

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

	Note	The Group		The Company	
		As at 30/09/2016 RM'000	As at 30/06/2016 RM'000	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
ASSETS					
Cash and short term funds		365,370	296,322	493	1,065
Deposits and placements with banks and other financial institutions		-	40,359	-	-
Financial assets held-for-trading	11	1,259,977	1,418,901	-	-
Financial investments available- for-sale	12	979,070	1,032,304	110,282	109,082
Financial investments held-to-maturity	13	658,708	528,100	-	-
Derivative financial assets	19	33,201	42,694	-	-
Loans and advances	14	336,282	372,162	-	-
Clients' and brokers' balances	15	367,753	197,034	-	-
Other assets	16	56,841	50,918	501	490
Statutory deposits with Bank Negara Malaysia		45,700	32,400	-	-
Tax recoverable		225	191	224	186
Investment in subsidiary companies		-	-	320,054	320,054
Deferred tax assets		94,572	92,378	-	-
Property and equipment		7,126	6,795	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		6,112	5,440	-	-
TOTAL ASSETS		4,243,996	4,149,057	431,554	430,877
LIABILITIES					
Deposits from customers	17	804,417	1,031,929	-	-
Deposits and placements of banks and other financial institutions	18	2,090,787	1,904,770	-	-
Derivative financial liabilities	19	79,295	80,685	-	-
Clients' and brokers' balances		380,399	279,919	-	-
Other liabilities	20	116,021	100,940	684	617
Current tax liabilities		588	206	-	-
Subordinated obligations	21	50,928	50,247	-	-
TOTAL LIABILITIES		3,522,435	3,448,696	684	617

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 2016.

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(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	The Group		The Company	
	As at	As at	As at	As at
Note	30/09/2016	30/06/2016	30/09/2016	30/06/2016
	RM'000	RM'000	RM'000	RM'000
EQUITY				
Share capital	246,896	246,896	246,896	246,896
Reserves	480,696	459,496	189,892	189,282
Treasury shares for ESOS scheme	(6,031)	(6,031)	(5,918)	(5,918)
TOTAL EQUITY	<u>721,561</u>	<u>700,361</u>	<u>430,870</u>	<u>430,260</u>
TOTAL LIABILITIES AND EQUITY				
	<u>4,243,996</u>	<u>4,149,057</u>	<u>431,554</u>	<u>430,877</u>
COMMITMENTS AND CONTINGENCIES				
27	<u>8,924,880</u>	<u>8,731,501</u>	<u>-</u>	<u>-</u>
Net assets per share attributable to ordinary equity holder of the Company (RM)				
	<u>2.99</u>	<u>2.90</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 2016.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

		Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group					
Interest income	22	36,828	29,783	36,828	29,783
Interest expense	23	(26,051)	(21,797)	(26,051)	(21,797)
Net interest income		10,777	7,986	10,777	7,986
Non-interest income	24	31,906	29,386	31,906	29,386
Net income		42,683	37,372	42,683	37,372
Overhead expenses	25	(24,297)	(24,516)	(24,297)	(24,516)
Operating profit before allowances Write-back of impairment on loans and advances and other losses	26	18,386	12,856	18,386	12,856
Profit before taxation		18,398	12,860	18,398	12,860
Taxation		1,793	2,751	1,793	2,751
Net profit for the period		20,191	15,611	20,191	15,611
Earnings per share (sen)					
- Basic		8.4	6.5	8.4	6.5
- Diluted		8.4	6.5	8.4	6.5

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group				
Net profit for the period	20,191	15,611	20,191	15,611
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	1,097	(5,279)	1,097	(5,279)
Income tax relating to net fair value changes on financial investments available-for-sale	(88)	1,202	(88)	1,202
Currency translation differences in respect of foreign operation	-	(29)	-	(29)
Other comprehensive income/(expense) for the period, net of tax	1,009	(4,106)	1,009	(4,106)
Total comprehensive income for the period, net of tax	21,200	11,505	21,200	11,505

