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Hong Leong Capital Berhad

ANNUAL REPORT **2012**

annual report **2012**

Hong Leong Capital Berhad (213006-U)
A Member of the Hong Leong Group

Hong Leong Capital Berhad is the holding company for Hong Leong Investment Bank Berhad and Hong Leong Asset Management Bhd providing investment banking, stock and futures broking and fund management services across the region.

Hong Leong Capital Berhad (213006-U)
A Member of the Hong Leong Group

CONTENTS

Corporate Section

Financial Section

RM219.7 mil
Revenue (2011: RM167.9 mil)

RM50.0 mil
Profit before tax (2011: RM50.5 mil)

15.7 sen
Basic earnings per share (2011: 16.4 sen)

RM3.0 bil
Total assets (2011: RM2.2 bil)

MEDIA HIGHLIGHTS

HL Aset urus RM4 bilion dana akhir tahun

KUALA LUMPUR 22 Sept. - Hong Leong Asset Management Bhd. (HL Aset) menjangka dana di bawah pengurusannya berjumlah RM4 bilion tahun ini selepas melancarkan dua lagi dana baharu menjelang akhir tahun ini.

Ketua Pegawai Eksekutif dan Pengarah Eksekutifnya, Geoffrey Ng berkata, ketika ini Hong Leong Asset Management sedang menguruskan dana bersaiz lebih RM3 bilion.

"Selepas melancarkan dana runcit pertama kami, Dana Ekuiti Optimizer Hong Kong Hong Leong hari ini, kami menjangkakan ada bebe-

laysia yang mahu melabur di saran Hong Kong dan kami sasa pulangan dana ini adalah kurang daripada 10 peratus," katanya.

Tambah beliau lagi, dana ini aka kekal relevan kepada pelabur k rana ia telah direka untuk meng hadapi iklim pasaran Hong Kon yang baik ataupun sebaliknya.

Dana yang mana prestasinya m ngikuti penanda aras Indeks Har Seng ini dijual pada harga RM0.5 seunit semasa tempoh tawaran aw dengan pelaburan minimu RM1000 dan tambahan minimu sebanyak RM100.

MoF gives nod for MIMB-HLIB merger

PETALING JAYA: The Minister of Finance has given the go-ahead for the rationalisation of the investment banking businesses of

vestment banking business will be undertaken solely by MIMB," HLBB said in its filing with Bursa Malaysia yesterday.

HLBB had last May completed the acquisition of EON Capital Bhd's assets and liabilities for RM5.06 billion, making it the fourth

Distribution that goes beyond M'sia

greater China and one of the most established financial markets in the region, is very appealing to HLIB.

"Hong Leong has distributed a lot of capital market products but that is limited to onshore distribution.

"For example, if we are looking at a US dollar bond offering, we can't be looking at just Malaysia, we need at least a regional presence.

"One way is to work with a foreign house but there will be no transfer of technology in the sense that we never get to know the markets ourselves and always be 100% dependent on our partners.

"To be a really relevant regional player, we need to have a distribution that goes beyond Malaysia," she said.

A lot of funds from Britain and the United States already have offices in Hong Kong. "If we have an IB in Hong Kong, our access to the clients and channels will be much better," she said, adding that Hong Kong was an important market to HLIB which would be improving its products and services there.

HLCB gets BNM nod for MIMB purchase

HONG Leong Capital Bhd (HLCB) has obtained Bank Negara Malaysia's (BNM) approval to buy the entire stake of MIMB Investment Bank Bhd from Hong Leong Bank Bhd (HLBB). In an announcement to Bursa Malaysia yesterday HLBB said the central bank has approved the proposed acquisition of the entire equity interest in MIMB from HLBB pursuant to Sections 45(1)(a) and 46(1)(b) of the Banking and Financial Institutions Act 1989. "Upon completion of the proposals, MIMB shall be a wholly-owned subsidiary of HLCB and the investment banking business will be un

HLAMB upbeat on HK fund

Regional growth plan

Hong Leong Investment Bank eyes bigger market in HK and China

KUALA LUMPUR: Hong Leong Investment Bank (HLIB), which is in the process of merging with MIMB Investment Bank, plans to grow its regional presence especially in Hong Kong and greater China.

