

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	The Group		The Company	
		As at 30/06/2016 RM'000	As at 30/06/2015 RM'000	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
ASSETS					
Cash and short term funds		296,322	471,753	1,065	224
Deposits and placements with banks and other financial institutions		40,359	200,243	-	-
Financial assets held-for-trading	11	1,418,901	920,885	-	-
Financial investments available- for-sale	12	1,032,304	958,314	109,082	133,130
Financial investments held-to-maturity	13	528,100	380,255	-	-
Derivative financial assets	19	42,694	43,059	-	-
Loans and advances	14	372,162	325,983	-	-
Clients' and brokers' balances	15	197,034	198,183	-	-
Other assets	16	50,918	24,717	490	766
Statutory deposits with Bank Negara Malaysia		32,400	56,180	-	-
Tax recoverable		191	381	186	156
Investment in subsidiary companies		-	-	320,054	270,054
Deferred tax assets		92,378	95,451	-	13
Property and equipment		6,324	5,310	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		5,911	3,641	-	-
TOTAL ASSETS		4,149,057	3,717,414	430,877	404,343
LIABILITIES					
Deposits from customers	17	1,031,929	841,747	-	-
Deposits and placements of banks and other financial institutions	18	1,904,770	1,847,391	-	-
Derivative financial liabilities	19	80,685	57,428	-	-
Clients' and brokers' balances		279,919	192,728	-	-
Other liabilities	20	100,940	74,295	617	498
Current tax liabilities		206	3	-	-
Subordinated obligations	21	50,247	50,194	-	-
TOTAL LIABILITIES		3,448,696	3,063,786	617	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 30 JUNE 2016

	The Group		The Company	
	As at	As at	As at	As at
Note	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	459,496	412,763	189,282	162,867
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	<u>700,361</u>	<u>653,628</u>	<u>430,260</u>	<u>403,845</u>
TOTAL LIABILITIES AND EQUITY				
	<u>4,149,057</u>	<u>3,717,414</u>	<u>430,877</u>	<u>404,343</u>
COMMITMENTS AND CONTINGENCIES				
27	<u>8,731,501</u>	<u>7,412,838</u>	<u>-</u>	<u>-</u>
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	<u>2.90</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 YEAR ENDED 30 JUNE 2016

		Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group					
Interest income	22	34,410	32,951	127,462	131,218
Interest expense	23	(22,335)	(23,950)	(85,109)	(88,983)
Net interest income		<u>12,075</u>	9,001	<u>42,353</u>	42,235
Non-interest income	24	<u>33,750</u>	50,742	<u>130,542</u>	141,089
Net income		<u>45,825</u>	59,743	<u>172,895</u>	183,324
Overhead expenses	25	<u>(29,890)</u>	(33,287)	<u>(108,463)</u>	(105,531)
Operating profit before allowances (Allowance for)/write-back of impairment on loans and advances and other losses	26	<u>15,935</u>	26,456	<u>64,432</u>	77,793
Profit before taxation		<u>15,695</u>	27,512	<u>64,500</u>	78,508
Taxation		<u>(8,870)</u>	(2,133)	<u>(2,623)</u>	(2,173)
Net profit for the period		<u>6,825</u>	25,379	<u>61,877</u>	76,335
Earnings per share (sen)					
- Basic		2.8	10.5	25.6	31.7
- Diluted		<u>2.8</u>	10.5	<u>25.6</u>	31.7

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 YEAR ENDED 30 JUNE 2016

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group				
Net profit for the period	6,825	25,379	61,877	76,335
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	2,535	(921)	6,779	2,516
Income tax relating to net fair value changes on financial investments available-for-sale	(604)	246	(1,390)	(613)
Currency translation differences in respect of foreign operation	-	15	(24)	(4)
Other comprehensive income/(expense) for the period, net of tax	1,931	(660)	5,365	1,899
Total comprehensive income for the period, net of tax	8,756	24,719	67,242	78,234

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 YEAR ENDED 30 JUNE 2016

		Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Company					
Interest income	22	6	1	148	21
Interest expense	23	-	-	-	-
Net interest income		6	1	148	21
Non-interest income	24	2,691	1,323	48,653	93,251
Net income		2,697	1,324	48,801	93,272
Overhead expenses	25	(447)	(324)	(1,782)	(1,710)
Operating profit before allowances		2,250	1,000	47,019	91,562
Allowance for impairment on other losses	26	-	-	-	(72,666)
Profit before taxation		2,250	1,000	47,019	18,896
Taxation		(15)	(18)	(96)	(48)
Net profit for the period		2,235	982	46,923	18,848
Earnings per share (sen)					
- Basic		0.9	0.4	19.4	7.8
- Diluted		0.9	0.4	19.4	7.8

