

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Note	The Group		The Company	
		As at 30/09/2015 RM'000	As at 30/06/2015 RM'000	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
ASSETS					
Cash and short term funds		300,927	471,753	247	224
Reverse repurchase agreements		46,721	-	-	-
Deposits and placements with banks and other financial institutions		157,487	200,243	-	-
Financial assets held-for-trading	11	485,589	920,885	-	-
Financial investments available- for-sale	12	1,038,905	958,314	120,730	133,130
Financial investments held-to-maturity	13	448,372	380,255	-	-
Derivative financial assets	19	165,264	43,059	-	-
Loans and advances	14	317,058	325,983	-	-
Clients' and brokers' balances	15	187,540	198,183	-	-
Other assets	16	60,784	24,717	14,223	766
Statutory deposits with Bank Negara Malaysia		48,000	56,180	-	-
Tax recoverable		299	381	168	156
Investment in subsidiary companies		-	-	270,054	270,054
Deferred tax assets		99,557	95,451	-	13
Property and equipment		4,902	5,310	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		3,625	3,641	-	-
TOTAL ASSETS		3,398,089	3,717,414	405,422	404,343
LIABILITIES					
Deposits from customers	17	637,518	841,747	-	-
Deposits and placements of banks and other financial institutions	18	1,478,474	1,847,391	-	-
Repurchased agreements		68,941	-	-	-
Derivative financial liabilities	19	193,604	57,428	-	-
Clients' and brokers' balances		173,845	192,728	-	-
Other liabilities	20	129,667	74,295	618	498
Current tax liabilities		2	3	-	-
Subordinated obligations	21	50,905	50,194	-	-
TOTAL LIABILITIES		2,732,956	3,063,786	618	498

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

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(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	The Group		The Company	
	As at	As at	As at	As at
Note	30/09/2015	30/06/2015	30/09/2015	30/06/2015
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	424,268	412,763	163,826	162,867
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	<u>665,133</u>	<u>653,628</u>	<u>404,804</u>	<u>403,845</u>
TOTAL LIABILITIES AND EQUITY				
	<u>3,398,089</u>	<u>3,717,414</u>	<u>405,422</u>	<u>404,343</u>
COMMITMENTS AND CONTINGENCIES				
27	<u>8,989,624</u>	<u>7,412,838</u>	<u>52,000</u>	<u>-</u>
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	<u>2.76</u>	<u>2.71</u>		

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Current quarter ended 30/09/2015	Last year's quarter ended 30/09/2014	Current year ended 30/09/2015	Last year's ended 30/09/2014
Note	RM'000	RM'000	RM'000	RM'000
The Group				
Interest income	22	29,783	31,308	29,783
Interest expense	23	(21,797)	(19,681)	(21,797)
Net interest income		7,986	11,627	7,986
Non-interest income	24	29,386	31,633	29,386
Net income		37,372	43,260	37,372
Overhead expenses	25	(24,516)	(24,288)	(24,516)
Operating profit before allowances		12,856	18,972	12,856
Write-back of allowance for impairment on loans and advances and other losses	26	4	14	4
Profit before taxation		12,860	18,986	12,860
Taxation		2,751	(645)	2,751
Net profit for the period		15,611	18,341	15,611
Earnings per share (sen)				
- Basic		6.5	7.6	6.5
- Diluted		6.5	7.6	6.5

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group				
Net profit for the period	15,611	18,341	15,611	18,341
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	(5,279)	1,311	(5,279)	1,311
Income tax relating to net fair value changes on financial investments available-for-sale	1,202	(328)	1,202	(328)
Currency translation differences in respect of foreign operation	(29)	(12)	(29)	(12)
Other comprehensive (expense)/income for the period, net of tax	(4,106)	971	(4,106)	971
Total comprehensive income for the period, net of tax	11,505	19,312	11,505	19,312

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Current quarter ended 30/09/2015	Last year's quarter ended 30/09/2014	Current year ended 30/09/2015	Last year's ended 30/09/2014
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22	29	3	29
Interest expense	23	-	-	-
Net interest income		29	3	29
Non-interest income	24	1,424	27,561	1,424
Net income		1,453	27,564	1,453
Overhead expenses	25	(474)	(720)	(474)
Operating profit before allowances Allowance for impairment on other losses	26	979	26,844	979
Profit before taxation		979	26,844	979
Taxation		(4)	-	(4)
Net profit for the period		975	26,844	975
Earnings per share (sen)				
- Basic		0.4	11.2	0.4
- Diluted		0.4	11.2	0.4

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Company				
Net profit for the period	975	26,844	975	26,844
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	41	(41)	(3)	(38)
Income tax relating to net fair value changes on financial investments available-for-sale	(24)	11	(13)	10
Other comprehensive (expense)/income for the period, net of tax	17	(30)	(16)	(28)
Total comprehensive income for the period, net of tax	992	26,814	959	26,816