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 2016.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Current quarter ended 30/09/2016	Last year's quarter ended 30/09/2015	Current year ended 30/09/2016	Last year's ended 30/09/2015
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	22	2	29	2
Interest expense	23	-	-	-
Net interest income	2	29	2	29
Non-interest income	24	1,042	1,424	1,042
Net income	24	1,044	1,453	1,044
Overhead expenses	25	(434)	(474)	(434)
Operating profit before allowances	25	610	979	610
Allowance for impairment on other losses	26	-	-	-
Profit before taxation	26	610	979	610
Taxation	26	-	(4)	-
Net profit for the period	26	610	975	610
Earnings per share (sen)				
- Basic	26	0.3	0.4	0.3
- Diluted	26	0.3	0.4	0.3

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 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Company				
Net profit for the period	610	975	610	975
Other comprehensive income/(expense):				
Items that will be reclassified subsequently to profit or loss				
Net fair value changes on financial investments available-for-sale	-	(3)	-	(3)
Income tax relating to net fair value changes on financial investments available-for-sale	-	(13)	-	(13)
Other comprehensive expense for the period, net of tax	-	(16)	-	(16)
Total comprehensive income for the period, net of tax	610	959	610	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 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	Fair Value Reserve RM'000	Exchange fluctuation Reserve RM'000	Retained Profits RM'000	Total RM'000
At 1 July 2016	246,896	(6,031)	543	113,482	3,563	6,623	(16)	335,301	700,361
Net profit for the period	-	-	-	-	-	-	-	20,191	20,191
Other comprehensive income, net of tax	-	-	-	-	-	1,009	-	-	1,009
Total comprehensive income	-	-	-	-	-	1,009	-	20,191	21,200
Transfer from regulatory reserve	-	-	-	-	(385)	-	-	385	-
At 30 September 2016	246,896	(6,031)	543	113,482	3,178	7,632	(16)	355,877	721,561
At 1 July 2015	246,896	(6,031)	543	113,482	3,031	1,234	8	294,465	653,628
Net profit for the period	-	-	-	-	-	-	-	15,611	15,611
Other comprehensive expense, net of tax	-	-	-	-	-	(4,077)	(29)	-	(4,106)
Total comprehensive (expense)/income	-	-	-	-	-	(4,077)	(29)	15,611	11,505
Transfer from regulatory reserve	-	-	-	-	(101)	-	-	101	-
At 30 September 2015	246,896	(6,031)	543	113,482	2,930	(2,843)	(21)	310,177	665,133

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 2016.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Non-Distributable		Distributable		Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Company					
At 1 July 2016	246,896	(5,918)	(33)	189,315	430,260
Net profit for the year	-	-	-	610	610
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	610	610
At 30 September 2016	246,896	(5,918)	(33)	189,925	430,870
At 1 July 2015	246,896	(5,918)	(43)	162,910	403,845
Net profit for the year	-	-	-	975	975
Other comprehensive expense, net of tax	-	-	(16)	-	(16)
Total comprehensive (expense)/income	-	-	(16)	975	959
At 30 September 2015	246,896	(5,918)	(59)	163,885	404,804

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 2016.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	The Group	
	30/09/2016	30/09/2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	18,398	12,860
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	418	419
- Amortisation of intangible assets	728	383
- Loss on liquidation of subsidiaries	7	-
- Gain on disposal of property and equipment	(82)	-
- Write-back of allowance for impairment for losses on loans and advances	(46)	(7)
- Allowance for losses on clients' and brokers' balances	34	3
- Net unrealised loss on revaluation of:		
- Financial assets held-for-trading	311	6,651
- Derivative financial instruments	6,928	13,857
- Interest income from:		
- Financial assets held-for-trading	(12,760)	(6,997)
- Financial investments available-for-sale	(8,504)	(8,471)
- Financial investments held-to-maturity	(5,181)	(3,494)
- Derivative financial instruments	(1,876)	(1,486)
- Interest expense from derivative financial instruments	3,492	3,638
- Interest expense on subordinated obligations	681	711
- Dividend income from:		
- Financial assets held-for-trading	(452)	(796)
- Financial investments available-for-sale	(1,318)	(1,200)
	<u>(17,620)</u>	<u>3,211</u>
Operating profit before changes in working capital	778	16,071
 Changes in working capital:		
- Reverse repurchase agreements	-	(46,721)
- Deposits and placements with banks and other financial institutions	40,359	42,756
- Financial assets held-for-trading	157,120	428,436
- Derivative financial instruments	16	(20)
- Loans and advances	35,926	8,932
- Clients' and brokers' balances	(170,753)	10,640
- Other assets	(6,054)	(36,073)
- Statutory deposits with Bank Negara Malaysia	(13,300)	8,180
Net changes in operating assets	<u>43,314</u>	<u>416,130</u>
 - Deposits from customers	<u>(227,512)</u>	<u>(204,229)</u>
- Deposits and placements of banks and other financial institutions	186,017	(368,917)
- Repurchased agreements	-	68,941
- Clients' and brokers' balances	100,480	(18,883)
- Other liabilities	15,379	55,372
Net changes in operating liabilities	<u>74,364</u>	<u>(467,716)</u>
Cash generated from/(used in) operating activities	118,456	(35,515)

