

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	The Group		The Company	
		As at 31/03/2016 RM'000	As at 30/06/2015 RM'000	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
ASSETS					
Cash and short term funds		396,995	471,753	561	224
Deposits and placements with banks and other financial institutions		-	200,243	-	-
Financial assets held-for-trading	11	1,332,686	920,885	-	-
Financial investments available- for-sale	12	976,959	958,314	156,791	133,130
Financial investments held-to-maturity	13	367,884	380,255	-	-
Derivative financial assets	19	64,259	43,059	-	-
Loans and advances	14	258,952	325,983	-	-
Clients' and brokers' balances	15	275,070	198,183	-	-
Other assets	16	50,171	24,717	834	766
Statutory deposits with Bank Negara Malaysia		29,000	56,180	-	-
Tax recoverable		215	381	114	156
Investment in subsidiary companies		-	-	270,054	270,054
Deferred tax assets		101,336	95,451	-	13
Property and equipment		7,123	5,310	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		3,226	3,641	-	-
TOTAL ASSETS		3,896,935	3,717,414	428,354	404,343
LIABILITIES					
Deposits from customers	17	902,949	841,747	-	-
Deposits and placements of banks and other financial institutions	18	1,831,150	1,847,391	-	-
Derivative financial liabilities	19	92,545	57,428	-	-
Clients' and brokers' balances		234,640	192,728	-	-
Other liabilities	20	93,139	74,295	346	498
Current tax liabilities		-	3	-	-
Subordinated obligations	21	50,907	50,194	-	-
TOTAL LIABILITIES		3,205,330	3,063,786	346	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 31 MARCH 2016

	The Group		The Company	
	As at	As at	As at	As at
Note	31/03/2016	30/06/2015	31/03/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	450,740	412,763	187,030	162,867
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	<u>691,605</u>	<u>653,628</u>	<u>428,008</u>	<u>403,845</u>
TOTAL LIABILITIES AND EQUITY				
	<u>3,896,935</u>	<u>3,717,414</u>	<u>428,354</u>	<u>404,343</u>
COMMITMENTS AND CONTINGENCIES				
27	<u>7,838,102</u>	<u>7,412,838</u>	<u>-</u>	<u>-</u>
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	<u>2.87</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 31 MARCH 2016

		Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group					
Interest income	22	31,369	32,660	93,052	98,267
Interest expense	23	(20,621)	(22,154)	(62,774)	(65,033)
Net interest income		<u>10,748</u>	10,506	<u>30,278</u>	33,234
Non-interest income	24	<u>27,343</u>	29,362	<u>96,792</u>	90,347
Net income		<u>38,091</u>	39,868	<u>127,070</u>	123,581
Overhead expenses	25	<u>(24,119)</u>	(22,911)	<u>(78,573)</u>	(72,244)
Operating profit before allowances		<u>13,972</u>	16,957	<u>48,497</u>	51,337
Write-back of/(allowance for) impairment on loans and advances and other losses	26	<u>505</u>	(237)	<u>308</u>	(341)
Profit before taxation		<u>14,477</u>	16,720	<u>48,805</u>	50,996
Taxation		<u>2,654</u>	97	<u>6,247</u>	(40)
Net profit for the period		<u>17,131</u>	16,817	<u>55,052</u>	50,956
Earnings per share (sen)					
- Basic		7.1	7.0	22.8	21.2
- Diluted		<u>7.1</u>	7.0	<u>22.8</u>	21.2

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 MARCH 2016

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group				
Net profit for the period	17,131	16,817	55,052	50,956
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	5,329	3,722	4,244	3,437
Income tax relating to net fair value changes on financial investments available-for-sale	(1,102)	(930)	(786)	(859)
Currency translation differences in respect of foreign operation	3	(7)	(24)	(19)
Other comprehensive income/(expense) for the period, net of tax	4,230	2,785	3,434	2,559
Total comprehensive income for the period, net of tax	21,361	19,602	58,486	53,515