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

Attributable to owners of the parent

The Group	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	General Reserves RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	Share Option Reserves RM'000	Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 July 2015	246,896	(6,031)	543	113,482	3,031	-	1,234	8	294,465	653,628
Net profit for the period	-	-	-	-	-	-	-	-	15,611	15,611
Other comprehensive expense, net of tax	-	-	-	-	-	-	(4,077)	(29)	-	(4,106)
Total comprehensive (expense)/income	-	-	-	-	-	-	(4,077)	(29)	15,611	11,505
Transfer to regulatory reserve	-	-	-	-	(101)	-	-	-	101	-
At 30 September 2015	246,896	(6,031)	543	113,482	2,930	-	(2,843)	(21)	310,177	665,133
At 1 July 2014	246,896	(7,923)	543	97,094	-	550	(669)	12	265,902	602,405
Net profit for the period	-	-	-	-	-	-	-	-	18,341	18,341
Other comprehensive income/(expense), net of tax	-	-	-	-	-	-	983	(12)	-	971
Total comprehensive income/(expense)	-	-	-	-	-	-	983	(12)	18,341	19,312
ESOS exercised	-	1,213	-	-	-	(541)	-	-	931	1,603
Option charge arising from ESOS granted	-	-	-	-	-	88	-	-	-	88
Disposal of treasury shares	-	178	-	-	-	-	-	-	2,111	2,289
At 30 September 2014	246,896	(6,532)	543	97,094	-	97	314	-	287,285	625,697

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Non-Distributable			Distributable		Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Call Option Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Company						
At 1 July 2015	246,896	(5,918)	-	(43)	162,910	403,845
Net profit for the period	-	-	-	-	975	975
Other comprehensive expense, net of tax	-	-	-	(16)	-	(16)
Total comprehensive (expense)/income	-	-	-	(16)	975	959
At 30 September 2015	246,896	(5,918)	-	(59)	163,885	404,804
At 1 July 2014	246,896	(7,923)	1,147	11	172,310	412,441
Net profit for the period	-	-	-	-	26,844	26,844
Other comprehensive expense, net of tax	-	-	-	(28)	-	(28)
Total comprehensive (expense)/income	-	-	-	(28)	26,844	26,816
Call options exercised by the subsidiary during the period	-	-	(1,147)	-	1,147	-
Treasury shares transferred to trustee of subsidiary	-	1,429	-	-	-	1,429
Disposal of treasury shares	-	178	-	-	2,111	2,289
At 30 September 2014	246,896	(6,316)	-	(17)	202,412	442,975

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2015.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	The Group	
	30/09/2015	30/09/2014
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	12,860	18,986
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	419	510
- Amortisation of intangible assets	383	170
- Option charge arising from ESOS granted	-	88
- Write-back of allowance for impairment for losses on loans and advances	(7)	(43)
- Allowance for losses on clients' and brokers' balances	3	29
- Net unrealised loss on revaluation of:		
- Financial assets held-for-trading	6,651	845
- Derivative financial instruments	13,857	184
- Interest income from:		
- Financial assets held-for-trading	(6,997)	(6,583)
- Financial investments available-for-sale	(8,471)	(6,508)
- Financial investments held-to-maturity	(3,494)	(2,628)
- Derivative financial instruments	(1,486)	(664)
- Interest expense from derivative financial instruments	3,638	1,754
- Interest expense on subordinated obligations	711	-
- Dividend income from:		
- Financial assets held-for-trading	(796)	(328)
- Financial investments available-for-sale	(1,200)	(911)
	3,211	(14,085)
Operating profit before changes in working capital	16,071	4,901
<u>Changes in working capital:</u>		
- Reverse repurchase agreements	(46,721)	(47,079)
- Deposits and placements with banks and other financial institutions	42,756	(30,152)
- Financial assets held-for-trading	428,436	(538,207)
- Derivative financial instruments	(20)	(605)
- Loans and advances	8,932	48,137
- Clients' and brokers' balances	10,640	38,498
- Other assets	(36,073)	22,138
- Statutory deposits with Bank Negara Malaysia	8,180	(2,850)
Net changes in operating assets	416,130	(510,120)
- Deposits from customers	(204,229)	(85,674)
- Deposits and placements of banks and other financial institutions	(368,917)	444,560
- Repurchased agreements	68,941	33,025
- Clients' and brokers' balances	(18,883)	(123,311)
- Other liabilities	55,372	(334,005)
Net changes in operating liabilities	(467,716)	(65,405)
Cash used in operating activities	(35,515)	(570,624)