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 2016.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	The Group	
	30/09/2016	30/09/2015
	RM'000	RM'000
Cash generated from/(used in) operating activities	118,456	(35,515)
Net income tax paid	(472)	(72)
Net cash generated from/(used in) operating activities	117,984	(35,587)
<u>Cash flows from investing activities</u>		
Net disposal/(purchase) of:		
- Financial investments available-for-sale	55,626	(81,621)
- Financial investments held-to-maturity	(133,003)	(68,393)
Dividend received from:		
- Financial assets held-for-trading	452	796
- Financial investments available-for-sale	1,318	1,206
Proceeds from liquidation of subsidiaries	157	-
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	30,715	16,533
Interest expenses paid on derivative financial instruments	(2,134)	(3,353)
Proceeds from disposal of property and equipment	87	-
Purchase of property and equipment	(754)	(11)
Purchase of intangible assets	(1,400)	(367)
Net cash used in investing activities	(48,936)	(135,210)
Net changes in cash and cash equivalents during the financial period	69,048	(170,797)
Effect of exchange rate changes	-	(29)
Cash and cash equivalents at beginning of the financial period	296,322	471,753
Cash and cash equivalents at end of the financial period	365,370	300,927
Cash and cash equivalents comprise:		
Cash and short term funds	365,370	300,927

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 2016.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	The Company	
	30/09/2016	30/09/2015
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	610	979
<u>Adjustments for non-cash items:</u>		
- Interest income	(2)	(29)
- Dividend income from:		
- Financial investments available-for-sale	(978)	(1,137)
	(980)	(1,166)
Operating loss before changes in working capital	(370)	(187)
Increase in other assets	(11)	(13,434)
Increase in other liabilities	67	120
Cash used in operating activities	(314)	(13,501)
Net income tax paid	(38)	(16)
Interest received	2	-
Net cash used in operating activities	(350)	(13,517)
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of financial investments available-for-sale	(1,200)	12,397
Dividend received from:		
- Financial investments available-for-sale	978	1,143
Net cash (used in)/generated from investing activities	(222)	13,540
Net changes in cash and cash equivalents during the financial period	(572)	23
Cash and cash equivalents at beginning of the financial period	1,065	224
Cash and cash equivalents at end of the financial period	493	247
Cash and cash equivalents comprise:		
Cash and short term funds	493	247

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 2016.

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 September 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 2016. 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 2016.

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 2016 and modified for the adoption of the following Amendments to MFRSs applicable for financial period beginning on or after 1 July 2016:

- Amendments to MFRS 11 'Joint Arrangements'
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets'

The adoption of the above annual improvements and amendments do not give rise to any material financial impact to the Group and to the Company.

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 2016 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 September 2016.

HLCB Q1 (30.09.16)

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 September 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 September 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 September 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 (2016: 5,612,700) shares in the Group costing RM6,031,241 (2016: RM6,031,241) inclusive of transaction costs, as at 30 September 2016.

7. Dividends paid

There was no dividend paid during the financial quarter ended 30 September 2016.

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 September 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 3 November 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 29 August 2016, KAF Investment Bank Berhad ("KAF") had, inter alia, recommended that the Company writes to the Company's majority shareholder, Hong Leong Financial Group Berhad ("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. In response, HLFG had vide its letter dated 20 September 2016 informed that they are considering various options and will inform HLCB accordingly as needed.

