

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	The Group		The Company	
		As at 31/12/2015 RM'000	As at 30/06/2015 RM'000	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
ASSETS					
Cash and short term funds		269,264	471,753	1,171	224
Deposits and placements with banks and other financial institutions		-	200,243	-	-
Financial assets held-for-trading	11	1,131,169	920,885	-	-
Financial investments available- for-sale	12	1,063,245	958,314	154,991	133,130
Financial investments held-to-maturity	13	446,537	380,255	-	-
Derivative financial assets	19	62,245	43,059	-	-
Loans and advances	14	321,442	325,983	-	-
Clients' and brokers' balances	15	249,775	198,183	-	-
Other assets	16	50,729	24,717	747	766
Statutory deposits with Bank Negara Malaysia		27,500	56,180	-	-
Tax recoverable		275	381	118	156
Investment in subsidiary companies		-	-	270,054	270,054
Deferred tax assets		99,587	95,451	-	13
Property and equipment		7,362	5,310	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		3,441	3,641	-	-
TOTAL ASSETS		3,765,630	3,717,414	427,081	404,343
LIABILITIES					
Deposits from customers	17	687,142	841,747	-	-
Deposits and placements of banks and other financial institutions	18	1,838,742	1,847,391	-	-
Repurchased agreements		67,472	-	-	-
Derivative financial liabilities	19	67,294	57,428	-	-
Clients' and brokers' balances		270,129	192,728	-	-
Other liabilities	20	114,365	74,295	278	498
Current tax liabilities		2	3	-	-
Subordinated obligations	21	50,240	50,194	-	-
TOTAL LIABILITIES		3,095,386	3,063,786	278	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.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	The Group		The Company	
	As at	As at	As at	As at
Note	31/12/2015	30/06/2015	31/12/2015	30/06/2015
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	429,379	412,763	185,825	162,867
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	670,244	653,628	426,803	403,845
TOTAL LIABILITIES AND EQUITY				
	3,765,630	3,717,414	427,081	404,343
COMMITMENTS AND CONTINGENCIES				
27	7,531,873	7,412,838	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	2.78	2.71		

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 31 DECEMBER 2015

		Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group					
Interest income	22	31,900	34,299	61,683	65,607
Interest expense	23	(20,356)	(23,198)	(42,153)	(42,879)
Net interest income		<u>11,544</u>	11,101	<u>19,530</u>	22,728
Non-interest income	24	40,063	29,352	69,449	60,985
Net income		<u>51,607</u>	40,453	<u>88,979</u>	83,713
Overhead expenses	25	(29,938)	(25,045)	(54,454)	(49,333)
Operating profit before allowances		<u>21,669</u>	15,408	<u>34,525</u>	34,380
Allowance for impairment on loans and advances and other losses	26	(201)	(118)	(197)	(104)
Profit before taxation		<u>21,468</u>	15,290	<u>34,328</u>	34,276
Taxation		842	508	3,593	(137)
Net profit for the period		<u>22,310</u>	15,798	<u>37,921</u>	34,139
Earnings per share (sen)					
- Basic		9.2	6.6	15.7	14.2
- Diluted		9.2	6.5	15.7	14.2

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 31 DECEMBER 2015

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group				
Net profit for the period	22,310	15,798	37,921	34,139
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	4,194	(1,596)	(1,085)	(285)
Income tax relating to net fair value changes on financial investments available-for-sale	(886)	399	316	71
Currency translation differences in respect of foreign operation	2	-	(27)	(12)
Other comprehensive income/(expense) for the period, net of tax	3,310	(1,197)	(796)	(226)
Total comprehensive income for the period, net of tax	25,620	14,601	37,125	33,913

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 31 DECEMBER 2015

	Current quarter ended 31/12/2015	Last year's quarter ended 31/12/2014	Current year ended 31/12/2015	Last year's ended 31/12/2014
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22	108	-	137
Interest expense	23	-	-	-
Net interest income		108	-	137
Non-interest income	24	42,947	63,191	44,371
Net income		43,055	63,191	44,508
Overhead expenses	25	(488)	(212)	(962)
Operating profit before allowances		42,567	62,979	43,546
Allowance for impairment on other losses	26	-	(72,666)	-
Profit/(loss) before taxation		42,567	(9,687)	43,546
Taxation		(59)	-	(63)
Net profit/(loss) for the period		42,508	(9,687)	43,483
Earnings per share (sen)				
- Basic		17.6	(4.0)	18.0
- Diluted		17.6	(4.0)	18.0