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 YEAR ENDED 30 JUNE 2016

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Company				
Net profit for the period	2,235	982	46,923	18,848
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	17	(27)	23	(71)
Income tax relating to net fair value changes on financial investments available-for-sale	-	6	(13)	17
Other comprehensive income/(expense) for the period, net of tax	17	(21)	10	(54)
Total comprehensive income for the period, net of tax	2,252	961	46,933	18,794

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 YEAR ENDED 30 JUNE 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 year	-	-	-	-	-	-	-	-	61,877	61,877
Other comprehensive income/(expense), net of tax	-	-	-	-	-	-	5,389	(24)	-	5,365
Total comprehensive income/(expense)	-	-	-	-	-	-	5,389	(24)	61,877	67,242
Transfer to regulatory reserve	-	-	-	-	532	-	-	-	(532)	-
Dividend paid	-	-	-	-	-	-	-	-	(20,509)	(20,509)
At 30 June 2016	246,896	(6,031)	543	113,482	3,563	-	6,623	(16)	335,301	700,361
At 1 July 2014	246,896	(7,923)	543	97,094	-	550	(669)	12	265,902	602,405
Net profit for the year	-	-	-	-	-	-	-	-	76,335	76,335
Other comprehensive income/(expense), net of tax	-	-	-	-	-	-	1,903	(4)	-	1,899
Total comprehensive income/(expense)	-	-	-	-	-	-	1,903	(4)	76,335	78,234
Transfer to statutory reserves	-	-	-	16,388	-	-	-	-	(16,388)	-
Transfer to regulatory reserve	-	-	-	-	3,031	-	-	-	(3,031)	-
ESOS exercised	-	1,316	-	-	-	(588)	-	-	1,012	1,740
Option charge arising from ESOS granted	-	-	-	-	-	38	-	-	-	38
Disposal of treasury shares	-	576	-	-	-	-	-	-	6,810	7,386
Dividend paid	-	-	-	-	-	-	-	-	(36,175)	(36,175)
At 30 June 2015	246,896	(6,031)	543	113,482	3,031	-	1,234	8	294,465	653,628

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 YEAR ENDED 30 JUNE 2016

	Non-Distributable			Distributable		
	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	Total RM'000
The Company						
At 1 July 2015	246,896	(5,918)	-	(43)	162,910	403,845
Net profit for the year	-	-	-	-	46,923	46,923
Other comprehensive income, net of tax	-	-	-	10	-	10
Total comprehensive income	-	-	-	10	46,923	46,933
Dividend paid	-	-	-	-	(20,518)	(20,518)
At 30 June 2016	246,896	(5,918)	-	(33)	189,315	430,260
At 1 July 2014	246,896	(7,923)	1,147	11	172,310	412,441
Net profit for the year	-	-	-	-	18,848	18,848
Other comprehensive expense, net of tax	-	-	-	(54)	-	(54)
Total comprehensive (expense)/income	-	-	-	(54)	18,848	18,794
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 30 June 2015	246,896	(5,918)	-	(43)	162,910	403,845