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 30/09/2016 RM'000	As at 30/06/2016 RM'000
Money market instruments		
Negotiable instruments of deposits	511,966	763,252
Bankers' acceptances	79,103	-
	591,069	763,252
Quoted securities		
In Malaysia:		
Shares	50,069	16,772
Unquoted securities		
Foreign currency bonds	32	21,057
Private and Islamic debt securities	618,807	617,820
	618,839	638,877
	1,259,977	1,418,901

12. Financial investments available-for-sale

	The Group		The Company	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Money market instruments				
Malaysian Government Securities	31,179	30,606	-	-
Malaysian Government Investment Issues	31,175	30,889	-	-
Cagamas bonds	15,188	15,094	-	-
	77,542	76,589	-	-
Quoted securities				
In Malaysia:				
Shares	17,406	16,674	-	-
Unit trust investment	152,441	150,869	110,282	109,082
	169,847	167,543	110,282	109,082
Unquoted securities				
Shares	245	245	-	-
Foreign currency bonds	132,460	168,754	-	-
Private and Islamic debt securities	598,976	619,173	-	-
	731,681	788,172	-	-
	979,070	1,032,304	110,282	109,082

13. Financial investments held-to-maturity

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Money market instruments		
Malaysian Government Securities	80,336	81,194
Malaysian Government Investment Issues	354,169	266,161
	434,505	347,355
Unquoted securities		
Foreign currency bonds	128,443	125,456
Private and Islamic debt securities	95,760	55,289
	224,203	180,745
	658,708	528,100

14. Loans and advances

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Term loan financing	72,533	84,527
Share margin financing	264,074	288,004
Staff loans	69	71
Other loans	574	574
Gross loans and advances	337,250	373,176
Allowance for impaired loans and advances:		
- individual assessment allowance	(100)	(100)
- collective assessment allowance	(868)	(914)
Net loans and advances	336,282	372,162

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	20,283	20,273
- Others	205,673	216,899
Individuals	103,190	127,909
Foreign entities	8,104	8,095
Gross loans and advances	337,250	373,176

HLCB Q1 (30.09.16)

14. Loans and advances (continued)

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	69	71
- Other fixed rate loan	574	574
Variable rate		
- Cost plus	336,607	372,531
Gross loans and advances	<u>337,250</u>	<u>373,176</u>
14c. <u>By residual contractual maturity</u>		
Maturity within one year	317,693	308,648
More than one year to three years	19,488	64,457
More than five years	69	71
Gross loans and advances	<u>337,250</u>	<u>373,176</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>337,250</u>	<u>373,176</u>
14e. <u>By economic purpose</u>		
Purchase of securities	304,114	338,562
Working capital	32,493	33,969
Purchase of transport vehicles	100	100
Purchase of landed properties	543	545
Gross loans and advances	<u>337,250</u>	<u>373,176</u>
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	574	623
Amount written-back during the period/year	-	(38)
Amount written-off during the period/year	-	(11)
At 30 September/30 June	<u>574</u>	<u>574</u>
% of impaired loans to total loans and advances, net of individual assessment allowance	<u>0.2%</u>	<u>0.2%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>574</u>	<u>574</u>
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	100	100
Purchase of landed properties	474	474
Gross impaired loans and advances	<u>574</u>	<u>574</u>

HLCB Q1 (30.09.16)

14. Loans and advances (continued)

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
14i. Movement in the allowance for loss on loans and advances are as follows:		
<u>Individual assessment allowance</u>		
At 1 July	100	111
Allowance written-off during the period/year	-	(11)
At 30 September/30 June	100	100
<u>Collective assessment allowance</u>		
At 1 July	914	892
Allowance (written-back)/made during the period/year	(46)	22
At 30 September/30 June	868	914

15. Clients' and brokers' balances

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Performing accounts	366,604	195,943
Impaired accounts	1,482	1,390
	368,086	197,333
Less: Individual assessment allowance	(318)	(282)
Collective assessment allowance	(15)	(17)
	367,753	197,034