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 31 DECEMBER 2015

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Company				
Net profit/(loss) for the period	42,508	(9,687)	43,483	17,157
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	9	5	6	(33)
Income tax relating to net fair value changes on financial investments available-for-sale	-	(2)	(13)	8
Other comprehensive income/(expense) for the period, net of tax	9	3	(7)	(25)
Total comprehensive income for the period, net of tax	42,517	(9,684)	43,476	17,132

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 31 DECEMBER 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	-	-	-	-	-	-	-	-	37,921	37,921
Other comprehensive expense, net of tax	-	-	-	-	-	-	(769)	(27)	-	(796)
Total comprehensive (expense)/income	-	-	-	-	-	-	(769)	(27)	37,921	37,125
Transfer to regulatory reserve	-	-	-	-	(217)	-	-	-	217	-
Dividend paid	-	-	-	-	-	-	-	-	(20,509)	(20,509)
At 31 December 2015	246,896	(6,031)	543	113,482	2,814	-	465	(19)	312,094	670,244
At 1 July 2014	246,896	(7,923)	543	97,094	-	550	(669)	12	265,902	602,405
Net profit for the period	-	-	-	-	-	-	-	-	34,139	34,139
Other comprehensive expense, net of tax	-	-	-	-	-	-	(214)	(12)	-	(226)
Total comprehensive (expense)/income	-	-	-	-	-	-	(214)	(12)	34,139	33,913
ESOS exercised	-	1,213	-	-	-	(541)	-	-	931	1,603
Option charge arising from ESOS granted	-	-	-	-	-	88	-	-	-	88
Disposal of treasury shares	-	572	-	-	-	-	-	-	6,777	7,349
Dividend paid	-	-	-	-	-	-	-	-	(36,175)	(36,175)
At 31 December 2014	246,896	(6,138)	543	97,094	-	97	(883)	-	271,574	609,183

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 31 DECEMBER 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	-	-	-	-	43,483	43,483
Other comprehensive expense, net of tax	-	-	-	(7)	-	(7)
Total comprehensive (expense)/income	-	-	-	(7)	43,483	43,476
Dividend paid	-	-	-	-	(20,518)	(20,518)
At 31 December 2015	246,896	(5,918)	-	(50)	185,875	426,803
At 1 July 2014	246,896	(7,923)	1,147	11	172,310	412,441
Net profit for the period	-	-	-	-	17,157	17,157
Other comprehensive expense, net of tax	-	-	-	(25)	-	(25)
Total comprehensive (expense)/income	-	-	-	(25)	17,157	17,132
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	-	572	-	-	6,777	7,349
Dividend paid	-	-	-	-	(36,205)	(36,205)
At 31 December 2014	246,896	(5,922)	-	(14)	161,186	402,146

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 31 DECEMBER 2015

	The Group	
	31/12/2015	31/12/2014
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	34,328	34,276
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	895	977
- Amortisation of intangible assets	664	353
- Option charge arising from ESOS granted	-	88
- Gain on liquidation of subsidiaries	(590)	-
- Loss on disposal of property and equipment	-	1
- Write-back of allowance for impairment for losses on loans and advances	164	131
- Write-back of allowance for losses on clients' and brokers' balances	33	68
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	4,663	2,076
- Derivative financial instruments	(8,715)	2,139
- Interest income from:		
- Financial assets held-for-trading	(14,955)	(17,540)
- Financial investments available-for-sale	(17,585)	(13,892)
- Financial investments held-to-maturity	(7,012)	(5,451)
- Derivative financial instruments	(3,745)	(1,458)
- Interest expense from derivative financial instruments	7,339	3,454
- Interest expense on subordinated obligations	1,382	396
- Dividend income from:		
- Financial assets held-for-trading	(1,578)	(426)
- Financial investments available-for-sale	(2,554)	(1,902)
	(41,594)	(30,986)
Operating (loss)/profit before changes in working capital	(7,266)	3,290
Changes in working capital:		
- Reverse repurchase agreements	-	280,176
- Deposits and placements with banks and other financial institutions	200,243	225,892
- Financial assets held-for-trading	(212,263)	(389,238)
- Derivative financial instruments	(27)	(397)
- Loans and advances	4,377	29,186
- Clients' and brokers' balances	(51,625)	135,513
- Other assets	(26,114)	2,777
- Statutory deposits with Bank Negara Malaysia	28,680	(8,750)
Net changes in operating assets	(56,729)	275,159
- Deposits from customers	(154,605)	191,479
- Deposits and placements of banks and other financial institutions	(8,649)	(126,182)
- Repurchased agreements	67,472	47,422
- Clients' and brokers' balances	77,401	(197,168)
- Other liabilities	40,070	(421,109)
Net changes in operating liabilities	21,689	(505,558)
Cash used in operating activities	(42,306)	(227,109)