The Unaudited Condensed 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 2015.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	The Group	
	30/09/2015	30/09/2014
	RM'000	RM'000
Cash used in operating activities	(35,515)	(570,624)
- Net income tax paid	(72)	(154)
Net cash used in operating activities	(35,587)	(570,778)
<u>Cash flows from investing activities</u>		
Net purchase/(disposal) of:		
- Financial investments available-for-sale	(81,621)	(83,024)
- Financial investments held-to-maturity	(68,393)	67,937
Dividend received from:		
- Financial assets held-for-trading	796	328
- Financial investments available-for-sale	1,206	911
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	16,533	16,495
Interest expenses paid on derivative financial instruments	(3,353)	(1,513)
Purchase of property and equipment	(11)	(187)
Purchase of intangible assets	(367)	(118)
Net cash (used in)/generated from investing activities	(135,210)	829
<u>Cash flows from financing activities</u>		
Cash received from ESOS exercised	-	1,603
Cash received from disposal of treasury shares	-	2,289
Net cash generated from financing activities	-	3,892
Net changes in cash and cash equivalents during the financial period	(170,797)	(566,057)
Effect of exchange rate changes	(29)	(12)
Cash and cash equivalents at beginning of the financial period	471,753	782,208
Cash and cash equivalents at end of the financial period	300,927	216,139
Cash and cash equivalents comprise:		
Cash and short term funds	300,927	216,139

The Unaudited Condensed 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 2015.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	The Company	
	30/09/2015	30/09/2014
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	979	26,844
<u>Adjustments for non-cash items:</u>		
- Interest income	(29)	(3)
- Dividend income from:		
- Financial investments available-for-sale	(1,137)	(583)
- Subsidiary companies	-	(26,784)
	(1,166)	(27,370)
Operating loss before changes in working capital	(187)	(526)
(Increase)/decrease in other assets	(13,434)	6,638
Increase in other liabilities	120	88
Cash (used in)/generated from operating activities	(13,501)	6,200
- Net income tax paid	(16)	-
- Interest received	-	3
Net cash (used in)/generated from operating activities	(13,517)	6,203
<u>Cash flows from investing activities</u>		
Decrease/(increase) in financial investments available-for-sale	12,397	(38,000)
Dividend received from:		
- Financial investments available-for-sale	1,143	583
- Subsidiaries	-	26,784
Net cash generated from/(used in) investing activities	13,540	(10,633)
<u>Cash flows from financing activities</u>		
Cash received from treasury shares transferred to trustee of subsidiary	-	1,429
Cash received from disposal of treasury shares	-	2,289
Net cash generated from financing activities	-	3,718
Net changes in cash and cash equivalents during the financial period	23	(712)
Cash and cash equivalents at beginning of the financial period	224	2,293
Cash and cash equivalents at end of the financial period	247	1,581
Cash and cash equivalents comprise:		
Cash and short term funds	247	1,581

The Unaudited Condensed 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 2015.

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

Explanatory Notes pursuant to the Financial Reporting Standard 134 ("FRS 134") and Guidelines on Financial Reporting issued by Bank Negara Malaysia ("BNM")

1. Basis of preparation

The unaudited condensed financial statements for the financial period ended 30 September 2015 have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale and financial assets/financial liabilities at fair value through profit or loss (including derivative financial instruments).

The unaudited condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB") and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements and should be read in conjunction with the audited annual financial statements for the Group and the Company for the financial year ended 30 June 2015. The explanatory notes attached to the unaudited condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Company since the financial year ended 30 June 2015.

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the annual audited financial statements for the financial year ended 30 June 2015, except for the revision to Bank Negara Malaysia's ("BNM") Policy:

Revised BNM Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing. The issuance of this revised policy document has superseded two guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months.

The requirements in the BNM revised Policy Document are effective on 1 January 2015, except for the following:

- (i) the requirement to classify loans/financing as rescheduled and restructured in the Central Credit Reference Information System ("CCRIS") will be effective on or after 1 April 2015; and
- (ii) the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance will be effective beginning 31 December 2015.

The Group have complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group and the Bank have early adopted the requirement for a banking institution to maintain, in aggregate, collective impairment allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowance since financial year 30 June 2015. The regulatory reserve is maintained in addition to the collective impairment allowance required under the MFRS 139 Financial Instruments: Recognition and Measurement, and it will be set aside from the retained profits to a separate reserve within equity as an additional credit risk absorbent. The regulatory reserve is not qualified as Common Equity Tier 1 capital under BNM's Capital Adequacy Framework (Capital Components).

HLCB Q1 (30.09.15)

1. Basis of preparation (continued)

The preparation of unaudited condensed financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2015 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 2015.

4. Unusual items due to their nature, size or incidence

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 September 2015.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 September 2015.

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 period ended 30 September 2015, other than as mentioned below.

Purchase of shares pursuant to ESOS

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").

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.

In accordance to MFRS 132 "Financial instruments: Presentation and Disclosure", the shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group's statement of financial position as deduction in arriving at the shareholders' equity.

HLCB Q1 (30.09.15)

6. Debt and Equity Securities

Purchase of shares pursuant to ESOS (continued)

Total shares held by ESOS Trust comprise 5,612,700 (2015: 5,612,700) shares in the Group costing RM6,031,241 (2015: RM6,031,241) inclusive of transaction costs, as at 30 September 2015.

7. Dividends paid

There was no dividend paid during the financial quarter ended 30 September 2015.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 2015.