16. Other assets

	The Group		The Company	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Amount due from subsidiary companies	-	-	475	445
Deposits and prepayments	6,418	7,706	26	45
Fee income receivable	6,821	7,743	-	-
Collaterals pledged for derivative transactions	34,118	27,271	-	-
Other receivables	8,573	8,006	-	-
Manager's stocks and consumables	911	192	-	-
	56,841	50,918	501	490

HLCB Q1 (30.09.16)

17. Deposits from customers

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
17a. <u>By type of deposits</u>		
Fixed deposits	804,417	1,031,929
17b. <u>By type of customer</u>		
Government and statutory bodies	519,578	873,906
Business enterprises	271,463	144,774
Individuals	13,376	13,249
	804,417	1,031,929
17c. The maturity structure of fixed deposits are as follows:		
Due within:		
- six months	804,417	1,030,876
- six months to one year	-	1,053
	804,417	1,031,929

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
Licensed banks	787,164	641,635
Other financial institutions	1,303,623	1,263,135
	2,090,787	1,904,770

19. Derivative financial assets/liabilities

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
The Group			
30/09/2016			
Interest rate related contracts:			
- Interest rate swaps	5,703,500	24,978	(46,680)
- Futures	149,300	58	(78)
- Cross currency swaps	82,715	66	(13,270)
Foreign exchange related contracts:			
- Foreign currency swaps	2,240,236	7,088	(19,191)
- Foreign currency forwards	34,586	1	(76)
- Foreign currency spot	21	-	-
Equity related contracts:			
- Futures	30,502	316	-
- Call option	7,000	694	-
	8,247,860	33,201	(79,295)

HLCB Q1 (30.09.16)

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			
30/06/2016			
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	-
	<u>8,040,967</u>	<u>42,694</u>	<u>(80,685)</u>

20. Other liabilities

	The Group		The Company	
	As at	As at	As at	As at
	30/09/2016	30/06/2016	30/09/2016	30/06/2016
	RM'000	RM'000	RM'000	RM'000
Amount due to related companies	146	97	-	-
Remisiers' trust deposits	13,386	12,998	-	-
Other payables and accrued liabilities	102,291	87,648	684	617
Post employment benefits obligation				
- defined contribution plan	198	197	-	-
	<u>116,021</u>	<u>100,940</u>	<u>684</u>	<u>617</u>

HLCB Q1 (30.09.16)

21. Subordinated obligations

	The Group	
	As at 30/09/2016 RM'000	As at 30/06/2016 RM'000
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,074	407
	51,074	50,407
Less: Unamortised discounts	(146)	(160)
	50,928	50,247

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.

HLCB Q1 (30.09.16)

22. Interest income

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group				
Loan and advances	5,779	5,417	5,779	5,417
Money at call and deposits placements with banks and other financial institutions	657	1,638	657	1,638
Financial assets held-for-trading	12,760	6,997	12,760	6,997
Financial investments available-for-sale	8,504	8,471	8,504	8,471
Financial investments held-to-maturity	5,181	3,494	5,181	3,494
Derivative financial instruments	1,876	1,486	1,876	1,486
Others	2,071	2,280	2,071	2,280
Total interest income	36,828	29,783	36,828	29,783
The Company				
Money at call and deposits placements with banks and other financial institutions	2	29	2	29

23. Interest expense

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group				
Deposits and placements of banks and other financial institutions	6,352	3,769	6,352	3,769
Deposits from customers	15,433	13,545	15,433	13,545
Derivative financial instruments	3,492	3,638	3,492	3,638
Subordinated notes	681	711	681	711
Others	93	134	93	134
Total interest expense	26,051	21,797	26,051	21,797