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 YEAR ENDED 30 JUNE 2016

	The Group	
	30/06/2016	30/06/2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	64,500	78,508
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	2,002	1,920
- Amortisation of intangible assets	1,499	881
- Option charge arising from ESOS granted	-	38
- Gain on liquidation of subsidiaries	(589)	(2)
- Gain on disposal of property and equipment	(4)	(4)
- Property and equipment written off	357	146
- Allowance for/(write-back of) impairment for losses on loans and advances	22	(498)
- Write-back of allowance for losses on clients' and brokers' balances	(85)	(1)
- Net unrealised loss/(gain) on revaluation of:		
- Financial assets held-for-trading	2,729	(5,697)
- Derivative financial instruments	24,272	12,814
- Interest income from:		
- Financial assets held-for-trading	(38,079)	(39,396)
- Financial investments available-for-sale	(34,744)	(28,042)
- Financial investments held-to-maturity	(14,233)	(11,225)
- Derivative financial instruments	(5,836)	(4,276)
- Interest expense from derivative financial instruments	11,408	8,937
- Interest expense on subordinated obligations	2,710	1,698
- Dividend income from:		
- Financial assets held-for-trading	(1,937)	(754)
- Financial investments available-for-sale	(5,659)	(4,484)
	(56,167)	(67,945)
Operating profit before changes in working capital	8,333	10,563
<u>Changes in working capital:</u>		
- Reverse repurchase agreements	-	280,176
- Deposits and placements with banks and other financial institutions	159,884	130,917
- Financial assets held-for-trading	(495,000)	(44,761)
- Derivative financial instruments	(45)	(396)
- Loans and advances	(46,201)	105,929
- Clients' and brokers' balances	1,234	89,574
- Other assets	(26,304)	22,374
- Statutory deposits with Bank Negara Malaysia	23,780	(25,430)
Net changes in operating assets	(382,652)	558,383
- Deposits from customers	190,182	210,181
- Deposits and placements of banks and other financial institutions	57,379	(207,569)
- Repurchased agreements	-	(179,087)
- Clients' and brokers' balances	87,191	(144,958)
- Other liabilities	26,646	(421,440)
Net changes in operating liabilities	361,398	(742,873)
Cash used in operating activities	(12,921)	(173,927)

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 YEAR ENDED 30 JUNE 2016

	The Group	
	30/06/2016	30/06/2015
	RM'000	RM'000
Cash used in operating activities	(12,921)	(173,927)
- Net income tax paid	(548)	(433)
Net cash used in operating activities	(13,469)	(174,360)
<u>Cash flows from investing activities</u>		
Net purchase of:		
- Financial investments available-for-sale	(66,607)	(209,293)
- Financial investments held-to-maturity	(146,697)	(22,865)
Dividend received from:		
- Financial assets held-for-trading	1,937	754
- Financial investments available-for-sale	5,749	4,394
Proceeds from liquidation of subsidiaries	602	7
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	85,203	82,586
Interest expenses paid on derivative financial instruments	(11,821)	(8,049)
Proceeds from disposal of property and equipment	5	7
Purchase of property and equipment	(3,185)	(1,614)
Purchase of intangible assets	(3,958)	(3,465)
Net cash used in investing activities	(138,772)	(157,538)
<u>Cash flows from financing activities</u>		
Interest paid on subordinated obligations	(2,657)	(1,314)
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	(23,166)	21,447
Net changes in cash and cash equivalents during the financial year	(175,407)	(310,451)
Effect of exchange rate changes	(24)	(4)
Cash and cash equivalents at beginning of the financial year	471,753	782,208
Cash and cash equivalents at end of the financial year	296,322	471,753
Cash and cash equivalents comprise:		
Cash and short term funds	296,322	471,753

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 YEAR ENDED 30 JUNE 2016

	The Company	
	30/06/2016	30/06/2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	47,019	18,896
<u>Adjustments for non-cash items:</u>		
- Interest income	(148)	(21)
- Dividend income from:		
- Financial investments available-for-sale	(4,980)	(3,784)
- Subsidiary companies	(43,200)	(89,079)
- Allowance for impairment on subsidiary	-	72,666
	(48,328)	(20,218)
Operating loss before changes in working capital	(1,309)	(1,322)
Decrease in other assets	186	131
Increase/(decrease) in other liabilities	119	(25)
Cash used in operating activities	(1,004)	(1,216)
- Net income tax paid	(126)	(31)
- Interest received	148	21
Net cash used in operating activities	(982)	(1,226)
<u>Cash flows from investing activities</u>		
Net disposal/(purchase) of financial investments available-for-sale	24,071	(73,226)
Dividend received from:		
- Financial investments available-for-sale	5,070	3,694
- Subsidiaries	43,200	96,079
Investment in subsidiary company	(50,000)	-
Net cash generated from investing activities	22,341	26,547
<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 year	841	(2,069)
Cash and cash equivalents at beginning of the financial year	224	2,293
Cash and cash equivalents at end of the financial year	1,065	224
<u>Cash and cash equivalents comprise:</u>		
Cash and short term funds	1,065	224

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 YEAR ENDED 30 JUNE 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 30 June 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 Q4 (30.06.16)

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 30 June 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 30 June 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 30 June 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 30 June 2016, other than as mentioned below.

Purchase of shares pursuant to ESOS

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.