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 MARCH 2016

	Current quarter ended 31/03/2016	Last year's quarter ended 31/03/2015	Current year ended 31/03/2016	Last year's ended 31/03/2015
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22	5	17	142
Interest expense	23	-	-	20
Net interest income		5	17	142
Non-interest income	24	1,591	1,176	45,962
Net income		1,596	1,193	46,104
Overhead expenses	25	(373)	(454)	(1,386)
Operating profit before allowances		1,223	739	44,769
Allowance for impairment on other losses	26	-	-	(72,666)
Profit before taxation		1,223	739	44,769
Taxation		(18)	(30)	(81)
Net profit for the period		1,205	709	44,688
Earnings per share (sen)				
- Basic		0.5	0.3	18.5
- Diluted		0.5	0.3	18.5

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 31 MARCH 2016

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Company				
Net profit for the period	1,205	709	44,688	17,866
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	-	(11)	6	(44)
Income tax relating to net fair value changes on financial investments available-for-sale	-	3	(13)	11
Other comprehensive income/(expense) for the period, net of tax	-	(8)	(7)	(33)
Total comprehensive income for the period, net of tax	1,205	701	44,681	17,833

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 MARCH 2016

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	-	-	-	-	-	-	-	-	55,052	55,052
Other comprehensive income/(expense), net of tax	-	-	-	-	-	-	3,458	(24)	-	3,434
Total comprehensive income/(expense)	-	-	-	-	-	-	3,458	(24)	55,052	58,486
Transfer to regulatory reserve	-	-	-	-	(494)	-	-	-	494	-
Dividend paid	-	-	-	-	-	-	-	-	(20,509)	(20,509)
At 31 March 2016	246,896	(6,031)	543	113,482	2,537	-	4,692	(16)	329,502	691,605
At 1 July 2014	246,896	(7,923)	543	97,094	-	550	(669)	12	265,902	602,405
Net profit for the period	-	-	-	-	-	-	-	-	50,956	50,956
Other comprehensive income/(expense), net of tax	-	-	-	-	-	-	2,578	(19)	-	2,559
Total comprehensive income/(expense)	-	-	-	-	-	-	2,578	(19)	50,956	53,515
ESOS exercised	-	1,316	-	-	-	(588)	-	-	1,012	1,740
Option charge arising from ESOS granted	-	-	-	-	-	88	-	-	-	88
Disposal of treasury shares	-	576	-	-	-	-	-	-	6,810	7,386
Dividend paid	-	-	-	-	-	-	-	-	(36,175)	(36,175)
At 31 March 2015	246,896	(6,031)	543	97,094	-	50	1,909	(7)	288,505	628,959

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 MARCH 2016

	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	-	-	-	-	44,688	44,688
Other comprehensive expense, net of tax	-	-	-	(7)	-	(7)
Total comprehensive (expense)/income	-	-	-	(7)	44,688	44,681
Dividend paid	-	-	-	-	(20,518)	(20,518)
At 31 March 2016	246,896	(5,918)	-	(50)	187,080	428,008
At 1 July 2014	246,896	(7,923)	1,147	11	172,310	412,441
Net profit for the period	-	-	-	-	17,866	17,866
Other comprehensive expense, net of tax	-	-	-	(33)	-	(33)
Total comprehensive (expense)/income	-	-	-	(33)	17,866	17,833
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	-	576	-	-	6,810	7,386
Dividend paid	-	-	-	-	(36,205)	(36,205)
At 31 March 2015	246,896	(5,918)	-	(22)	161,928	402,884