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 31 DECEMBER 2015

	The Group	
	31/12/2015	31/12/2014
	RM'000	RM'000
Cash used in operating activities	(42,306)	(227,109)
- Net income tax paid	(122)	(256)
Net cash used in operating activities	(42,428)	(227,365)
<u>Cash flows from investing activities</u>		
Net (disposal)/purchase of:		
- Financial investments available-for-sale	(104,025)	(243,427)
- Financial investments held-to-maturity	(65,993)	9,840
Dividend received from:		
- Financial assets held-for-trading	1,578	426
- Financial investments available-for-sale	2,644	1,902
Proceeds from liquidation of subsidiaries	602	-
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	38,134	32,702
Interest expenses paid on derivative financial instruments	(7,718)	(2,915)
Purchase of property and equipment	(2,947)	(514)
Purchase of intangible assets	(464)	(617)
Net cash used in investing activities	(138,189)	(202,603)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(1,336)	-
Proceeds from subordinated obligations	-	49,809
Dividend paid	(20,509)	(36,175)
Cash received from ESOS exercised	-	1,603
Cash received from disposal of treasury shares	-	7,349
Net cash (used in)/generated from financing activities	(21,845)	22,586
Net changes in cash and cash equivalents during the financial period	(202,462)	(407,382)
Effect of exchange rate changes	(27)	(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	269,264	374,814
Cash and cash equivalents comprise:		
Cash and short term funds	269,264	374,814

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 31 DECEMBER 2015

	The Company	
	31/12/2015	31/12/2014
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	43,546	17,157
<u>Adjustments for non-cash items:</u>		
- Interest income	(137)	(3)
- Dividend income from:		
- Financial investments available-for-sale	(2,424)	(1,442)
- Subsidiary companies	(41,600)	(89,079)
- Allowance for impairment on subsidiary	-	72,666
	(44,161)	(17,858)
Operating loss before changes in working capital	(615)	(701)
(Increase)/decrease in other assets	(71)	7,345
Decrease in other liabilities	(220)	(199)
Cash (used in)/generated from operating activities	(906)	6,445
- Net income tax paid	(25)	-
- Interest received	137	3
Net cash (used in)/generated from operating activities	(794)	6,448
<u>Cash flows from investing activities</u>		
Increase in financial investments available-for-sale	(21,855)	(69,600)
Dividend received from:		
- Financial investments available-for-sale	2,514	1,442
- Subsidiaries	41,600	89,079
Net cash generated from investing activities	22,259	20,921
<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	-	7,349
Dividend paid	(20,518)	(36,205)
Net cash used in financing activities	(20,518)	(27,427)
Net changes in cash and cash equivalents during the financial period	947	(58)
Cash and cash equivalents at beginning of the financial period	224	2,293
Cash and cash equivalents at end of the financial period	1,171	2,235
Cash and cash equivalents comprise:		
Cash and short term funds	1,171	2,235

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 31 DECEMBER 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 31 December 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.

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 has complied to the new requirements to classify loans/financing as rescheduled and restructured. The Group has 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 Q2 (31.12.15)

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 31 December 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 31 December 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 31 December 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 31 December 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 with MFRS 132 "Financial instruments: Presentation and Disclosure", the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the statements of financial position.

HLCB Q2 (31.12.15)

6. Debt and Equity Securities (continued)

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 31 December 2015.