24. Non-interest income

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	52	73	52	73
Arranger fees	600	3,274	600	3,274
Placement fee	240	33	240	33
Guarantee fees	-	31	-	31
Corporate advisory fees	985	795	985	795
Underwriting Commission	-	212	-	212
Brokerage commissions	12,608	12,956	12,608	12,956
Commission from futures contracts	77	225	77	225
Unit trust fee income	6,328	4,304	6,328	4,304
Other fee income	1,035	1,064	1,035	1,064
	21,925	22,967	21,925	22,967
(b) Net realised gain/(loss) arising from sale of:				
- Financial assets held-for-trading	7,750	692	7,750	692
- Financial investments available-for-sale	2,654	14	2,654	14
- Derivative financial instruments	(3,199)	(24,814)	(3,199)	(24,814)
	7,205	(24,108)	7,205	(24,108)
(c) Net unrealised loss on revaluation of:				
- Financial assets held-for-trading	(311)	(6,651)	(311)	(6,651)
- Derivative financial instruments	(6,928)	(13,857)	(6,928)	(13,857)
	(7,239)	(20,508)	(7,239)	(20,508)
(d) Dividend income from:				
- Financial assets held-for-trading	452	796	452	796
- Financial investments available-for-sale	1,318	1,200	1,318	1,200
	1,770	1,996	1,770	1,996
(e) Gain on disposal of property and equipment	82	-	82	-
(f) Loss on liquidation of a subsidiary	(7)	-	(7)	-
(g) Foreign exchange gain	8,088	48,948	8,088	48,948
(h) Other income	82	91	82	91
Total non-interest income	31,906	29,386	31,906	29,386

HLCB Q1 (30.09.16)

24. Non-interest income (continued)

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Company				
(a) Fee income:				
Other fee income	-	208	-	208
(b) Net realised gain arising from sale of:				
- Financial investments available-for-sale	-	8	-	8
(c) Dividend income from:				
- Financial investments available-for-sale	978	1,137	978	1,137
(d) Foreign exchange gain	11	-	11	-
(e) Other income	53	71	53	71
	1,042	1,424	1,042	1,424

25. Overhead expenses

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	11,568	11,695	11,568	11,695
- Others	2,822	3,397	2,822	3,397
	14,390	15,092	14,390	15,092
Establishment costs				
- Depreciation of property and equipment	418	419	418	419
- Amortisation of intangible assets	728	383	728	383
- Rental of premises	1,315	1,539	1,315	1,539
- Information technology expenses	1,473	1,370	1,473	1,370
- Others	730	845	730	845
	4,664	4,556	4,664	4,556

HLCB Q1 (30.09.16)

25. Overhead expenses (continued)

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	82	2	82	2
- Entertainment and business improvement	476	501	476	501
- Others	111	87	111	87
	669	590	669	590
Administration and general expenses				
- Management fees	961	843	961	843
- Communication expenses	346	332	346	332
- Auditors' remuneration				
- Statutory audit	95	101	95	101
- Regulatory related fee	3	3	3	3
- Tax compliance fee	-	1	-	1
- Legal and professional fees	944	775	944	775
- Others	2,225	2,223	2,225	2,223
	4,574	4,278	4,574	4,278
	24,297	24,516	24,297	24,516
The Company				
Personnel costs				
- Salaries, bonuses and allowances	55	172	55	172
- Others	24	63	24	63
	79	235	79	235
Establishment costs				
- Information technology expenses	2	1	2	1
- Others	39	16	39	16
	41	17	41	17
Marketing expenses				
- Others	30	2	30	2
	30	2	30	2
Administration and general expenses				
- Management fees	111	82	111	82
- Communication expenses	1	2	1	2
- Auditors' remuneration				
- Statutory audit	15	15	15	15
- Regulatory related fee	3	3	3	3
- Tax compliance fee	-	1	-	1
- Others	154	117	154	117
	284	220	284	220
	434	474	434	474

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

	Current quarter ended 30/09/2016 RM'000	Last year's quarter ended 30/09/2015 RM'000	Current year ended 30/09/2016 RM'000	Last year's ended 30/09/2015 RM'000
The Group				
Write-back of/(allowance for) losses on impaired loans and advances:				
Collective assessment allowance written-back during the period	46	7	46	7
Write-back of/(allowance for) losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period	(59)	(64)	(59)	(64)
- written-back during the period	23	65	23	65
Collective assessment allowance written-back/ (made) during the period	2	(4)	2	(4)
	12	4	12	4