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 MARCH 2016

	The Group	
	31/03/2016	31/03/2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	48,805	50,996
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	1,451	1,459
- Amortisation of intangible assets	992	586
- Option charge arising from ESOS granted	-	88
- Gain on liquidation of subsidiaries	(590)	(2)
- Loss on disposal of property and equipment	-	6
- (Write-back of)/allowance for impairment for losses on loans and advances	(315)	244
- Write-back of allowance for losses on clients' and brokers' balances	12	192
- Net unrealised (gain)/loss on revaluation of:		
- Financial assets held-for-trading	(4,091)	(2,992)
- Derivative financial instruments	14,200	31,730
- Interest income from:		
- Financial assets held-for-trading	(25,799)	(27,221)
- Financial investments available-for-sale	(26,284)	(21,800)
- Financial investments held-to-maturity	(10,561)	(8,418)
- Derivative financial instruments	(4,163)	(2,928)
- Interest expense from derivative financial instruments	8,981	5,606
- Interest expense on subordinated obligations	2,049	1,045
- Dividend income from:		
- Financial assets held-for-trading	(1,939)	(705)
- Financial investments available-for-sale	(4,140)	(3,094)
	(50,197)	(26,204)
Operating (loss)/profit before changes in working capital	(1,392)	24,792
 Changes in working capital:		
- Reverse repurchase agreements	-	233,828
- Deposits and placements with banks and other financial institutions	200,243	65,614
- Financial assets held-for-trading	(402,329)	(75,470)
- Derivative financial instruments	727	(391)
- Loans and advances	67,346	54,685
- Clients' and brokers' balances	(76,899)	(32,033)
- Other assets	(25,555)	(2,687)
- Statutory deposits with Bank Negara Malaysia	27,180	(18,250)
Net changes in operating assets	(209,287)	225,296
 - Deposits from customers	61,202	204,053
- Deposits and placements of banks and other financial institutions	(16,241)	(154,263)
- Repurchased agreements	-	(85,939)
- Clients' and brokers' balances	41,912	(72,230)
- Other liabilities	18,843	(397,683)
Net changes in operating liabilities	105,716	(506,062)
Cash used in operating activities	(104,963)	(255,974)

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 MARCH 2016

	The Group	
	31/03/2016	31/03/2015
	RM'000	RM'000
Cash used in operating activities	(104,963)	(255,974)
- Net income tax paid	(261)	(399)
Net cash used in operating activities	(105,224)	(256,373)
<u>Cash flows from investing activities</u>		
Net (disposal)/purchase of:		
- Financial investments available-for-sale	(9,563)	(87,687)
- Financial investments held-to-maturity	10,569	(2,469)
Dividend received from:		
- Financial assets held-for-trading	1,939	705
- Financial investments available-for-sale	4,230	3,094
Proceeds from liquidation of subsidiaries	602	2
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	58,153	55,226
Interest expenses paid on derivative financial instruments	(9,754)	(4,971)
Proceeds from disposal of property and equipment	-	4
Purchase of property and equipment	(3,264)	(1,516)
Purchase of intangible assets	(577)	(1,368)
Net cash generated from/(used in) investing activities	52,335	(38,980)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(1,336)	-
Proceeds from subordinated obligations	-	49,810
Dividend paid	(20,509)	(36,175)
Cash received from ESOS exercised	-	1,740
Cash received from disposal of treasury shares	-	7,386
Net cash (used in)/generated from financing activities	(21,845)	22,761
Net changes in cash and cash equivalents during the financial period	(74,734)	(272,592)
Effect of exchange rate changes	(24)	(19)
Cash and cash equivalents at beginning of the financial period	471,753	782,208
Cash and cash equivalents at end of the financial period	396,995	509,597
Cash and cash equivalents comprise:		
Cash and short term funds	396,995	509,597