7. Dividends paid

A final single-tier dividend of 8.5 sen per share amounting to RM20.5 million in respect of the financial year ended 30 June 2015, was paid on 19 November 2015.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 31 December 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 31/12/2015 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	-	30,772
Malaysian Government Investment Issues	78,280	-
Negotiable instruments of deposits	712,227	-
Bankers' acceptances	-	426,775
	790,507	457,547
Quoted securities		
In Malaysia:		
Shares	41,818	21,597
Unquoted securities		
Foreign currency bonds	-	62,718
Private and Islamic debt securities	298,844	379,023
	298,844	441,741
	1,131,169	920,885

12. Financial investments available-for-sale

	The Group		The Company	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Money market instruments				
Malaysian Government Securities	40,988	102,399	-	-
Malaysian Government Investment Issues	110,468	80,368	-	-
Cagamas bonds	14,965	15,051	-	-
	166,421	197,818	-	-
Quoted securities				
In Malaysia:				
Shares	15,938	15,000	-	-
Unit trust investment	166,318	144,118	154,991	133,130
	182,256	159,118	154,991	133,130
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	139,099	199,674	-	-
Private and Islamic debt securities	575,224	401,459	-	-
	714,568	601,378	-	-
	1,063,245	958,314	154,991	133,130

13. Financial investments held-to-maturity

	The Group	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	81,319	51,097
Malaysian Government Investment Issues	110,661	20,397
	191,980	71,494
Unquoted securities		
Foreign currency bonds	199,242	248,387
Private and Islamic debt securities	55,315	60,374
	254,557	308,761
	446,537	380,255

14. Loans and advances

	The Group	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Term loan financing	116,692	143,066
Share margin financing	205,258	183,183
Staff loans	74	78
Other loans	574	659
Gross loans and advances	322,598	326,986
Allowance for impaired loans and advances:		
- individual assessment allowance	(100)	(111)
- collective assessment allowance	(1,056)	(892)
Net loans and advances	321,442	325,983

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	16,131	45,111
- Others	152,457	158,948
Individuals	132,856	122,927
Foreign entities	21,154	-
Gross loans and advances	322,598	326,986

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14. Loans and advances (continued)

	The Group	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	74	78
- Other fixed rate loan	574	659
Variable rate		
- Cost plus	321,950	326,249
Gross loans and advances	<u>322,598</u>	<u>326,986</u>
14c. <u>By residual contractual maturity</u>		
Maturity within one year	265,120	276,377
More than one year to three years	57,404	30,703
More than three years to five years	-	19,829
More than five years	74	77
Gross loans and advances	<u>322,598</u>	<u>326,986</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>322,598</u>	<u>326,986</u>
14e. <u>By economic purpose</u>		
Purchase of securities	245,793	222,890
Working capital	76,157	103,359
Purchase of transport vehicles	100	112
Purchase of landed properties	548	625
Gross loans and advances	<u>322,598</u>	<u>326,986</u>
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 31 December/30 June	<u>574</u>	<u>623</u>
% of impaired loans to total loans and advances, net of individual assessment allowance	<u>0.2%</u>	<u>0.2%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>574</u>	<u>623</u>
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	<u>574</u>	<u>623</u>

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14. Loans and advances (continued)

	The Group	
	As at 31/12/2015 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 31 December/30 June	<u>100</u>	<u>111</u>
<u>Collective assessment allowance</u>		
At 1 July	892	1,307
Allowance made/(written-back) during the period/year	164	(415)
At 31 December/30 June	<u>1,056</u>	<u>892</u>

15. Clients' and brokers' balances

	The Group	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Performing accounts	248,533	197,035
Impaired accounts	1,659	1,532
	<u>250,192</u>	<u>198,567</u>
Less: Individual assessment allowance	(394)	(361)
Collective assessment allowance	(23)	(23)
	<u>249,775</u>	<u>198,183</u>

16. Other assets

	The Group		The Company	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Amount due from subsidiary companies	-	-	741	620
Deposits and prepayments	6,269	5,508	6	56
Fee income receivable	11,922	7,123	-	-
Collaterals pledged for derivative transactions	19,741	8,965	-	-
Other receivables	12,707	3,093	-	90
Manager's stocks and consumables	90	28	-	-
	<u>50,729</u>	<u>24,717</u>	<u>747</u>	<u>766</u>