Total shares held by ESOS Trust comprise 5,612,700 (2015: 5,612,700) shares in the Group costing RM6,031,241 (2015: RM6,031,241) inclusive of transaction costs, as at 30 June 2016.

HLCB Q4 (30.06.16)

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 30 June 2016.

9. Significant events

Public shareholding spread

The Company currently does not meet the requirement as set out in paragraph 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders.

The public shareholding spread of the Company as at 30 June 2016 was 18.67%.

As announced by the Company on 18 March 2015, Bursa Malaysia Securities Berhad had imposed a suspension on the trading of HLCB's shares 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 has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement. As further announced by the Company on 22 April 2016, KAF Investment Bank Berhad ("KAF") was appointed to advise and propose options available to the Company to achieve the public spread requirement.

KAF had proposed various options to the Company to improve its public shareholding spread. KAF, however, noted that none of the options could be implemented without the approval of the Company's majority shareholder, Hong Leong Financial Group Berhad ("HLFG"). In this regard, KAF recommended that the Company writes to HLFG to determine if its intention of not maintaining the listing status of HLCB, as set out in the notice of takeover offer to HLCB on 14 January 2013, remains unchanged or has otherwise changed. The Company has done so vide its letter dated 5 August 2016 to HLFG and is awaiting HLFG's response.

10. Subsequent events

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

11. Financial assets held-for-trading

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	-	30,772
Negotiable instruments of deposits	763,252	-
Bankers' acceptances	-	426,775
	763,252	457,547
Quoted securities		
In Malaysia:		
Shares	16,772	21,597
Unquoted securities		
Foreign currency bonds	21,057	62,718
Private and Islamic debt securities	617,820	379,023
	638,877	441,741
	1,418,901	920,885

12. Financial investments available-for-sale

	The Group		The Company	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Money market instruments				
Malaysian Government Securities	30,606	102,399	-	-
Malaysian Government Investment Issues	30,889	80,368	-	-
Cagamas bonds	15,094	15,051	-	-
	76,589	197,818	-	-
Quoted securities				
In Malaysia:				
Shares	16,674	15,000	-	-
Unit trust investment	150,869	144,118	109,082	133,130
	167,543	159,118	109,082	133,130
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	168,754	199,674	-	-
Private and Islamic debt securities	619,173	401,459	-	-
	788,172	601,378	-	-
	1,032,304	958,314	109,082	133,130

13. Financial investments held-to-maturity

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Money market instruments		
Malaysian Government Securities	81,194	51,097
Malaysian Government Investment Issues	266,161	20,397
	<u>347,355</u>	<u>71,494</u>
Unquoted securities		
Foreign currency bonds	125,456	248,387
Private and Islamic debt securities	55,289	60,374
	<u>180,745</u>	<u>308,761</u>
	<u>528,100</u>	<u>380,255</u>

14. Loans and advances

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Term loan financing	84,527	143,066
Share margin financing	288,004	183,183
Staff loans	71	78
Other loans	574	659
Gross loans and advances	<u>373,176</u>	326,986
Allowance for impaired loans and advances:		
- individual assessment allowance	(100)	(111)
- collective assessment allowance	(914)	(892)
Net loans and advances	<u>372,162</u>	<u>325,983</u>

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	20,273	45,111
- Others	216,899	158,948
Individuals	127,909	122,927
Foreign entities	8,095	-
Gross loans and advances	<u>373,176</u>	<u>326,986</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	71	78
- Other fixed rate loan	574	659
Variable rate		
- Cost plus	372,531	326,249
Gross loans and advances	373,176	326,986
14c. <u>By residual contractual maturity</u>		
Maturity within one year	308,648	276,377
More than one year to three years	64,457	30,703
More than three years to five years	-	19,829
More than five years	71	77
Gross loans and advances	373,176	326,986
14d. <u>By geographical distribution</u>		
Malaysia	373,176	326,986
14e. <u>By economic purpose</u>		
Purchase of securities	338,562	222,890
Working capital	33,969	103,359
Purchase of transport vehicles	100	112
Purchase of landed properties	545	625
Gross loans and advances	373,176	326,986
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	623	853
Impaired during the year	-	3
Amount written-back during the year	(38)	(233)
Amount written-off during the year	(11)	-
At 30 June	574	623
% of impaired loans to total loans and advances, net of individual assessment allowance	0.2%	0.2%
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	574	623
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	100	111
Purchase of landed properties	474	512
Gross impaired loans and advances	574	623