HLCB Q1 (30.09.16)**27. Commitments and contingencies**

	As at 30/09/2016 Principal Amount RM'000	As at 30/06/2016 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	1,000	1,000
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	15,000	2,165
- maturity over one year	2,239	589
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	658,781	686,780
	677,020	690,534
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	1,677,800	1,388,708
- Over one year to five years	3,702,715	3,630,630
- Over five years	555,000	655,000
Foreign exchange related contracts		
- One year or less	2,274,843	2,354,597
Equity related contracts		
- One year or less	30,502	5,032
- Over one year to five years	7,000	7,000
	8,247,860	8,040,967
	8,924,880	8,731,501

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

The Group 30.09.2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	50,069	1,209,908	-	1,259,977
- Money market instruments	-	591,069	-	591,069
- Quoted securities	50,069	-	-	50,069
- Unquoted securities	-	618,839	-	618,839
Financial investments available-for-sale	169,847	808,978	245	979,070
- Money market instruments	-	77,542	-	77,542
- Quoted securities	169,847	-	-	169,847
- Unquoted securities	-	731,436	245	731,681
Derivative financial assets	-	33,201	-	33,201
	219,916	2,052,087	245	2,272,248

HLCB Q1 (30.09.16)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Group 30.09.2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liability				
Derivative financial liabilities	-	79,295	-	79,295
30.06.2016				
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
Financial liability				
Derivative financial liabilities	-	80,685	-	80,685
The Company 30.09.2016				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	110,282	-	-	110,282
30.06.2016				
Financial asset				
Financial investments available-for-sale				
- Quoted securities	109,082	-	-	109,082

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

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

The Group	Financial investments available-for-sale	
	30.09.2016 RM'000	30.06.2016 RM'000
At beginning/end of financial year	245	245

HLCB Q1 (30.09.16)

29. Capital adequacy

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

	HLIB 30/09/2016	HLIB 30/06/2016
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	28.798%	29.202%
Tier 1 capital ratio	28.798%	29.202%
Total capital ratio	33.087%	33.576%
After deducting proposed dividends: ⁽¹⁾		
CET1 capital ratio	24.635%	24.986%
Tier 1 capital ratio	24.635%	24.986%
Total capital ratio	28.924%	29.360%

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

	HLIB 30/09/2016 RM'000	HLIB 30/06/2016 RM'000
CET1 capital		
Paid-up ordinary share capital	165,000	165,000
Share premium	87,950	87,950
Retained profits	36,357	36,357
Other reserves	202,781	202,504
Less: goodwill and intangibles	(35,063)	(34,379)
Less: deferred tax assets	(91,882)	(91,882)
Less: investment in subsidiary companies	(120)	(217)
Less: 55% of cumulative gains of financial instruments available-for-sale	(3,253)	(3,100)
Total CET1 capital	361,770	362,233
Tier-1 capital	361,770	362,233
Tier-2 capital		
Collective assessment allowance ⁽²⁾ and regulatory reserve ⁽³⁾	3,962	4,394
Subordinated obligations	50,000	50,000
Regulatory adjustments:		
- Investment in subsidiary companies	(80)	(144)
Total Tier 2 capital	53,882	54,250
Total capital	415,652	416,483

Note:

(1) Proposed dividends of RM52,300,000 (2016: RM52,300,000).

(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 RM3,178,000 (2016: RM3,563,000).

HLCB Q1 (30.09.16)

29. Capital adequacy (continued)

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

	HLIB 30/09/2016 RM'000	HLIB 30/06/2016 RM'000
Credit risk	480,881	520,091
Market risk	473,777	416,042
Operational risk	301,583	304,287
	<u>1,256,241</u>	<u>1,240,420</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 30 September 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 September 2016</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	10,553	116	108	-	10,777
Non interest income	24,026	6,330	1,550	-	31,906
Results					
Profit/(loss) from operations	15,154	2,118	1,126	-	18,398
Taxation					1,793
Profit after taxation					20,191
<u>30 September 2015</u>					
REVENUE & EXPENSES					
Revenue					
Net Interest income	7,888	70	28	-	7,986
Non interest income	23,481	4,313	1,592	-	29,386
Results					
Profit/(loss) from operations	11,707	101	1,099	(47)	12,860
Taxation					2,751
Profit after taxation					15,611

(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 2016.