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17. Deposits from customers

	The Group	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
17a. <u>By type of deposits</u>		
Fixed deposits	687,142	841,747
17b. <u>By type of customer</u>		
Government and statutory bodies	610,359	561,996
Business enterprises	64,772	265,602
Individuals	12,011	14,149
	687,142	841,747
17c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	686,110	841,747
- one year to five years	1,032	-
	687,142	841,747

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Licensed banks	886,720	459,790
Licensed investment banks	-	34,384
Other financial institutions	952,022	1,353,217
	1,838,742	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			
31/12/2015			
Interest rate related contracts:			
- Interest rate swaps	4,328,500	11,081	(14,407)
- Futures	140,142	183	-
- Cross currency swaps	257,550	23,803	(16,652)
Foreign exchange related contracts:			
- Foreign currency swaps	2,013,451	25,258	(36,043)
- Foreign currency forwards	24,674	9	(160)
Equity related contracts:			
- Futures	20,906	-	(32)
- Call option	7,000	1,911	-
	6,792,223	62,245	(67,294)

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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	-
	<u>6,677,461</u>	<u>43,059</u>	<u>(57,428)</u>

20. Other liabilities

	The Group		The Company	
	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000	As at 31/12/2015 RM'000	As at 30/06/2015 RM'000
Amount due to holding company	5	-	-	-
Amount due to related companies	109	125	-	-
Remisiers' trust deposits	13,475	13,544	-	-
Other payables and accrued liabilities	100,630	60,482	278	498
Post employment benefits obligation				
- defined contribution plan	146	144	-	-
	<u>114,365</u>	<u>74,295</u>	<u>278</u>	<u>498</u>

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21. Subordinated obligations

	The Group	
	As at 31/12/2015 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	407	407
	<u>50,407</u>	<u>50,407</u>
Less: Unamortised discounts	(167)	(213)
	<u>50,240</u>	<u>50,194</u>

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 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group				
Loan and advances	5,255	5,964	10,672	12,133
Money at call and deposits placements with banks and other financial institutions	1,480	4,174	3,118	11,102
Financial assets held-for-trading	7,958	10,957	14,955	17,540
Financial investments available-for-sale	9,114	7,384	17,585	13,892
Financial investments held-to-maturity	3,518	2,823	7,012	5,451
Derivative financial instruments	2,259	794	3,745	1,458
Others	2,316	2,203	4,596	4,031
Total interest income	<u>31,900</u>	<u>34,299</u>	<u>61,683</u>	<u>65,607</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>108</u>	<u>-</u>	<u>137</u>	<u>3</u>

23. Interest expense

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group				
Deposits and placements of banks and other financial institutions	6,559	5,144	10,328	8,331
Deposits from customers	9,443	15,826	22,988	30,437
Derivative financial instruments	3,701	1,700	7,339	3,454
Subordinated notes	671	396	1,382	396
Others	(18)	132	116	261
Total interest expense	<u>20,356</u>	<u>23,198</u>	<u>42,153</u>	<u>42,879</u>

24. Non-interest income

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	243	460	316	1,019
Arranger fees	5,879	2,540	9,153	3,425
Placement fee	6,796	1,372	6,829	4,250
Guarantee fees	21	85	52	186
Corporate advisory fees	1,925	4,578	2,720	7,483
Underwriting Commission	285	-	497	-
Brokerage commissions	14,441	13,527	27,673	29,692
Commission from futures contracts	110	152	352	365
Unit trust fee income	5,638	4,226	9,942	8,125
Other fee income	5,142	719	6,206	1,711
	40,480	27,659	63,740	56,256
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	(287)	(628)	405	(726)
- Financial investments available-for-sale	(307)	22	(293)	448
- Derivative financial instruments	(21,744)	(131)	(46,558)	(5,933)
	(22,338)	(737)	(46,446)	(6,211)
(c) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	1,988	(1,231)	(4,663)	(2,076)
- Derivative financial instruments	22,572	(1,955)	8,715	(2,139)
	24,560	(3,186)	4,052	(4,215)
(d) Dividend income from:				
- Financial assets held-for-trading	782	98	1,578	426
- Financial investments available-for-sale	1,354	991	2,554	1,902
	2,136	1,089	4,132	2,328
(e) Loss on disposal of property and equipment	-	(1)	-	(1)
(f) Gain on liquidation of a subsidiary	590	-	590	-
(g) Foreign exchange (loss)/gain	(5,305)	4,458	43,643	12,552
(h) Other (expense)/income	(60)	70	(262)	276
Total non-interest income	40,063	29,352	69,449	60,985