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2016 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 year	-	(83)
Allowance written-off during the year	(11)	-
At 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 year	22	(415)
At 30 June	<u>914</u>	<u>892</u>

15. Clients' and brokers' balances

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Performing accounts	195,943	197,035
Impaired accounts	1,390	1,532
	<u>197,333</u>	<u>198,567</u>
Less: Individual assessment allowance	(282)	(361)
Collective assessment allowance	(17)	(23)
	<u>197,034</u>	<u>198,183</u>

16. Other assets

	The Group		The Company	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Amount due from subsidiary companies	-	-	445	620
Deposits and prepayments	7,706	5,508	45	56
Fee income receivable	7,743	7,123	-	-
Collaterals pledged for derivative transactions	27,271	8,965	-	-
Other receivables	8,006	3,093	-	90
Manager's stocks and consumables	192	28	-	-
	<u>50,918</u>	<u>24,717</u>	<u>490</u>	<u>766</u>

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17. Deposits from customers

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
17a. <u>By type of deposits</u>		
Fixed deposits	1,031,929	841,747
17b. <u>By type of customer</u>		
Government and statutory bodies	873,906	561,996
Business enterprises	144,774	265,602
Individuals	13,249	14,149
	1,031,929	841,747
17c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	1,030,876	841,747
- six months to one year	1,053	-
	1,031,929	841,747

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Licensed banks	641,635	459,790
Licensed investment banks	-	34,384
Other financial institutions	1,263,135	1,353,217
	1,904,770	1,847,391

19. Derivative financial assets/liabilities

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
	The Group		
30/06/2016			
Interest rate related contracts:			
- Interest rate swaps	5,413,500	19,664	(36,729)
- Futures	139,893	-	(1,567)
- Cross currency swaps	120,945	3,412	(11,085)
Foreign exchange related contracts:			
- Foreign currency swaps	2,308,659	18,347	(30,597)
- Foreign currency forwards	45,938	-	(696)
Equity related contracts:			
- Futures	5,032	-	(11)
- Call option	7,000	1,271	-
	8,040,967	42,694	(80,685)

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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 30/06/2016 RM'000	As at 30/06/2015 RM'000	As at 30/06/2016 RM'000	As at 30/06/2015 RM'000
Amount due to related companies	97	125	-	-
Remisiers' trust deposits	12,998	13,544	-	-
Other payables and accrued liabilities	87,648	60,482	617	498
Post employment benefits obligation				
- defined contribution plan	197	144	-	-
	<u>100,940</u>	<u>74,295</u>	<u>617</u>	<u>498</u>

21. Subordinated obligations

	The Group	
	As at	As at
	30/06/2016	30/06/2015
	RM'000	RM'000
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	(160)	(213)
	50,247	50,194

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

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

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22. Interest income

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group				
Loan and advances	5,171	6,419	20,508	24,739
Money at call and deposits placements with banks and other financial institutions	717	2,025	4,245	15,058
Financial assets held-for-trading	12,280	12,175	38,079	39,396
Financial investments available-for-sale	8,460	6,242	34,744	28,042
Financial investments held-to-maturity	3,672	2,807	14,233	11,225
Derivative financial instruments	1,673	1,348	5,836	4,276
Others	2,437	1,935	9,817	8,482
Total interest income	<u>34,410</u>	<u>32,951</u>	<u>127,462</u>	<u>131,218</u>
The Company				
Money at call and deposits placements with banks and other financial institutions	6	1	148	21

23. Interest expense

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group				
Deposits and placements of banks and other financial institutions	6,167	3,637	23,053	16,784
Deposits from customers	12,986	16,205	47,668	61,045
Derivative financial instruments	2,427	3,331	11,408	8,937
Subordinated notes	661	653	2,710	1,698
Others	94	124	270	519
Total interest expense	<u>22,335</u>	<u>23,950</u>	<u>85,109</u>	<u>88,983</u>