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 MARCH 2016

	The Company	
	31/03/2016	31/03/2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	44,769	17,896
<u>Adjustments for non-cash items:</u>		
- Interest income	(142)	(20)
- Dividend income from:		
- Financial investments available-for-sale	(3,939)	(2,557)
- Subsidiary companies	(41,600)	(89,079)
- Allowance for impairment on subsidiary	-	72,666
	(45,681)	(18,990)
Operating loss before changes in working capital	(912)	(1,094)
(Increase)/decrease in other assets	(158)	7,252
Decrease in other liabilities	(152)	(92)
Cash (used in)/generated from operating activities	(1,222)	6,066
- Net income tax paid	(39)	-
- Interest received	142	20
Net cash (used in)/generated from operating activities	(1,119)	6,086
<u>Cash flows from investing activities</u>		
Increase in financial investments available-for-sale	(23,655)	(72,200)
Dividend received from:		
- Financial investments available-for-sale	4,029	2,557
- Subsidiaries	41,600	89,079
Net cash generated from investing activities	21,974	19,436
<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	-	7,386
Dividend paid	(20,518)	(36,205)
Net cash used in financing activities	(20,518)	(27,390)
Net changes in cash and cash equivalents during the financial period	337	(1,868)
Cash and cash equivalents at beginning of the financial period	224	2,293
Cash and cash equivalents at end of the financial period	561	425
Cash and cash equivalents comprise:		
Cash and short term funds	561	425

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 MARCH 2016

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 March 2016 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 Q3 (31.03.16)

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 March 2016.

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 31 March 2016.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 31 March 2016.

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 March 2016, 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 Q3 (31.03.16)

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 March 2016.

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 March 2016.

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.

On 22 April 2016, the Company announced that KAF Investment Bank Berhad has been appointed to advise and propose options available to the Company to achieve the public shareholding spread requirement.

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 31/03/2016 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	-	30,772
Malaysian Government Investment Issues	70,322	-
Cagamas bonds	20,646	-
Negotiable instruments of deposits	551,129	-
Bankers' acceptances	-	426,775
	642,097	457,547
Quoted securities		
In Malaysia:		
Shares	20,548	21,597
Unquoted securities		
Foreign currency bonds	20,133	62,718
Private and Islamic debt securities	649,908	379,023
	670,041	441,741
	1,332,686	920,885

12. Financial investments available-for-sale

	The Group		The Company	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Money market instruments				
Malaysian Government Securities	41,210	102,399	-	-
Malaysian Government Investment Issues	30,700	80,368	-	-
Cagamas bonds	15,115	15,051	-	-
	87,025	197,818	-	-
Quoted securities				
In Malaysia:				
Shares	16,674	15,000	-	-
Unit trust investment	168,196	144,118	156,791	133,130
	184,870	159,118	156,791	133,130
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	119,313	199,674	-	-
Private and Islamic debt securities	585,506	401,459	-	-
	705,064	601,378	-	-
	976,959	958,314	156,791	133,130

13. Financial investments held-to-maturity

	The Group	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	80,456	51,097
Malaysian Government Investment Issues	109,983	20,397
	<u>190,439</u>	<u>71,494</u>
Unquoted securities		
Foreign currency bonds	121,581	248,387
Private and Islamic debt securities	55,864	60,374
	<u>177,445</u>	<u>308,761</u>
	<u>367,884</u>	<u>380,255</u>

14. Loans and advances

	The Group	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Term loan financing	74,909	143,066
Share margin financing	184,074	183,183
Staff loans	72	78
Other loans	574	659
Gross loans and advances	<u>259,629</u>	326,986
Allowance for impaired loans and advances:		
- individual assessment allowance	(100)	(111)
- collective assessment allowance	(577)	(892)
Net loans and advances	<u>258,952</u>	<u>325,983</u>

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	24,268	45,111
- Others	102,522	158,948
Individuals	124,854	122,927
Foreign entities	7,985	-
Gross loans and advances	<u>259,629</u>	<u>326,986</u>

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14. Loans and advances (continued)

	The Group	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	72	78
- Other fixed rate loan	574	659
Variable rate		
- Cost plus	258,983	326,249
Gross loans and advances	259,629	326,986
14c. <u>By residual contractual maturity</u>		
Maturity within one year	212,224	276,377
More than one year to three years	31,948	30,703
More than three years to five years	15,385	19,829
More than five years	72	77
Gross loans and advances	259,629	326,986
14d. <u>By geographical distribution</u>		
Malaysia	259,629	326,986
14e. <u>By economic purpose</u>		
Purchase of securities	216,022	222,890
Working capital	42,961	103,359
Purchase of transport vehicles	100	112
Purchase of landed properties	546	625
Gross loans and advances	259,629	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 31 March/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 31/03/2016 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 March/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	(315)	(415)
At 31 March/30 June	<u>577</u>	<u>892</u>