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24. Non-interest income (continued)

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Company				
(a) Fee income:				
Other fee income	-	-	208	-
(b) Net realised (loss)/gain arising from sale of:				
- Financial assets held-for-trading	-	-	-	179
- Financial investments available-for-sale	(11)	13	(3)	13
(c) Dividend income from:				
- Financial investments available-for-sale	1,287	859	2,424	1,442
- Subsidiary companies	41,600	62,295	41,600	89,079
(d) Other income	71	24	142	39
	42,947	63,191	44,371	90,752

25. Overhead expenses

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	15,986	11,984	27,681	23,386
- Option charge arising from ESOS	-	-	-	88
- Others	3,846	3,063	7,243	5,992
	19,832	15,047	34,924	29,466
Establishment costs				
- Depreciation of property and equipment	476	467	895	977
- Amortisation of intangible assets	281	183	664	353
- Rental of premises	1,576	1,684	3,115	3,202
- Information technology expenses	1,288	1,270	2,658	2,690
- Others	975	958	1,820	1,953
	4,596	4,562	9,152	9,175

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25. Overhead expenses (continued)

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	33	164	35	257
- Entertainment and business improvement	663	943	1,164	1,471
- Others	139	95	226	174
	835	1,202	1,425	1,902
Administration and general expenses				
- Management fees	1,071	901	1,914	1,956
- Communication expenses	358	444	690	843
- Auditors' remuneration				
- Statutory audit	103	104	204	207
- Regulatory related fee	3	-	6	14
- Tax compliance fee	1	-	2	-
- Legal and professional fees	909	875	1,684	2,109
- Others	2,230	1,910	4,453	3,661
	4,675	4,234	8,953	8,790
	29,938	25,045	54,454	49,333
The Company				
Personnel costs				
- Salaries, bonuses and allowances	43	17	215	51
- Others	75	49	138	120
	118	66	353	171
Establishment costs				
- Information technology expenses	-	3	1	12
- Others	91	10	107	26
	91	13	108	38
Marketing expenses				
- Advertisement and publicity	-	4	-	4
- Others	3	3	5	3
	3	7	5	7
Administration and general expenses				
- Management fees	103	-	185	108
- Communication expenses	7	2	9	3
- Auditors' remuneration				
- Statutory audit	16	19	31	35
- Regulatory related fee	3	-	6	3
- Tax compliance fee	1	-	2	-
- Legal and professional fees	-	2	-	368
- Others	146	103	263	199
	276	126	496	716
	488	212	962	932

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26. Allowance for impairment on loans and advances and other losses

	Current quarter ended 31/12/2015 RM'000	Last year's quarter ended 31/12/2014 RM'000	Current year ended 31/12/2015 RM'000	Last year's ended 31/12/2014 RM'000
The Group				
Write-back of/(allowance for) losses on impaired loans and advances:				
Individual assessment allowance				
- written-back during the period	-	5	-	84
Collective assessment allowance made during the period	(171)	(179)	(164)	(215)
Write-back of/(allowance for) losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period	(48)	(25)	(112)	(141)
- written-back during the period	14	(9)	79	86
Collective assessment allowance written-back/ (made) during the period	4	(5)	-	(13)
Write-back of allowance for losses on fee income receivables:				
Individual assessment allowance				
- written-back during the year	-	95	-	95
	(201)	(118)	(197)	(104)
The Company				
Allowance for impairment on subsidiary	-	(72,666)	-	(72,666)

HLCB Q2 (31.12.15)**27. Commitments and contingencies**

	As at 31/12/2015 Principal Amount RM'000	As at 30/06/2015 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	8,000
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	9,157	1,781
- maturity over one year	83,673	2,719
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	645,820	722,877
	739,650	735,377
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,126,842	1,555,070
- Over one year to five years	2,944,350	2,617,697
- Over five years	655,000	525,000
Foreign exchange related contracts		
- One year or less	2,038,125	1,971,194
Equity related contracts		
- One year or less	20,906	-
- Over one year to five years	7,000	8,500
	6,792,223	6,677,461
	7,531,873	7,412,838