HLCB Q1 (30.09.16)

32. Changes in composition of the Group

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

On 7 September 2016, the liquidator of HLG Nominee (Tempatan) Sdn Bhd ("HLG Nominee"), a wholly-owned subsidiary of HLIB, 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 Nominee was lodged on 7 September 2016 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, HLG Nominee will be dissolved.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 September 2016 is RM8.2 million.

34. Changes in contingent liabilities

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

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

The size of the fund was above the minimum of RM1.0 million as at 30 September 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 higher profit before tax ("PBT") of RM18.4 million for the 1st quarter September 2016 as compared to RM12.9 million in the previous year corresponding quarter. This is mainly due to higher contribution from its investment banking and stockbroking segment and fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a higher PBT of RM15.2 million for the 1st quarter September 2016 as compared to previous year corresponding quarter of RM11.7 million mainly due to higher contribution from its Treasury and Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a higher PBT of RM2.1 million for the 1st quarter September 2016 as compared to RM0.1 million in previous year corresponding quarter, mainly due to higher net contribution from management fee income.

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

For the financial quarter ended 30 September 2016, the Group reported a higher PBT of RM18.4 million compared to RM15.7 million in the preceding financial quarter. This was mainly due to higher contribution from its investment banking and stockbroking segment and fund management and unit trust management segment.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM15.2 million for the 1st quarter September 2016 as compared to preceding financial quarter of RM13.5 million mainly due to higher contribution from its Treasury and Markets division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a higher PBT of RM2.1 million for 1st quarter September 2016 as compared to RM1.0 million recorded in preceding financial quarter, mainly due to higher net contribution from management fee income.

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	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	522	205	522	205
- Over provision in prior years	(34)	(52)	(34)	(52)
Deferred taxation	(2,281)	(2,904)	(2,281)	(2,904)
	<u>(1,793)</u>	<u>(2,751)</u>	<u>(1,793)</u>	<u>(2,751)</u>

5. Status of corporate proposals

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

6. Group borrowings

The Group has no borrowings as at 30 September 2016.

7. Subordinated obligations

	The Group	
	As at 30/09/2016	As at 30/06/2016
RM50.0 million Tier 2 subordinated notes, at par	50,000	50,000
Add: Interest payable	1,074	407
	<u>51,074</u>	<u>50,407</u>
Less: Unamortised discounts	(146)	(160)
	<u>50,928</u>	<u>50,247</u>

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

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

8. Off-balance sheet financial instruments

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

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	1,677,800	554	(3,237)
(ii) 1 year to 3 years	1,982,715	2,668	(23,008)
(iii) More than 3 years	2,275,000	21,881	(33,783)
Foreign exchange related contracts			
(i) Less than 1 year	2,274,843	7,088	(19,267)
Equity related contracts			
(i) Less than 1 year	30,502	316	-
(ii) More than 3 years	7,000	694	-
	8,247,860	33,201	(79,295)

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.

HLCB Q1 (30.09.16)

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 period ended 30 September 2016.

11. Earnings per share ("EPS")

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
The Group				
Net profit attributable to equity holders of the Company (RM'000):	20,191	15,611	20,191	15,611
Weighted average number of ordinary shares in issue ('000):	241,283	241,283	241,283	241,283
Basic earnings per share (sen)	8.4	6.5	8.4	6.5
The Company				
Net profit attributable to equity holders of the Company (RM'000):	610	975	610	975
Weighted average number of ordinary shares in issue ('000):	241,388	241,388	241,388	241,388
Basic earnings per share (sen)	0.3	0.4	0.3	0.4

(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 30 September 2016 and 30 September 2015.

HLCB Q1 (30.09.16)**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 30/09/2016 RM'000	As at 30/06/2016 RM'000
The Group		
Total retained profit		
- Realised	439,986	411,821
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	94,572	92,378
- in respect of other items of income and expense	38,186	47,969
	<u>572,744</u>	<u>552,168</u>
Less : Consolidation adjustment	<u>(216,867)</u>	<u>(216,867)</u>
	<u>355,877</u>	<u>335,301</u>
The Company		
Total retained profit		
- Realised	189,925	189,315
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	-	-
	<u>189,925</u>	<u>189,315</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 22 November 2016.