9. Significant events

Public shareholding spread

The trading of HLCB's shares was suspended with effect from 26 March 2015. The suspension will only be uplifted upon full compliance of the public shareholding spread in accordance with Paragraph 8.02(1) of the Listing Requirements.

The Company is required to announce the status of its efforts to comply with the public shareholding spread simultaneously with its quarterly results and in any event, not later than 2 months after the end of each quarter of its financial year.

10. Subsequent events

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

11. Financial assets held-for-trading

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	-	30,772
Negotiable instruments of deposits	140,481	-
Bankers' acceptances	103,184	426,775
	243,665	457,547
Quoted securities		
In Malaysia:		
Shares	18,379	21,597
Unquoted securities		
Foreign currency bonds	-	62,718
Private and Islamic debt securities	223,545	379,023
	223,545	441,741
	485,589	920,885

12. Financial investments available-for-sale

	The Group		The Company	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Money market instruments				
Malaysian Government Securities	60,496	102,399	-	-
Malaysian Government Investment Issues	139,090	80,368	-	-
Cagamas bonds	14,988	15,051	-	-
	214,574	197,818	-	-
Quoted securities				
In Malaysia:				
Shares	15,446	15,000	-	-
Unit trust investment	131,807	144,118	120,730	133,130
	147,253	159,118	120,730	133,130
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	170,639	199,674	-	-
Private and Islamic debt securities	506,194	401,459	-	-
	677,078	601,378	-	-
	1,038,905	958,314	120,730	133,130

13. Financial investments held-to-maturity

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	50,542	51,097
Malaysian Government Investment Issues	70,666	20,397
	121,208	71,494
Unquoted securities		
Foreign currency bonds	266,185	248,387
Private and Islamic debt securities	60,979	60,374
	327,164	308,761
	448,372	380,255

14. Loans and advances

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Term loan financing	142,865	143,066
Share margin financing	174,528	183,183
Staff loans	76	78
Other loans	574	659
Gross loans and advances	318,043	326,986
Allowance for impaired loans and advances:		
- individual assessment allowance	(100)	(111)
- collective assessment allowance	(885)	(892)
Net loans and advances	317,058	325,983

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	44,442	45,111
- Others	159,512	158,948
Individuals	114,089	122,927
Gross loans and advances	318,043	326,986

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14. Loans and advances (continued)

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	76	78
- Other fixed rate loan	574	659
Variable rate		
- Cost plus	317,393	326,249
Gross loans and advances	318,043	326,986
14c. <u>By residual contractual maturity</u>		
Maturity within one year	258,017	276,377
More than one year to three years	59,950	30,703
More than three years to five years	-	19,829
More than five years	76	77
Gross loans and advances	318,043	326,986
14d. <u>By geographical distribution</u>		
Malaysia	318,043	326,986
14e. <u>By economic purpose</u>		
Purchase of securities	214,646	222,890
Working capital	102,747	103,359
Purchase of transport vehicles	101	112
Purchase of landed properties	549	625
Gross loans and advances	318,043	326,986
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	623	853
Impaired during the period/year	-	3
Amount written-back during the period/year	(38)	(233)
Amount written-off during the period/year	(11)	-
At 30 September/30 June	574	623
% of impaired loans to total loans and advances, net of individual assessment allowance	0.2%	0.2%
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	574	623
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	100	111
Purchase of landed properties	474	512
Gross impaired loans and advances	574	623

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14. Loans and advances (continued)

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
14i. Movement in the allowance for loss on loans and advances are as follows:		
<u>Individual assessment allowance</u>		
At 1 July	111	194
Allowance written-back during the period/year	-	(83)
Allowance written-off during the period/year	(11)	-
At 30 September/30 June	<u>100</u>	<u>111</u>
<u>Collective assessment allowance</u>		
At 1 July	892	1,307
Allowance written-back during the period/year	(7)	(415)
At 30 September/30 June	<u>885</u>	<u>892</u>

15. Clients' and brokers' balances

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Performing accounts	186,486	197,035
Impaired accounts	1,441	1,532
	<u>187,927</u>	<u>198,567</u>
Less: Individual assessment allowance	(360)	(361)
Collective assessment allowance	(27)	(23)
	<u>187,540</u>	<u>198,183</u>

16. Other assets

	The Group		The Company	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Amount due from holding company	1	-	-	-
Amount due from subsidiary companies	-	-	1,079	620
Deposits and prepayments	6,998	5,508	13,000	56
Fee income receivable	7,211	7,123	-	-
Collaterals pledged for derivative transactions	36,186	8,965	-	-
Other receivables	9,809	3,093	144	90
Manager's stocks and consumables	579	28	-	-
	<u>60,784</u>	<u>24,717</u>	<u>14,223</u>	<u>766</u>

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17. Deposits from customers

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Deposits from customers	637,518	841,747
17a. <u>By type of deposits</u>		
Fixed deposits	637,518	841,747
17b. <u>By type of customer</u>		
Government and statutory bodies	535,762	561,996
Business enterprises	88,528	265,602
Individuals	13,228	14,149
	637,518	841,747