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	Level 1	Level 2	Level 3	Total
31.12.2015	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading	41,818	1,089,351	-	1,131,169
- Money market instruments	-	790,507	-	790,507
- Quoted securities	41,818	-	-	41,818
- Unquoted securities	-	298,844	-	298,844
Financial investments available-for-sale	182,256	880,744	245	1,063,245
- Money market instruments	-	166,421	-	166,421
- Quoted securities	182,256	-	-	182,256
- Unquoted securities	-	714,323	245	714,568
Derivative financial assets	-	62,245	-	62,245
	224,074	2,032,340	245	2,256,659

HLCB Q2 (31.12.15)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 31.12.2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	67,294	-	67,294
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 31.12.2015				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	154,991	-	-	154,991
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	
	31.12.2015	30.06.2015
	RM'000	RM'000
At beginning/end of financial year/period	245	245

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29. Capital adequacy

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

	HLIB 31/12/2015	HLIB 30/06/2015
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	22.222%	23.683%
Tier 1 capital ratio	22.222%	23.683%
Total capital ratio	26.142%	27.355%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	22.222%	20.832%
Tier 1 capital ratio	22.222%	20.832%
Total capital ratio	26.142%	24.504%

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

	HLIB 31/12/2015 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	(18,858)	22,742
Other reserves	197,099	198,645
Less: goodwill and intangibles	(32,358)	(32,535)
Less: deferred tax assets	(95,002)	(95,002)
Less: investment in subsidiary companies	(144)	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	(128)	(978)
Total CET1 capital	303,559	345,668
Tier-1 capital		
	303,559	345,668
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	3,773	3,825
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	(217)	(230)
Total Tier 2 capital	53,556	53,595
Total capital	357,115	399,263

Note:

(1) Proposed dividends of RM Nil (2015: 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 RM2,814,000 (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 weights:

	HLIB	HLIB
	31/12/2015	30/06/2015
	RM'000	RM'000
Credit risk	663,243	678,033
Market risk	389,748	483,713
Operational risk	313,043	297,840
	<u>1,366,034</u>	<u>1,459,586</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 31 December 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>31 December 2015</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	19,252	141	137	-	19,530
Non interest income	56,420	9,954	44,684	(41,609)	69,449
Results					
Profit/(loss) from operations	32,066	161	43,757	(41,656)	34,328
Taxation					3,593
Profit after taxation					37,921
<u>31 December 2014</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	22,549	166	13	-	22,728
Non interest income	48,591	8,139	153,607	(149,352)	60,985
Results					
Profit/(loss) from operations	30,509	296	152,594	(149,123)	34,276
Taxation					(137)
Profit after taxation					34,139

(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:

- (a) 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 (“HLIB”) 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.

- (b) On 8 December 2015, HLCB announced that the liquidator of RC Research Sdn Bhd (“RC Research”), a wholly-owned subsidiary of HLIB which in turn is a wholly-owned subsidiary of HLCB, had convened the final meeting for RC Research to conclude the member’s voluntary winding-up of RC Research.

The Return by Liquidator Relating to Final Meeting of RC Research was lodged on 8 December 2015 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, RC Research will be dissolved.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 December 2015 is RM8.4 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 31 December 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 higher profit before tax ("PBT") of RM21.5 million for the 2nd quarter December 2015 as compared to RM15.3 million in the previous year corresponding quarter. This is mainly due to higher contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a higher PBT of RM20.4 million for the 2nd quarter December 2015 as compared to previous year corresponding quarter of RM14.5 million mainly due to higher contribution from its Debt Markets and Stockbroking divisions, offset by lower contribution from its Treasury and Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a marginal higher PBT of RM60 thousand for the 2nd quarter December 2015 as compared to RM55 thousand in previous year corresponding quarter, mainly due to higher net contribution from management fee income.