15. Clients' and brokers' balances

	The Group	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Performing accounts	272,842	197,035
Impaired accounts	2,624	1,532
	<u>275,466</u>	<u>198,567</u>
Less: Individual assessment allowance	(374)	(361)
Collective assessment allowance	(22)	(23)
	<u>275,070</u>	<u>198,183</u>

16. Other assets

	The Group		The Company	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Amount due from subsidiary companies	-	-	782	620
Deposits and prepayments	6,525	5,508	52	56
Fee income receivable	12,990	7,123	-	-
Collaterals pledged for derivative transactions	20,170	8,965	-	-
Other receivables	10,436	3,093	-	90
Manager's stocks and consumables	50	28	-	-
	<u>50,171</u>	<u>24,717</u>	<u>834</u>	<u>766</u>

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17. Deposits from customers

	The Group	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
17a. <u>By type of deposits</u>		
Fixed deposits	902,949	841,747
17b. <u>By type of customer</u>		
Government and statutory bodies	531,682	561,996
Business enterprises	359,139	265,602
Individuals	12,128	14,149
	902,949	841,747
17c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	901,907	841,747
- one year to five years	1,042	-
	902,949	841,747

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Licensed banks	772,599	459,790
Licensed investment banks	-	34,384
Other financial institutions	1,058,551	1,353,217
	1,831,150	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			
31/03/2016			
Interest rate related contracts:			
- Interest rate swaps	5,128,500	16,283	(31,041)
- Futures	102,557	40	(188)
- Cross currency swaps	116,985	2,109	(8,604)
Foreign exchange related contracts:			
- Foreign currency swaps	1,745,867	44,254	(51,984)
- Foreign currency forwards	35,415	2	(694)
- Foreign currency spot	26,712	52	(34)
Equity related contracts:			
- Call option	7,000	1,519	-
	7,163,036	64,259	(92,545)

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 31/03/2016 RM'000	As at 30/06/2015 RM'000	As at 31/03/2016 RM'000	As at 30/06/2015 RM'000
Amount due to holding company	36	-	-	-
Amount due to related companies	17	125	1	-
Remisiers' trust deposits	13,163	13,544	-	-
Advance payments received for corporate exercise	8,702	-	-	-
Other payables and accrued liabilities	71,075	60,482	345	498
Post employment benefits obligation				
- defined contribution plan	146	144	-	-
	<u>93,139</u>	<u>74,295</u>	<u>346</u>	<u>498</u>

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21. Subordinated obligations

	The Group	
	As at 31/03/2016 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	1,067	407
	<u>51,067</u>	<u>50,407</u>
Less: Unamortised discounts	(160)	(213)
	<u>50,907</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 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group				
Loan and advances	4,665	6,187	15,337	18,320
Money at call and deposits placements with banks and other financial institutions	410	1,931	3,528	13,033
Financial assets held-for-trading	10,844	9,681	25,799	27,221
Financial investments available-for-sale	8,699	7,908	26,284	21,800
Financial investments held-to-maturity	3,549	2,967	10,561	8,418
Derivative financial instruments	418	1,470	4,163	2,928
Others	2,784	2,516	7,380	6,547
Total interest income	<u>31,369</u>	<u>32,660</u>	<u>93,052</u>	<u>98,267</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	<u>5</u>	<u>17</u>	<u>142</u>	<u>20</u>

23. Interest expense

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group				
Deposits and placements of banks and other financial institutions	6,558	4,816	16,886	13,147
Deposits from customers	11,694	14,403	34,682	44,840
Derivative financial instruments	1,642	2,152	8,981	5,606
Subordinated notes	667	649	2,049	1,045
Others	60	134	176	395
Total interest expense	<u>20,621</u>	<u>22,154</u>	<u>62,774</u>	<u>65,033</u>