整合4億投行業務 豐隆預期末季完成

（吉隆坡10日讯）丰隆集团将投资银行业务整合于丰隆资本(HLCAP, 5274, 主板金融组)旗下的

丰隆资本和丰隆银行分别发出文告表示，双方已针对上述计划签署买卖合约。

New fund by Hong Leong promises higher single digit rate

KUALA LUMPUR: Hong Leong Asset Management Bhd (Hong Leong Asset Management) has promised a higher single digit rate of return for investors investing in its latest fund, the Hong Leong Hong Kong Equity Optimiser Fund.

The new fund has been made available to investors for 21 days beginning Sept 20, 2011.

Speaking to reporters at the official launch of the fund yesterday, its chief executive officer and executive director, Geoffrey Ng, said the fund was designed to capture the vibrant growth of the Hong Kong capital market.

Hong Leong Asset Management targets RM4b AUM

by Chong Jin Hun
FD@bizedge.com

KUALA LUMPUR: Hong Leong Asset Management Bhd aims to grow its assets under management (AUM)) by a third (33%) to RM4 billion by end of this year.

Its executive director and CEO Geoffrey Ng said the company, already with RM3 billion under its banner, plans to launch at least two more funds to grow its AUM.

"We have a few funds in the pipeline." Ng said at the launch of the Hong Leong Hong Kong

forecast, according to him, is based on historical valuations of the local equities benchmark.

Advanced economies are still deemed weak. The US economic recovery is still deemed sluggish as real GDP expanded at an annualised rate of a mere 1% in the second quarter this year compared with the preceding first quarter when the economy grew 0.4%.

According to economists, the pace of recovery in the world's largest economy is expected to remain weak in the coming months as the unemployment rate in the US is still high at above 9%. Also,

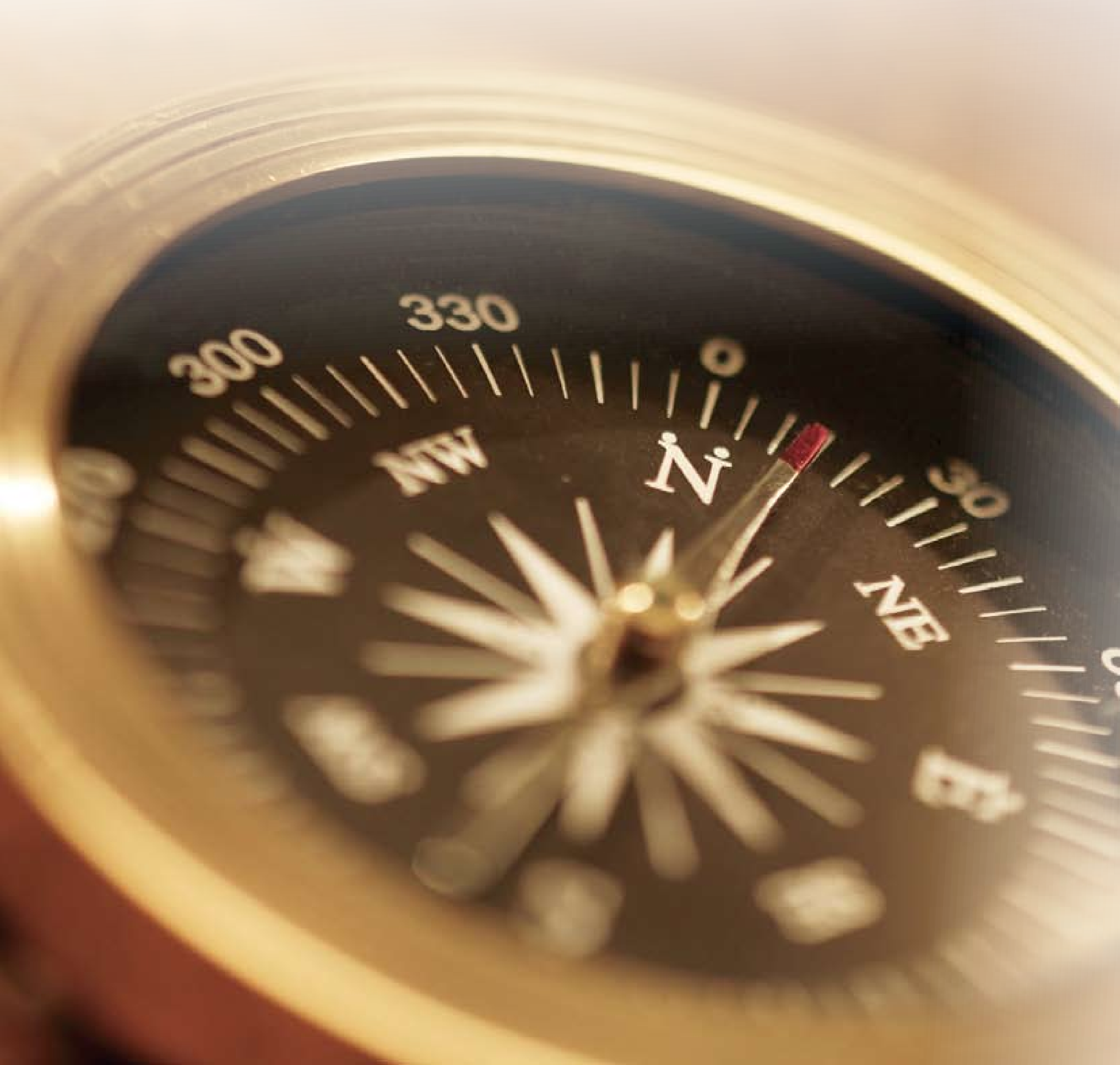
money in Malaysian and Hong Kong fixed income securities. These include bonds, money market instruments and bank deposits.