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

The group recorded a marginal higher PBT of RM34.33 million for the financial period ended December 2015 as compared to RM34.28 million in the previous financial period, higher by 0.2%. This is mainly due to higher contribution from its investment banking and stockbroking segment, offset by lower contribution from its fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a increase in PBT by 5.1% as compared to previous year corresponding period of RM30.5 million mainly due to higher contribution from its Debt Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a lower PBT of RM0.2 million for the financial period ended December 2015 as compared to RM0.3 million in previous year corresponding period, mainly due higher overheads incurred in this financial period.

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1. Performance review (continued)

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

For the financial quarter ended 31 December 2015, the Group reported a higher PBT of RM21.5 million compared to RM12.9 million in the preceding financial quarter. This was mainly due to higher contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM20.4 million for the 2nd quarter December 2015 as compared to preceding financial quarter of RM11.7 million mainly due to higher contribution from its Debt Markets and Equity Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a lower PBT of RM60 thousand for 2nd quarter December 2015 as compared to RM0.1 million in preceding financial quarter. Lower PBT in current quarter mainly due to higher 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.

4. Taxation

	Financial quarter ended		Financial year ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	73	15	278	80
- (Over)/under provision in prior years	-	-	(52)	21
Deferred taxation	(915)	(523)	(3,819)	36
	<u>(842)</u>	<u>(508)</u>	<u>(3,593)</u>	<u>137</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.

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6. Group borrowings

The Group has no borrowings as at 31 December 2015.

7. Subordinated obligations

	The Group	
	As at	As at
	31/12/2015	30/06/2015
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	407	407
	50,407	50,407
Less: Unamortised discounts	(167)	(213)
	50,240	50,194

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 31 December 2015:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,126,842	25,234	(847)
(ii) 1 year to 3 years	1,459,350	4,502	(21,158)
(iii) More than 3 years	2,140,000	5,331	(9,054)
Foreign exchange related contracts			
(i) Less than 1 year	2,038,125	25,267	(36,203)
Equity related contracts			
(ii) 1 year to 3 years	20,906	-	(32)
(iii) More than 3 years	7,000	1,911	-
	6,792,223	62,245	(67,294)

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 31 December 2015.

HLCB Q2 (31.12.15)**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	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
The Group				
Net profit attributable to equity holders of the Company (RM'000):	22,310	15,798	37,921	34,139
Weighted average number of ordinary shares in issue ('000):	241,283	241,132	241,283	240,726
Basic earnings per share (sen)	9.2	6.6	15.7	14.2
The Company				
Net profit attributable to equity holders of the Company (RM'000):	42,508	(9,687)	43,483	17,157
Weighted average number of ordinary shares in issue ('000):	241,388	241,333	241,388	240,986
Basic earnings per share (sen)	17.6	(4.0)	18.0	7.1

(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	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
The Group				
Basic weighted average number of shares in issue ('000)	241,283	241,132	241,283	240,726
Number of potential ordinary shares ('000)	-	96	-	96
Diluted weighted average number of shares ('000)	241,283	241,228	241,283	240,822
Net profit attributable to shareholders of the Company (RM'000):	22,310	15,798	37,921	34,139
Diluted weighted average number of shares ('000)	241,283	241,228	241,283	240,822
Diluted earnings per share (sen)	9.2	6.5	15.7	14.2

HLCB Q2 (31.12.15)**11. Earnings per share ("EPS") (continued)**

(b) Fully diluted earnings per share (continued)

	Financial quarter ended		Financial period ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
The Company				
Basic weighted average number of shares in issue ('000)	241,388	241,333	241,388	240,986
Number of potential ordinary shares ('000)	-	-	-	-
Diluted weighted average number of shares ('000)	241,388	241,333	241,388	240,986
Net profit attributable to shareholders of the Company (RM'000):	42,508	(9,687)	43,483	17,157
Diluted weighted average number of shares ('000)	241,388	241,333	241,388	240,986
Diluted earnings per share (sen)	17.6	(4.0)	18.0	7.1

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:

The Group	As at	As at
	31/12/2015	30/06/2015
	RM'000	RM'000
Total retained profit		
- Realised	363,518	364,340
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	99,587	95,451
- in respect of other items of income and expense	65,834	51,519
	528,939	511,310
Less : Consolidation adjustment	(216,845)	(216,845)
	312,094	294,465
The Company		
Total retained profit		
- Realised	185,875	162,897
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	-	13
	185,875	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 23 February 2016.