Other liabilities

	The Group		The Company	
	As at 31/03/2013 RM'000	As at 30/06/2012 RM'000	As at 31/03/2013 RM'000	As at 30/06/2012 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	279,093	-
Amount due to related companies	270	125	31	24
Remisiers' trust deposits	14,779	16,420	-	-
Other payables and accrued liabilities	314,442	59,039	782	2,333
Provision for commitments and contingencies	9,039	9,039	-	-
Post employment benefits obligation				
- defined contribution plan	294	286	-	-
- defined benefit plan	90	55	-	-
	<u>338,916</u>	<u>84,966</u>	<u>279,908</u>	<u>2,359</u>

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21. Interest income

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Group				
Loan and advances	3,671	2,356	12,138	6,007
Money at call and deposits placements with banks and other financial institutions	3,331	4,888	8,578	11,808
Financial assets held-for-trading	7,865	6,910	22,031	19,418
Financial investments available-for-sale	1,809	1,506	3,910	3,517
Financial investments held-to-maturity	2,720	5,347	13,238	13,051
Derivative financial instruments	13,978	8,778	41,705	21,814
Others	310	154	786	398
	33,684	29,939	102,386	76,013
Accretion of discount less amortisation of premium	(873)	(1,187)	(3,005)	(3,247)
Total interest income	32,811	28,752	99,381	72,766
Of which:				
Interest income earned on impaired loans and advances	-	65	-	214
The Company				
Money at call and deposits placements with banks and other financial institutions	242	94	562	254

22. Interest expense

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Group				
Deposits and placements of banks and other financial institutions	2,039	4,308	7,571	8,792
Deposits from customers	7,986	11,165	23,506	27,015
Derivative financial liabilities	14,210	8,877	42,567	22,183
Borrowings	1	208	1,829	630
Other finance cost	(123)	-	120	52
Total interest expense	24,113	24,558	75,593	58,672
The Company				
Borrowings	1	208	1,829	630
Other finance cost	1,731	-	3,358	-
Total interest expense	1,732	208	5,187	630

23. Non-interest income

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	378	882	1,201	1,038
Arranger fees	5,395	1,645	11,353	7,614
Placement fee	730	48	21,673	618
Guarantee fees	215	(233)	664	-
Corporate advisory fees	1,604	1,465	4,825	5,305
Underwriting Commission	356	-	1,051	890
Brokerage commissions	8,714	12,303	28,465	31,486
Net commission from futures business	243	162	666	653
Net unit trust and asset management income	4,649	3,904	14,228	11,676
Other fee income	1,469	4,241	10,842	14,563
	<u>23,753</u>	<u>24,417</u>	<u>94,968</u>	<u>73,843</u>
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	691	3,256	1,510	2,996
- Financial investments available-for-sale	15,724	-	16,048	210
- Derivative financial instruments	(5,486)	31,239	(18,107)	10,420
	<u>10,929</u>	<u>34,495</u>	<u>(549)</u>	<u>13,626</u>
(c) Dividend income from:				
- Financial assets held-for-trading	693	707	1,776	1,423
- Financial investments available-for-sale	93	25	114	172
	<u>786</u>	<u>732</u>	<u>1,890</u>	<u>1,595</u>
(d) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	(742)	(264)	263	2,189
- Derivative financial instruments	448	(5,773)	18,706	(8,384)
	<u>(294)</u>	<u>(6,037)</u>	<u>18,969</u>	<u>(6,195)</u>
(e) (Loss)/gain on disposal of property and equipment	(1)	-	40	2
(f) Foreign exchange gain/(loss)	4,131	(18,568)	2,357	1,319
(g) Other income/(expense)	92	72	296	(65)
Total non-interest income	<u>39,396</u>	<u>35,111</u>	<u>117,971</u>	<u>84,125</u>

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23. Non-interest income (continued)

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Company				
(a) Net realised gain arising from sale of financial assets held-for-trading	-	144	-	144
(b) Net unrealised gain/(loss) on revaluation of financial assets held-for-trading	15	(133)	5	(147)
	15	11	5	(3)