17c. The maturity structure of fixed deposits are as follows:

Due within six months	637,518	841,747
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18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Licensed banks	494,921	459,790
Licensed investment banks	-	34,384
Other financial institutions	983,553	1,353,217
	1,478,474	1,847,391

19. Derivative financial assets/liabilities

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
The Group			
30/09/2015			
Interest rate related contracts:			
- Interest rate swaps	4,574,500	22,667	(26,678)
- Futures	317,141	198	(455)
- Cross currency swaps	263,730	27,453	(18,009)
Foreign exchange related contracts:			
- Foreign currency swaps	3,025,220	111,241	(148,384)
- Foreign currency forwards	32,200	346	(3)
- Foreign currency spot	8,791	75	(75)
Equity related contracts:			
- Call option	8,500	3,284	-
	8,230,082	165,264	(193,604)

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19. Derivative financial assets/liabilities (continued)

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
The Group			
30/06/2015			
Interest rate related contracts:			
- Interest rate swaps	4,169,500	6,968	(18,976)
- Futures	301,872	625	(265)
- Cross Currency Swaps	226,395	2,999	(6,016)
Foreign exchange related contracts:			
- Foreign currency swaps	1,908,226	28,910	(32,165)
- Foreign currency forwards	61,802	457	(6)
- Foreign currency spot	1,166	3	-
Equity related contracts:			
- Call option	8,500	3,097	-
	6,677,461	43,059	(57,428)

20. Other liabilities

	The Group		The Company	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Amount due to holding company	3	-	-	-
Amount due to related companies	112	125	-	-
Remisiers' trust deposits	13,346	13,544	-	-
Other payables and accrued liabilities	116,061	60,482	618	498
Post employment benefits obligation				
- defined contribution plan	145	144	-	-
	129,667	74,295	618	498

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21. Subordinated obligations

	The Group	
	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,075	407
	51,075	50,407
Less: Unamortised discounts	(170)	(213)
	50,905	50,194

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50.0 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50.0 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

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22. Interest income

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group				
Loan and advances	5,417	6,169	5,417	6,169
Money at call and deposits placements with banks and other financial institutions	1,638	6,928	1,638	6,928
Financial assets held-for-trading	6,997	6,583	6,997	6,583
Financial investments available-for-sale	8,471	6,508	8,471	6,508
Financial investments held-to-maturity	3,494	2,628	3,494	2,628
Derivative financial instruments	1,486	664	1,486	664
Others	2,280	1,828	2,280	1,828
Total interest income	29,783	31,308	29,783	31,308
The Company				
Money at call and deposits placements with banks and other financial institutions	29	3	29	3

23. Interest expense

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group				
Deposits and placements of banks and other financial institutions	3,769	3,187	3,769	3,187
Deposits from customers	13,545	14,611	13,545	14,611
Derivative financial instruments	3,638	1,754	3,638	1,754
Subordinated notes	711	-	711	-
Others	134	129	134	129
Total interest expense	21,797	19,681	21,797	19,681

24. Non-interest income

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	73	559	73	559
Arranger fees	3,274	885	3,274	885
Placement fee	33	2,878	33	2,878
Guarantee fees	31	101	31	101
Corporate advisory fees	795	2,905	795	2,905
Underwriting Commission	212	-	212	-
Brokerage commissions	13,232	16,165	13,232	16,165
Commission from futures contracts	242	213	242	213
Unit trust fee income	4,304	3,899	4,304	3,899
Other fee income	1,064	992	1,064	992
	23,260	28,597	23,260	28,597
(b) Net realised gain/(loss) arising from sale of:				
- Financial assets held-for-trading	692	(98)	692	(98)
- Financial investments available-for-sale	14	426	14	426
- Derivative financial instruments	(24,814)	(5,802)	(24,814)	(5,802)
	(24,108)	(5,474)	(24,108)	(5,474)
(c) Net unrealised loss on revaluation of:				
- Financial assets held-for-trading	(6,651)	(845)	(6,651)	(845)
- Derivative financial instruments	(13,857)	(184)	(13,857)	(184)
	(20,508)	(1,029)	(20,508)	(1,029)
(d) Dividend income from:				
- Financial assets held-for-trading	796	328	796	328
- Financial investments available-for-sale	1,200	911	1,200	911
	1,996	1,239	1,996	1,239
(e) Foreign exchange gain	48,948	8,094	48,948	8,094
(f) Other (expense)/income	(202)	206	(202)	206
Total non-interest income	29,386	31,633	29,386	31,633

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24. Non-interest income (continued)

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Company				
(a) Fee income:				
Other fee income	208	-	208	-
(b) Net realised gain arising from sale of:				
- Financial assets held-for-trading	-	179	-	179
- Financial investments available-for-sale	8	-	8	-
(c) Dividend income from:				
- Financial investments available-for-sale	1,137	583	1,137	583
- Subsidiary companies	-	26,784	-	26,784
(d) Other income/(expense)	71	15	71	15
	1,424	27,561	1,424	27,561