24. Non-interest income

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	3	99	319	1,118
Arranger fees	1,495	2,558	10,648	5,983
Placement fee	619	1,849	7,448	6,099
Guarantee fees	-	31	52	217
Corporate advisory fees	1,770	1,986	4,490	9,469
Underwriting Commission	267	-	764	-
Brokerage commissions	13,502	14,215	41,175	43,907
Commission from futures contracts	-	281	352	646
Unit trust fee income	5,258	3,786	15,200	11,911
Other fee income	971	5,367	7,177	7,078
	23,885	30,172	87,625	86,428
(b) Net realised gain/(loss) arising from sale of:				
- Financial assets held-for-trading	3,906	3,315	4,311	2,589
- Financial investments available-for-sale	382	1,510	89	1,958
- Derivative financial instruments	5,211	5,540	(41,347)	(393)
	9,499	10,365	(36,947)	4,154
(c) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	8,754	5,068	4,091	2,992
- Derivative financial instruments	(22,915)	(29,591)	(14,200)	(31,730)
	(14,161)	(24,523)	(10,109)	(28,738)
(d) Dividend income from:				
- Financial assets held-for-trading	361	279	1,939	705
- Financial investments available-for-sale	1,586	1,192	4,140	3,094
	1,947	1,471	6,079	3,799
(e) Loss on disposal of property and equipment	-	(5)	-	(6)
(f) Gain on liquidation of a subsidiary	-	2	590	2
(g) Foreign exchange gain	6,085	11,843	49,728	24,395
(h) Other income/(expense)	88	37	(174)	313
Total non-interest income	27,343	29,362	96,792	90,347

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24. Non-interest income (continued)

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 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	-	-	(3)	13
(c) Dividend income from:				
- Financial investments available-for-sale	1,515	1,115	3,939	2,557
- Subsidiary companies	-	-	41,600	89,079
(d) Other income	76	61	218	100
	1,591	1,176	45,962	91,928

25. Overhead expenses

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	10,752	10,633	38,433	34,019
- Option charge arising from ESOS	-	-	-	88
- Others	3,060	2,975	10,303	8,967
	13,812	13,608	48,736	43,074
Establishment costs				
- Depreciation of property and equipment	556	482	1,451	1,459
- Amortisation of intangible assets	328	233	992	586
- Rental of premises	1,818	1,532	4,933	4,734
- Information technology expenses	1,339	1,273	3,997	3,963
- Others	994	801	2,814	2,754
	5,035	4,321	14,187	13,496

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25. Overhead expenses (continued)

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	458	83	493	340
- Entertainment and business improvement	49	625	1,213	2,096
- Others	101	36	327	210
	608	744	2,033	2,646
Administration and general expenses				
- Management fees	813	910	2,727	2,866
- Communication expenses	338	404	1,028	1,247
- Auditors' remuneration				
- Statutory audit	101	96	305	303
- Regulatory related fee	2	3	8	17
- Tax compliance fee	-	-	2	-
- Legal and professional fees	1,133	964	2,817	3,073
- Others	2,277	1,861	6,730	5,522
	4,664	4,238	13,617	13,028
	24,119	22,911	78,573	72,244
The Company				
Personnel costs				
- Salaries, bonuses and allowances	64	108	279	159
- Others	87	67	225	187
	151	175	504	346
Establishment costs				
- Information technology expenses	1	(3)	2	9
- Others	18	10	125	36
	19	7	127	45
Marketing expenses				
- Advertisement and publicity	-	-	-	4
- Others	(2)	1	3	4
	(2)	1	3	8
Administration and general expenses				
- Management fees	91	125	276	233
- Communication expenses	2	-	11	3
- Auditors' remuneration				
- Statutory audit	15	-	46	35
- Regulatory related fee	2	-	8	3
- Tax compliance fee	-	-	2	-
- Legal and professional fees	12	-	12	368
- Others	83	146	346	345
	205	271	701	987
	373	454	1,335	1,386