24. Non-interest income

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	1	124	320	1,242
Arranger fees	4,780	2,866	15,428	8,849
Placement fee	1,553	2,445	9,001	8,544
Guarantee fees	-	32	52	249
Corporate advisory fees	1,714	2,342	6,204	11,811
Underwriting Commission	442	886	1,206	886
Brokerage commissions	12,227	14,249	52,535	58,165
Commission from futures contracts	9	196	472	852
Unit trust fee income	5,550	4,388	20,750	16,299
Other fee income	1,614	6,988	8,791	14,066
	27,890	34,516	114,759	120,963
(b) Net realised gain/(loss) arising from sale of:				
- Financial assets held-for-trading	10,779	3,863	15,090	6,452
- Financial investments available-for-sale	1,025	1,238	1,114	3,196
- Derivative financial instruments	27,933	(2,998)	(13,414)	(3,391)
	39,737	2,103	2,790	6,257
(c) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(6,820)	2,705	(2,729)	5,697
- Derivative financial instruments	(10,072)	18,916	(24,272)	(12,814)
	(16,892)	21,621	(27,001)	(7,117)
(d) Dividend income from:				
- Financial assets held-for-trading	-	49	1,937	754
- Financial investments available-for-sale	1,519	1,390	5,659	4,484
	1,519	1,439	7,596	5,238
(e) Gain on disposal of property and equipment	4	10	4	4
(f) Gain on liquidation of a subsidiary	-	-	589	2
(g) Foreign exchange (loss)/gain	(18,808)	(9,060)	30,920	15,335
(h) Other income	300	113	885	407
Total non-interest income	33,750	50,742	130,542	141,089

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24. Non-interest income (continued)

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 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	(16)	26	(19)	39
(c) Dividend income from:				
- Financial investments available-for-sale	1,041	1,227	4,980	3,784
- Subsidiary companies	1,600	-	43,200	89,079
(d) Other income	66	70	284	170
	2,691	1,323	48,653	93,251

25. Overhead expenses

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	17,978	21,289	56,411	55,308
- Option charge arising from ESOS	-	(50)	-	38
- Others	1,944	1,884	12,247	10,851
	19,922	23,123	68,658	66,197
Establishment costs				
- Depreciation of property and equipment	551	461	2,002	1,920
- Amortisation of intangible assets	507	295	1,499	881
- Rental of premises	1,352	1,517	6,285	6,251
- Information technology expenses	1,477	1,563	5,474	5,526
- Others	893	638	3,707	3,392
	4,780	4,474	18,967	17,970

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25. Overhead expenses (continued)

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	14	25	507	365
- Entertainment and business improvement	621	450	1,834	2,546
- Others	208	90	535	300
	843	565	2,876	3,211
Administration and general expenses				
- Management fees	916	1,247	3,643	4,113
- Communication expenses	341	406	1,369	1,653
- Property and equipment written off	357	146	357	146
- Auditors' remuneration				
- Statutory audit	61	82	366	385
- Regulatory related fee	42	33	50	50
- Tax compliance fee	12	17	14	17
- Other fees	20	175	20	175
- Legal and professional fees	626	1,107	3,443	4,180
- Others	1,970	1,912	8,700	7,434
	4,345	5,125	17,962	18,153
	29,890	33,287	108,463	105,531
The Company				
Personnel costs				
- Salaries, bonuses and allowances	27	(5)	306	154
- Others	60	80	285	267
	87	75	591	421
Establishment costs				
- Information technology expenses	17	1	19	10
- Others	15	20	140	56
	32	21	159	66
Marketing expenses				
- Advertisement and publicity	-	-	-	4
- Others	2	1	5	5
	2	1	5	9
Administration and general expenses				
- Management fees	186	56	462	289
- Communication expenses	2	4	13	7
- Auditors' remuneration				
- Statutory audit	14	26	60	61
- Regulatory related fee	3	8	11	11
- Tax compliance fee	(2)	4	-	4
- Legal and professional fees	-	1	-	369
- Others	123	128	481	473
	326	227	1,027	1,214
	447	324	1,782	1,710

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

	Current quarter ended 30/06/2016 RM'000	Last year's quarter ended 30/06/2015 RM'000	Current year ended 30/06/2016 RM'000	Last year's ended 30/06/2015 RM'000
The Group				
Write-back of/(allowance for) losses on impaired loans and advances:				
Individual assessment allowance				
- written-back during the period	-	-	-	83
Collective assessment allowance (made)/written-back during the period	(337)	742	(22)	415
Bad debts on loans and advances				
- recovered	-	-	5	-
Write-back of/(allowance for) losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period	(47)	122	(150)	(97)
- written-back during the period	138	81	229	106
Collective assessment allowance written-back/ (made) during the period	6	(10)	6	(8)
Bad debts on clients' and brokers' balances				
- recovered	-	110	-	110
Write-back of allowance for losses on fee income receivables:				
Individual assessment allowance				
- written-back during the period	-	11	-	106
	(240)	1,056	68	715
The Company				
Allowance for impairment on subsidiary	-	-	-	(72,666)