25. Overhead expenses

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	11,695	11,402	11,695	11,402
- Option charge arising from ESOS	-	88	-	88
- Others	3,397	2,929	3,397	2,929
	15,092	14,419	15,092	14,419
Establishment costs				
- Depreciation of property and equipment	419	510	419	510
- Amortisation of intangible assets	383	170	383	170
- Rental of premises	1,539	1,518	1,539	1,518
- Information technology expenses	1,370	1,420	1,370	1,420
- Others	845	995	845	995
	4,556	4,613	4,556	4,613

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25. Overhead expenses (continued)

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	2	93	2	93
- Entertainment and business improvement	501	528	501	528
- Others	87	79	87	79
	590	700	590	700
Administration and general expenses				
- Management fees	843	1,055	843	1,055
- Communication expenses	332	399	332	399
- Auditors' remuneration				
- Statutory audit	101	97	101	97
- Regulatory related fee	3	20	3	20
- Tax compliance fee	1	-	1	-
- Legal and professional fees	775	1,234	775	1,234
- Others	2,223	1,751	2,223	1,751
	4,278	4,556	4,278	4,556
	24,516	24,288	24,516	24,288
The Company				
Personnel costs				
- Salaries, bonuses and allowances	172	34	172	34
- Others	63	71	63	71
	235	105	235	105
Establishment costs				
- Information technology expenses	1	9	1	9
- Others	16	16	16	16
	17	25	17	25
Marketing expenses				
- Others	2	-	2	-
	2	-	2	-
Administration and general expenses				
- Management fees	82	108	82	108
- Communication expenses	2	1	2	1
- Auditors' remuneration				
- Statutory audit	15	16	15	16
- Regulatory related fee	3	3	3	3
- Tax compliance fee	1	-	1	-
- Legal and professional fees	-	366	-	366
- Others	117	96	117	96
	220	590	220	590
	474	720	474	720

26. Write-back of allowance for impairment on loans and advances and other losses

	Current quarter ended 30/09/2015 RM'000	Last year's quarter ended 30/09/2014 RM'000	Current year ended 30/09/2015 RM'000	Last year's ended 30/09/2014 RM'000
The Group				
Write-back of/(allowance for) losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period	-	(23)	-	(23)
- written-back during the period	-	102	-	102
Collective assessment allowance written-back/ (made) during the period	7	(36)	7	(36)
Write-back of/(allowance for) losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period	(64)	(116)	(64)	(116)
- written-back during the period	65	95	65	95
Collective assessment allowance made during the period	(4)	(8)	(4)	(8)
	4	14	4	14

HLCB Q1 (30.09.15)**27. Commitments and contingencies**

	As at 30/09/2015 Principal Amount RM'000	As at 30/06/2015 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	8,000	8,000
Obligations under underwriting agreement	79,996	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	1,850	1,781
- maturity over one year	2,239	2,719
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	667,457	722,877
	759,542	735,377
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,587,961	1,555,070
- Over one year to five years	2,912,410	2,617,697
- Over five years	655,000	525,000
Foreign exchange related contracts		
- One year or less	3,066,211	1,971,194
Equity related contracts		
- Over one year to five years	8,500	8,500
	8,230,082	6,677,461
	8,989,624	7,412,838
The Company		
Commitments and contingent liabilities		
Obligations under underwriting agreement	52,000	-

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group and the Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active market where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities, unit trust investments and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2.

In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group's exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group 30.09.2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	18,379	467,210	-	485,589
- Money market instruments	-	243,665	-	243,665
- Quoted securities	18,379	-	-	18,379
- Unquoted securities	-	223,545	-	223,545
Financial investments available-for-sale	147,253	891,407	245	1,038,905
- Money market instruments	-	214,574	-	214,574
- Quoted securities	147,253	-	-	147,253
- Unquoted securities	-	676,833	245	677,078
Derivative financial assets	-	165,264	-	165,264
	165,632	1,523,881	245	1,689,758

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28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.09.2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	193,604	-	193,604
30.06.2015				
Financial assets				
Financial assets held-for-trading	21,597	899,288	-	920,885
- Money market instruments	-	457,547	-	457,547
- Quoted securities	21,597	-	-	21,597
- Unquoted securities	-	441,741	-	441,741
Financial investments available-for-sale	159,118	798,951	245	958,314
- Money market instruments	-	197,818	-	197,818
- Quoted securities	159,118	-	-	159,118
- Unquoted securities	-	601,133	245	601,378
Derivative financial assets	-	43,059	-	43,059
	180,715	1,741,298	245	1,922,258
Financial liability				
Derivative financial liabilities	-	57,428	-	57,428
The Company 30.09.2015				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	120,730	-	-	120,730
30.06.2015				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	133,130	-	-	133,130

There were no transfers between Level 1 and 2 during the year.