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

	Current quarter ended 31/03/2016 RM'000	Last year's quarter ended 31/03/2015 RM'000	Current year ended 31/03/2016 RM'000	Last year's ended 31/03/2015 RM'000
The Group				
Write-back of/(allowance for) losses on impaired loans and advances:				
Individual assessment allowance				
- written-back during the period	-	(1)	-	83
Collective assessment allowance written-back/ (made) during the period	479	(112)	315	(327)
Bad debts on loans and advances				
- recovered	5	-	5	-
Write-back of/(allowance for) losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period	9	(78)	(103)	(219)
- written-back during the period	12	(61)	91	25
Collective assessment allowance written-back during the period	-	15	-	2
Write-back of allowance for losses on fee income receivables:				
Individual assessment allowance				
- written-back during the year	-	-	-	95
	505	(237)	308	(341)
The Company				
Allowance for impairment on subsidiary	-	-	-	(72,666)

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27. Commitments and contingencies

	As at 31/03/2016 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
Obligations under underwriting agreement	13,348	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	1,023	1,781
- maturity over one year	3,256	2,719
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	656,439	722,877
	675,066	735,377
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,156,552	1,555,070
- Over one year to five years	3,536,490	2,617,697
- Over five years	655,000	525,000
Foreign exchange related contracts		
- One year or less	1,730,004	1,971,194
- Over one year to five years	77,990	
Equity related contracts		
- Over one year to five years	7,000	8,500
	7,163,036	6,677,461
	7,838,102	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
31.03.2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading	20,548	1,312,138	-	1,332,686
- Money market instruments	-	642,097	-	642,097
- Quoted securities	20,548	-	-	20,548
- Unquoted securities	-	670,041	-	670,041
Financial investments available-for-sale	184,870	791,844	245	976,959
- Money market instruments	-	87,025	-	87,025
- Quoted securities	184,870	-	-	184,870
- Unquoted securities	-	704,819	245	705,064
Derivative financial assets	-	64,259	-	64,259
	205,418	2,168,241	245	2,373,904

HLCB Q3 (31.03.16)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 31.03.2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	92,545	-	92,545
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 31.03.2016				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	156,791	-	-	156,791
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	
	31.03.2016	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 31/03/2016	HLIB 30/06/2015
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	24.362%	23.683%
Tier 1 capital ratio	24.362%	23.683%
Total capital ratio	28.582%	27.355%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	24.362%	20.832%
Tier 1 capital ratio	24.362%	20.832%
Total capital ratio	28.582%	24.504%

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

	HLIB 31/03/2016 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	200,590	198,645
Less: goodwill and intangibles	(32,154)	(32,535)
Less: deferred tax assets	(95,002)	(95,002)
Less: investment in subsidiary companies	(217)	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	(2,048)	(978)
Total CET1 capital	305,261	345,668
Tier-1 capital		
	305,261	345,668
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	3,017	3,825
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	(144)	(230)
Total Tier 2 capital	52,873	53,595
Total capital		
	358,134	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 RM2,537,000 (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 31/03/2016 RM'000	HLIB 30/06/2015 RM'000
Credit risk	516,232	678,033
Market risk	424,199	483,713
Operational risk	312,586	297,840
	<u>1,253,017</u>	<u>1,459,586</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 31 March 2016:

	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 March 2016</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	29,921	215	142	-	30,278
Non interest income	76,458	15,514	46,512	(41,692)	96,792
Results					
Profit/(loss) from operations	44,193	1,200	45,069	(41,657)	48,805
Taxation					6,247
Profit after taxation					55,052
<u>31 March 2015</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	32,972	241	21	-	33,234
Non interest income	72,598	11,661	154,918	(148,830)	90,347
Results					
Profit/(loss) from operations	46,916	(193)	153,398	(149,125)	50,996
Taxation					(40)
Profit after taxation					50,956

(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.