24. Overhead expenses

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	19,251	15,196	51,251	33,209
- Option charge arising from ESOS	129	161	435	484
- Others	687	2,571	7,072	6,375
	20,067	17,928	58,758	40,068
Establishment costs				
- Depreciation of property and equipment	497	604	1,846	1,898
- Amortisation of intangible assets	154	215	524	612
- Rental of premises	1,492	1,277	4,775	3,955
- Information technology expenses	997	1,143	4,202	3,525
- Others	410	628	3,300	1,651
	3,550	3,867	14,647	11,641
Marketing expenses				
- Advertisement and publicity	268	17	484	382
- Entertainment and business improvement	360	380	993	922
- Others	67	94	244	377
	695	491	1,721	1,681
Administration and general expenses				
- Management fees	789	688	3,018	1,887
- Communication expenses	393	377	1,533	1,309
- Auditors' remuneration			-	
- Statutory audit	122	(6)	220	314
- Other fees	4	69	31	69
- Legal and professional fees	1,602	1,650	10,094	4,790
- Others	1,434	1,457	5,541	3,953
	4,344	4,249	20,437	12,336
	28,656	26,535	95,563	65,726

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24. Overhead expenses (continued)

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Company				
Personnel costs				
- Salaries, bonuses and allowances	64	71	109	141
- Others	25	10	67	66
	89	81	176	207
Establishment costs				
- Rental	-	-	-	-
- Others	7	11	29	34
	7	11	29	34
Marketing expenses				
- Advertisement and publicity	35	5	35	5
- Others	1	1	2	7
	36	6	37	12
Administration and general expenses				
- Communication expenses	4	1	7	3
- Auditors' remuneration				
- Statutory audit	17	12	50	38
- Other fees	3	-	10	-
- Legal and professional fees	386	-	457	125
- Others	256	204	740	525
	666	217	1,264	691
	798	315	1,506	944

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

	Current quarter ended 31/03/2013 RM'000	Last year's quarter ended 31/03/2012 RM'000	Current year ended 31/03/2013 RM'000	Last year's ended 31/03/2012 RM'000
The Group				
Allowance for/(write-back of) losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period	-	34	-	100
Collective assessment allowance (written back)/made during the period	(105)	175	(183)	271
Bad debts on loans and advances				
- written off	-	-	2	-
Bad debts on clients' and brokers' balances				
- written off	-	-	393	-
- recovered	(205)	(6)	(205)	(59)
Allowance for losses on clients' and brokers' balances:				
Collective assessment allowance (written back)/made during the period	(21)	2	(133)	27
Individual assessment allowance				
- made during the period	(180)	70	426	121
- written back during the period	(78)	8	(613)	(3,261)
Allowance for losses on other debtors:				
Individual assessment allowance				
- made during the period	453	-	453	-
	(136)	283	140	(2,801)

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26. Commitments and contingencies

	31 March 2013			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	55,250	27,625	27,625	-	-	-
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	458,966	-	-	426,568	-	-
	565,243	78,514	78,514	493,225	54,124	54,124
Derivative Financial Instruments						
Interest rate related contracts:						
- One year or less	898,828	3,393	679	960,241	1,214	243
- Over one year to five years	2,188,500	55,618	13,475	2,579,963	48,838	9,767
- Over five years	-	-	-	57,189	-	-
Foreign exchange related contracts						
- One year or less	2,392,181	40,894	8,179	2,231,641	41,028	8,206
Equity related contracts						
- One year or less	-	-	-	-	-	-
- Over one year to five years	10,000	-	-	10,000	-	-
	5,489,509	99,905	22,333	5,839,034	91,080	18,216
	6,054,752	178,419	100,847	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 Q3 (31.03.13)**27. Capital adequacy**

	HLIB	
	As at	As at
	31/03/2013	30/06/2012[^]
Common equity tier 1 ("CET1") capital ratio	20.4%	147.6%
Tier 1 capital ratio	20.4%	147.6%
Total capital ratio	20.4%	148.5%

	HLIB	
	As at	As at
	31/03/2013	30/06/2012[^]
	RM'000	RM'000
Components of CET1, Tier 1 and Tier 2 capital:		
<u>CET1 Capital</u>		
Paid-up share capital	165,000	75,000
Share premium	87,950	87,950
Retained profit	(71,611)	(71,611)
Other reserves	86,008	83,385
	267,347	174,724
Regulatory adjustments:		
- Goodwill	-	-
- Deferred tax assets (net)	(35,469)	(35,469)
- Other regulatory adjustments	(1,443)	-
Total CET1 capital	230,435	139,255
Tier 1 capital	230,435	139,255
<u>Tier 2 capital</u>		
Redeemable preference shares ("RPS")	1,631	-
Collective assessment allowance	654	1,086
Regulatory adjustments:		
- Investment in subsidiary companies	(1,555)	(220)
Total tier 2 capital	730	866
Total capital	231,165	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 31 March 2013:

	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 March 2013						
REVENUE & EXPENSES						
Revenue						
Net Interest income	24,085	580	367	(1,244)	-	23,788
Non interest income	106,325	14,226	686	19,482	(22,748)	117,971
Results						
Profit/(loss) from operations	50,781	(1,928)	30	16,027	(18,854)	46,056
Taxation						(15,898)
Profit after taxation						30,158
31 March 2012						
REVENUE & EXPENSES						
Revenue						
Net Interest income	13,477	736	252	(371)	-	14,094
Non interest income	71,140	11,679	718	16,896	(16,308)	84,125
Results						
Profit/(loss) from operations	36,505	206	(1)	15,447	(16,863)	35,294
Taxation						(8,494)
Profit after taxation						26,800

(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

There were no changes in composition of the Group since last financial quarter.

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31. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 March 2013 is RM0.3 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 March 2013.

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.

(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.

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

(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 9 months ended 31 March 2012

	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	2,414	387	2,801
Profit before taxation	34,907	387	35,294
Taxation	(8,397)	(97)	(8,494)
Net profit for the financial period	26,510	290	26,800
Earnings per share (sen) - basic	11.3	0.1	11.4

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

1. Performance review

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

The group recorded a higher profit before tax ("PBT") of RM19.6 million for the 3rd quarter March 2013 as compared to RM12.5 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 RM17.7 million for the 3rd quarter March 2013 as compared to previous year corresponding quarter of RM13.2 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 profit before tax of RM1.7 million for the 3rd quarter March 2013 as compared to 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 period under review against previous corresponding financial period

The group recorded a higher profit before tax ("PBT") of RM46.0 million for the financial period ended March 2013 as compared to RM35.3 million in the previous financial period, higher by 30.5%. 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 39.1% as compared to previous year corresponding period of RM36.5 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 ("LBT") of RM1.9 million for the financial period ended March 2013 as compared to a PBT of RM0.2 million in previous year corresponding period, mainly due to higher overheads incurred offset against higher net contribution from management fee income.

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

For the financial quarter ended 31 March 2013, the Group reported a higher PBT of RM19.6 million compared to the PBT of RM15.0 million in the preceding financial quarter. This was mainly due to lower overhead incurred from its fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a lower PBT of RM17.7 million for the 3rd quarter March 2013 as compared to preceding financial quarter of RM20.6 million mainly due to lower fee income from its Debts Markets division offset against higher trading income from its Treasury & Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a PBT of RM1.7 million for 3rd quarter March 2013 as compared to LBT of RM5.2 million in preceding financial quarter. This is mainly due to lower overheads recorded as compared to preceding financial quarter.

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	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
- Current	4,164	102	5,412	349
- Over provision in prior years	-	-	-	(940)
Deferred tax	2,343	3,205	10,486	9,085
	6,507	3,307	15,898	8,494

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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.

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7. Off-balance sheet financial instruments

The Banking subsidiary has incurred the following:

As at 31.03.2013 <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	898,828	999	(2,216)
(ii) 1 year to 3 years	810,000	4,146	(2,039)
(iii) More than 3 years	1,378,500	9,182	(18,110)
Foreign exchange related contracts			
(i) Less than 1 year	2,392,181	7,777	(7,386)
Equity related contractes			
(i) More than 3 years	10,000	2,556	-
	<u>5,489,509</u>	<u>24,660</u>	<u>(29,751)</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 March 2013.

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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	
	31/03/2013	31/03/2012	31/03/2013	31/03/2012
Net profit attributable to shareholders of the Company (RM'000):	13,067	9,180	30,158	26,800
Weighted average number of Ordinary Shares in issue ('000):	235,191	234,609	234,800	234,609
Basic earnings per share (sen)	5.6	3.9	12.8	11.4

(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 31 March 2013 RM'000	Restated As at 30 June 2012 RM'000
The Group		
Total retained profit		
- Realised	202,689	101,810
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	23,100	35,757
- in respect of other items of income and expense	20,510	25,684
	<u>246,299</u>	<u>163,251</u>
Less : Consolidation adjustment	(107,578)	(58,524)
	<u>138,721</u>	<u>104,727</u>
The Company		
Total retained profit		
- Realised	17,876	24,007
- Unrealised		
- in respect of other items of income and expense	14	9
	<u>17,890</u>	<u>24,016</u>

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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 9 May 2013.