HLCB Q4 (30.06.16)**27. Commitments and contingencies**

	As at 30/06/2016 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
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	2,165	1,781
- maturity over one year	589	2,719
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	686,780	722,877
	690,534	735,377
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,388,708	1,555,070
- Over one year to five years	3,630,630	2,617,697
- Over five years	655,000	525,000
Foreign exchange related contracts		
- One year or less	2,354,597	1,971,194
Equity related contracts		
- One year or less	5,032	-
- Over one year to five years	7,000	8,500
	8,040,967	6,677,461
	8,731,501	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 30.06.2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	16,772	1,402,129	-	1,418,901
- Money market instruments	-	763,252	-	763,252
- Quoted securities	16,772	-	-	16,772
- Unquoted securities	-	638,877	-	638,877
Financial investments available-for-sale	167,543	864,516	245	1,032,304
- Money market instruments	-	76,589	-	76,589
- Quoted securities	167,543	-	-	167,543
- Unquoted securities	-	787,927	245	788,172
Derivative financial assets	-	42,694	-	42,694
	184,315	2,309,339	245	2,493,899

HLCB Q4 (30.06.16)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 30.06.2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685
30.06.2015				
Financial assets				
Financial assets held-for-trading	21,597	899,288	-	920,885
- Money market instruments	-	457,547	-	457,547
- Quoted securities	21,597	-	-	21,597
- Unquoted securities	-	441,741	-	441,741
Financial investments available-for-sale	159,118	798,951	245	958,314
- Money market instruments	-	197,818	-	197,818
- Quoted securities	159,118	-	-	159,118
- Unquoted securities	-	601,133	245	601,378
Derivative financial assets	-	43,059	-	43,059
	180,715	1,741,298	245	1,922,258
Financial liability				
Derivative financial liabilities	-	57,428	-	57,428
The Company 30.06.2016				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	109,082	-	-	109,082
30.06.2015				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	133,130	-	-	133,130

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

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

The Group	Financial investments available-for-sale	
	30.06.2016 RM'000	30.06.2015 RM'000
At beginning/end of financial year	245	245

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29. Capital adequacy

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

	HLIB 30/06/2016	HLIB 30/06/2015
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	29.202%	23.683%
Tier 1 capital ratio	29.202%	23.683%
Total capital ratio	33.576%	27.355%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	24.986%	20.832%
Tier 1 capital ratio	24.986%	20.832%
Total capital ratio	29.360%	24.504%

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

	HLIB 30/06/2016 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	36,357	22,742
Other reserves	202,504	198,645
Less: goodwill and intangibles	(34,379)	(32,535)
Less: deferred tax assets	(91,882)	(95,002)
Less: investment in subsidiary companies	(217)	(154)
Less: 55% of cumulative gains of financial instruments available-for-sale	(3,100)	(978)
Total CET1 capital	362,233	345,668
Tier-1 capital		
	362,233	345,668
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	4,394	3,825
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	(144)	(230)
Total Tier 2 capital	54,250	53,595
Total capital	416,483	399,263

Note:

(1) Proposed dividends of RM52,300,000 (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 RM3,563,000 (2015: RM3,031,000).

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29. Capital adequacy (continued)

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

	HLIB 30/06/2016 RM'000	HLIB 30/06/2015 RM'000
Credit risk	520,091	678,033
Market risk	416,042	483,713
Operational risk	304,287	297,840
	<u>1,240,420</u>	<u>1,459,586</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 30 June 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>30 June 2016</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	41,821	295	237	-	42,353
Non interest income	103,029	21,065	49,717	(43,269)	130,542
Results					
Profit/(loss) from operations	57,648	2,243	47,844	(43,235)	64,500
Taxation					(2,623)
Profit after taxation					61,877
<u>30 June 2015</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	41,910	304	21	-	42,235
Non interest income	116,315	16,316	156,383	(147,925)	141,089
Results					
Profit/(loss) from operations	73,431	(279)	154,449	(149,093)	78,508
Taxation					(2,173)
Profit after taxation					76,335

(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) 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.
- (c) On 15 July 2016, the liquidator of HLG Nominee (Asing) Sdn Bhd ("HLG Nominee"), a wholly-owned subsidiary of HLIB which in turn is a wholly-owned subsidiary of HLCB, had convened the final meeting for HLG Nominee to conclude the member's voluntary winding-up of HLG Nominee.