Reconciliation of fair value measurement in Level 3 of the fair value hierarchy are as follows:

The Group	Financial investments available-for-sale	
	30.09.2015 RM'000	30.06.2015 RM'000
At beginning/end of financial year/period	245	245

HLCB Q1 (30.09.15)**29. Capital adequacy**

(i) The capital adequacy ratios of the banking subsidiaries are as follows:

	HLIB 30/09/2015	HLIB 30/06/2015
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	22.423%	23.683%
Tier 1 capital ratio	22.423%	23.683%
Total capital ratio	25.927%	27.355%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	19.698%	20.832%
Tier 1 capital ratio	19.698%	20.832%
Total capital ratio	23.201%	24.504%

(ii) The components of CET1, Tier 1 and total capital of the banking subsidiaries are as follows:

	HLIB 30/09/2015 RM'000	HLIB 30/06/2015 RM'000
CET1 capital		
Paid-up ordinary share capital	165,000	165,000
Share premium	87,950	87,950
Retained profits	22,742	22,742
Other reserves	194,295	198,645
Less: goodwill and intangibles	(32,530)	(32,535)
Less: deferred tax assets	(95,002)	(95,002)
Less: investment in subsidiary companies	(154)	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	-	(978)
Total CET1 capital	342,301	345,668
Tier-1 capital	342,301	345,668
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	3,718	3,825
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	(230)	(230)
Total Tier 2 capital	53,488	53,595
Total capital	395,789	399,263

Note:

(1) Proposed dividends of RM41,600,000.

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

(3) Includes the qualifying regulatory reserve for non-impaired loans and advances of RM2,930,000 (2015: RM3,031,000).

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29. Capital adequacy (continued)

(iii) Breakdown of risk-weighted assets of the banking subsidiary company in the various risk weightes:

	HLIB	HLIB
	30/09/2015	30/06/2015
	RM'000	RM'000
Credit risk	757,175	678,033
Market risk	453,942	483,713
Operational risk	315,462	297,840
	<u>1,526,579</u>	<u>1,459,586</u>

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30. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 2015:

	Fund management Investment banking and stockbroking	and unit trust management	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>30 September 2015</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	7,888	70	28	-	7,986
Non interest income	23,481	4,313	1,592	-	29,386
Results					
Profit/(loss) from operations	11,707	101	1,099	(47)	12,860
Taxation					2,751
Profit after taxation					15,611
<u>30 September 2014</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	11,531	86	10	-	11,627
Non interest income	24,495	3,912	27,962	(24,736)	31,633
Results					
Profit/(loss) from operations	16,043	241	27,205	(24,503)	18,986
Taxation					(645)
Profit after taxation					18,341

(b) Segmental analysis by geographical location has not been prepared as the Group's operations are predominantly conducted in Malaysia.

31. 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 2015.

32. Changes in composition of the Group

There were no changes in composition of the Group for the current financial period and up to the date of this report except for the following:

On 29 October 2015, HLCB announced that the liquidator of ECS Jaya (1969) Sdn Bhd (“ECS Jaya”), a wholly-owned subsidiary of Hong Leong Investment Bank Berhad which in turn is a wholly-owned subsidiary of HLCB, had convened the final meeting for ECS Jaya to conclude the member’s voluntary winding-up of ECS Jaya.

The Return by Liquidator Relating to Final Meeting of ECS Jaya was lodged on 29 October 2015 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, ECS Jaya will be dissolved.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 September 2015 is RM9.7 million.

34. Changes in contingent liabilities

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

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of Hong Leong Consumer Products Sector Fund (“Funds”). The Company provided a guarantee to Deutsche Trustees Malaysia Berhad, the trustee of the Funds, that if the funds falls below the minimum fund size of RM1,000,000, the Company would invest cash, equivalent to the shortfall, into the relevant fund.

The size of the fund was above the minimum of RM1.0 million as at 30 September 2015.

35. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms’ length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders’ Mandate for recurrent related party transactions obtained at a general meeting.

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

1. Performance review

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

The group recorded a lower profit before tax ("PBT") of RM12.9 million for the 1st quarter September 2015 as compared to RM19.0 million in the previous year corresponding quarter. This is mainly due to lower contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a lower PBT of RM11.7 million for the 1st quarter September 2015 as compared to previous year corresponding quarter of RM16.0 million mainly due to lower contribution from its Equity Markets and Stocking divisions, offset by higher contribution from its Treasury and Markets.

Fund management and unit trust management

Fund management and unit trust management recorded a lower PBT of RM0.1 million for the 1st quarter September 2015 as compared to RM0.2 million in previous year corresponding quarter, mainly due to higher overheads incurred in this quarter.

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

For the financial quarter ended 30 September 2015, the Group reported a lower PBT of RM12.9 million compared to RM27.5 million in the preceding financial quarter. This was mainly due to lower contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a lower PBT of RM11.7 million for the 1st quarter September 2015 as compared to preceding financial quarter of RM26.5 million mainly due to lower contribution from its Debt Markets and Treasury and Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a PBT of RM0.1 million for 1st quarter September 2015 as compared to a loss before tax of RM86 thousand in preceding financial quarter. Lower LBT in current quarter mainly due to lower overheads incurred 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 2016 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.