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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) ECS Jaya (1969) Sdn Bhd, a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB"), which in turn a wholly-owned subsidiary of HLCB, was dissolved on 29 January 2016.
- (b) RC Research Sdn Bhd, a wholly-owned subsidiary of HLIB, which in turn a wholly-owned subsidiary of HLCB, was dissolved on 8 March 2016.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 31 March 2016 is RM8.0 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 March 2016.

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 RM14.5 million for the 3rd quarter March 2016 as compared to RM16.7 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 RM12.1 million for the 3rd quarter March 2016 as compared to previous year corresponding quarter of RM16.4 million mainly due to lower contribution from its Debt Markets and Equity Markets divisions, offset by higher contribution from its Treasury and Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a PBT of RM1.0 million for the 3rd quarter March 2016 as compared to a loss before tax ("LBT") of RM0.5 million 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 lower PBT of RM48.8 million for the financial period ended March 2016 as compared to RM51.0 million in the previous financial period, lower by 4.3%. This is mainly due to lower contribution from its investment banking and stockbroking segment, offset by lower contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a decrease in PBT by 5.8% as compared to previous year corresponding period of RM46.9 million mainly due to lower contribution from its Equity Markets and Stockbroking division.

Fund management and unit trust management

Fund management and unit trust management recorded a PBT of RM1.2 million for the financial period ended March 2016 as compared to a LBT RM0.2 million in previous year corresponding period, mainly due to higher net contribution from management fee income 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 March 2016, the Group reported a lower PBT of RM14.5 million compared to RM21.5 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 RM12.1 million for the 3rd quarter March 2016 as compared to preceding financial quarter of RM20.4 million mainly due to lower 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 higher PBT of RM1.0 million for 3rd quarter March 2016 as compared to RM60 thousand in preceding financial quarter. Higher PBT 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.

4. Taxation

The Group	Financial quarter ended		Financial year ended	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	198	(66)	476	14
- (Over)/under provision in prior years	-	-	(52)	21
Deferred taxation	(2,852)	(31)	(6,671)	5
	<u>(2,654)</u>	<u>(97)</u>	<u>(6,247)</u>	<u>40</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 March 2016.

7. Subordinated obligations

	The Group	
	As at	As at
	31/03/2016	30/06/2015
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,067	407
	51,067	50,407
Less: Unamortised discounts	(160)	(213)
	50,907	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 March 2016:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,156,552	2,629	(567)
(ii) 1 year to 3 years	1,941,490	3,268	(13,380)
(iii) More than 3 years	2,250,000	12,535	(25,886)
Foreign exchange related contracts			
(i) Less than 1 year	1,730,004	38,133	(52,712)
(ii) 1 year to 3 years	77,990	6,175	-
Equity related contractes			
(i) More than 3 years	7,000	1,519	-
	7,163,036	64,259	(92,545)

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 March 2016.

HLCB Q3 (31.03.16)**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	
	31/03/2016	31/03/2015	31/03/2016	31/03/2015
The Group				
Net profit attributable to equity holders of the Company (RM'000):	17,131	16,817	55,052	50,956
Weighted average number of ordinary shares in issue ('000):	241,283	241,242	241,283	240,896
Basic earnings per share (sen)	7.1	7.0	22.8	21.2
The Company				
Net profit attributable to equity holders of the Company (RM'000):	1,205	709	44,688	17,866
Weighted average number of ordinary shares in issue ('000):	241,388	241,386	241,388	241,118
Basic earnings per share (sen)	0.5	0.3	18.5	7.4

(b) Fully diluted earnings per share

There is no diluted earnings per share as the Group and the Company have no category of dilutive potential ordinary shares outstanding as at 31 March 2016 and 31 March 2015.

HLCB Q3 (31.03.16)**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 31/03/2016 RM'000	As at 30/06/2015 RM'000
The Group		
Total retained profit		
- Realised	368,547	364,340
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	101,336	95,451
- in respect of other items of income and expense	76,464	51,519
	546,347	511,310
Less : Consolidation adjustment	(216,845)	(216,845)
	329,502	294,465
The Company		
Total retained profit		
- Realised	187,080	162,897
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	-	13
	187,080	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 24 May 2016.