The Return by Liquidator Relating to Final Meeting of HLG Nominees was lodged on 15 July 2016 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, HLG Nominees will be dissolved.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2016 is RM5.7 million.

34. Changes in contingent liabilities

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

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

The size of the fund was above the minimum of RM1.0 million as at 30 June 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 RM15.7 million for the 4th quarter June 2016 as compared to RM27.5 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 RM13.5 million for the 4th quarter June 2016 as compared to previous year corresponding quarter of RM26.5 million mainly due to lower contribution from its Treasury and Markets and Debt Markets divisions.

Fund management and unit trust management

Fund management and unit trust management recorded a higher PBT of RM1.0 million for the 4th quarter June 2016 as compared to a loss before tax ("LBT") of RM86 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 lower PBT of RM64.5 million for the financial period ended June 2016 as compared to RM78.5 million in the previous financial period, lower by 17.8%. This is mainly due to lower contribution from its investment banking and stockbroking segment, offset by higher contribution from its fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a decrease in PBT by 21.5% as compared to previous year corresponding period of RM73.4 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 RM2.2 million for the financial period ended June 2016 as compared to a LBT RM0.3 million in previous year corresponding period, mainly due to higher net contribution from management fee income in this financial period.

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

For the financial quarter ended 30 June 2016, the Group reported a higher PBT of RM15.7 million compared to RM14.5 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 RM13.5 million for the 4th quarter June 2016 as compared to preceding financial quarter of RM12.1 million mainly due to higher contribution from its Debt Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a similar PBT of RM1.0 million for 4th quarter June 2016 as compared to PB recorded in preceding financial quarter.

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2. Prospects for the next financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2017 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	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	394	76	870	90
- Under/(over) provision in prior years	122	(62)	70	(41)
Deferred taxation	8,354	2,119	1,683	2,124
	<u>8,870</u>	<u>2,133</u>	<u>2,623</u>	<u>2,173</u>

5. Status of corporate proposals

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

6. Group borrowings

The Group has no borrowings as at 30 June 2016.

7. Subordinated obligations

	The Group	
	As at 30/06/2016	As at 30/06/2015
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	(160)	(213)
	<u>50,247</u>	<u>50,194</u>

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

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7. Subordinated obligations (continued)

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.

8. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2016:

The Group	Principal	Fair Value	
	amount	Assets	Liabilities
	RM'000	RM'000	RM'000
Interest rate related contracts			
(i) Less than 1 year	1,388,708	3,827	(3,519)
(ii) 1 year to 3 years	1,800,630	2,664	(15,096)
(iii) More than 3 years	2,485,000	16,585	(30,766)
Foreign exchange related contracts			
(i) Less than 1 year	2,354,597	18,347	(31,293)
Equity related contractes			
(i) Less than 1 year	5,032	-	(11)
(ii) More than 3 years	7,000	1,271	-
	8,040,967	42,694	(80,685)

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.

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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

A final single-tier dividend of 12.0 sen per share has been proposed for the current quarter.

Amount per share:	12.0 sen
Previous corresponding quarter:	8.5 sen
Payment date:	To be announced later
Entitlement date:	To be announced later

11. Earnings per share ("EPS")

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
The Group				
Net profit attributable to equity holders of the Company (RM'000):	6,825	25,379	61,877	76,335
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	240,994
Basic earnings per share (sen)	2.8	10.5	25.6	31.7
The Company				
Net profit attributable to equity holders of the Company (RM'000):	2,235	982	46,923	18,848
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,185
Basic earnings per share (sen)	0.9	0.4	19.4	7.8

(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 30 June 2016 and 30 June 2015.

HLCB Q4 (30.06.16)**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 30/06/2016 RM'000	As at 30/06/2015 RM'000
The Group		
Total retained profit		
- Realised	411,821	364,340
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	92,378	95,451
- in respect of other items of income and expense	47,969	51,519
	<u>552,168</u>	<u>511,310</u>
Less : Consolidation adjustment	<u>(216,867)</u>	<u>(216,845)</u>
	<u>335,301</u>	<u>294,465</u>
The Company		
Total retained profit		
- Realised	189,315	162,897
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	-	13
	<u>189,315</u>	<u>162,910</u>

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 29 August 2016.