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4. Taxation

The Group	Financial quarter ended		Financial year ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	205	65	205	65
- (Over)/under provision in prior years	(52)	21	(52)	21
Deferred taxation	(2,904)	559	(2,904)	559
	<u>(2,751)</u>	<u>645</u>	<u>(2,751)</u>	<u>645</u>

5. Status of corporate proposals

There were no corporate proposals announced but not completed as at the latest practicable date which was not earlier than 7 days from the issue of this report.

6. Group borrowings

The Group has no borrowings as at 30 September 2015.

7. Subordinated obligations

	The Group	
	As at 30/09/2015	As at 30/06/2015
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,075	407
	<u>51,075</u>	<u>50,407</u>
Less: Unamortised discounts	(170)	(213)
	<u>50,905</u>	<u>50,194</u>

On 6 November 2014, Hong Leong Investment Bank Berhad ("HLIB") had completed the first issuance of RM50 million nominal value of Tier 2 Subordinated Notes ("Sub-Notes") out of its RM1.0 billion Multi-Currency Sub-Notes Programme. The RM50 million Sub-Notes will mature in 2024 and is callable on any coupon payment date falling on or after the 5th anniversary of the issue date. The Sub-Notes which bears interest rate of 5.30% per annum is payable semi-annually in arrears. The exercise of the call option on the Sub-Notes shall be subject to the approval of BNM.

The Sub-Notes constitute unsecured liabilities of HLIB, and is subordinated in right of payment to the deposit liabilities and all other liabilities of HLIB in accordance with the terms and conditions of the issue, except to those liabilities, which by their terms, rank equally in right of payment with or are subordinated to the Sub-Notes. The Sub-Notes qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of HLIB.

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8. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 September 2015:

The Group	Principal	Fair Value	
	amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Interest rate related contracts			
(i) Less than 1 year	1,587,961	28,255	(1,370)
(ii) 1 year to 3 years	1,657,410	7,874	(30,809)
(iii) More than 3 years	1,910,000	14,189	(12,963)
Foreign exchange related contracts			
(i) Less than 1 year	3,066,211	111,662	(148,462)
Equity related contracts			
(ii) 1 year to 3 years	1,500	914	-
(iii) More than 3 years	7,000	2,370	-
	8,230,082	165,264	(193,604)

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.

9. 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.

10. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 30 September 2015.

HLCB Q1 (30.09.15)**11. Earnings per share ("EPS")**

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
The Group				
Net profit attributable to equity holders of the Company (RM'000):	15,611	18,341	15,611	18,341
Weighted average number of ordinary shares in issue ('000):	241,283	240,321	241,283	240,321
Basic earnings per share (sen)	6.5	7.6	6.5	7.6
The Company				
Net profit attributable to equity holders of the Company (RM'000):	975	26,844	975	26,844
Weighted average number of ordinary shares in issue ('000):	241,388	240,640	241,388	240,640
Basic earnings per share (sen)	0.4	11.2	0.4	11.2

(b) Fully diluted earnings per share

The diluted earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of shares in issue including the dilutive potential ordinary shares held in respect of ESOS shares for eligible executives.

	Financial quarter ended		Financial period ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
The Group				
Basic weighted average number of shares in issue ('000)	241,283	240,321	241,283	240,321
Number of potential ordinary shares ('000)	-	96	-	96
Diluted weighted average number of shares ('000)	241,283	240,417	241,283	240,417
Net profit attributable to shareholders of the Company (RM'000):	15,611	18,341	15,611	18,341
Diluted weighted average number of shares ('000)	241,283	240,417	241,283	240,417
Diluted earnings per share (sen)	6.5	7.6	6.5	7.6

HLCB Q1 (30.09.15)**11. Earnings per share ("EPS") (continued)**

(b) Fully diluted earnings per share (continued)

	Financial quarter ended		Financial period ended	
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
The Company				
Basic weighted average number of shares in issue ('000)	241,388	240,640	241,388	240,640
Number of potential ordinary shares ('000)	-	-	-	-
Diluted weighted average number of shares ('000)	241,388	240,640	241,388	240,640
Net profit attributable to shareholders of the Company (RM'000):	975	26,844	975	26,844
Diluted weighted average number of shares ('000)	241,388	240,640	241,388	240,640
Diluted earnings per share (sen)	0.4	11.2	0.4	11.2

12. 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	As at
	30/09/2015	30/06/2015
	RM'000	RM'000
The Group		
Total retained profit		
- Realised	260,355	364,340
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	99,557	95,451
- in respect of other items of income and expense	167,110	51,519
	527,022	511,310
Less : Consolidation adjustment	(216,845)	(216,845)
	310,177	294,465
The Company		
Total retained profit		
- Realised	163,885	162,897
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	-	13
	163,885	162,910

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 17 November 2015.