Ng said the fund aimed to capitalise on the potential strengthening of China's yuan via investments in equities and bonds. He said Hong Kong is a market worth watching as it was deemed the most liquid exchange in Asia and served as a crucial platform in the internationalisation of the yuan.

The internationalisation of the

INTRODUCTION

Hong Leong Capital Berhad, an investment holding company listed on the main board of Bursa Malaysia Securities Berhad is part of Hong Leong Financial Group Berhad, the holding company for Hong Leong Group's banking and financial services.



INTRODUCTION
(continued)

Hong Leong Capital Berhad provides its diversified clients across the region with a wide range of investment solutions in the areas of investment banking, stock and futures broking and fund management services. This is undertaken through its subsidiaries Hong Leong Investment Bank Berhad and Hong Leong Asset Management Bhd.

Hong Leong Investment Bank Berhad consists of the Investment Banking division and the Stockbroking division.

The Investment Banking division was set up with a core team of experienced professionals specialising in the offering of capital markets, treasury products and services solutions. The core activities of this division include arranging and managing debt and equity fund raising, private debt securities ("PDS") issuances, syndicated loans, initial public offerings ("IPOs"), rights issues, restricted issues, special issues and private placements. Other corporate related advisory work undertaken by this division includes corporate restructuring, merger and acquisitions, asset and investment valuation, takeovers and privatizations and capital market instruments. Completing the comprehensive list of services, the Bank also offers debt and equity underwriting, deposit taking, treasury related solutions and trading and distribution.

Hong Leong Investment Bank Berhad also provides a range of broking services for a wide range of clients ranging from institutional to high net worth and retail investors. Supported by a dedicated client centric sales team that is committed to providing timely advice and good trade execution as well as a research team that that is headed by a rated analyst and other professionals who are industry specialists, Hong Leong Investment Bank Berhad strives to deliver ground-breaking insights and fresh perspectives on investing ideas.

Retail investors are supported by remisiers based at five locations – Kuala Lumpur, Petaling Jaya, Ipoh, Johor Bahru and Batu Pahat. In addition the above, there is a specialised team of Priority Client Brokers who respond to the customised requirements of the high net worth investors. Hong Leong Investment Bank Berhad is also proud of its simple and responsive eBroking platform with a dedicated helpdesk and innovative product packages which cater for the different market segments.

Facilitating increasing client demands and broadening horizons, Hong Leong Investment Bank Berhad also provides margin financing for clients seeking leverage, whilst those looking beyond Malaysia as their geographical scope are also able to trade and invest in foreign markets.

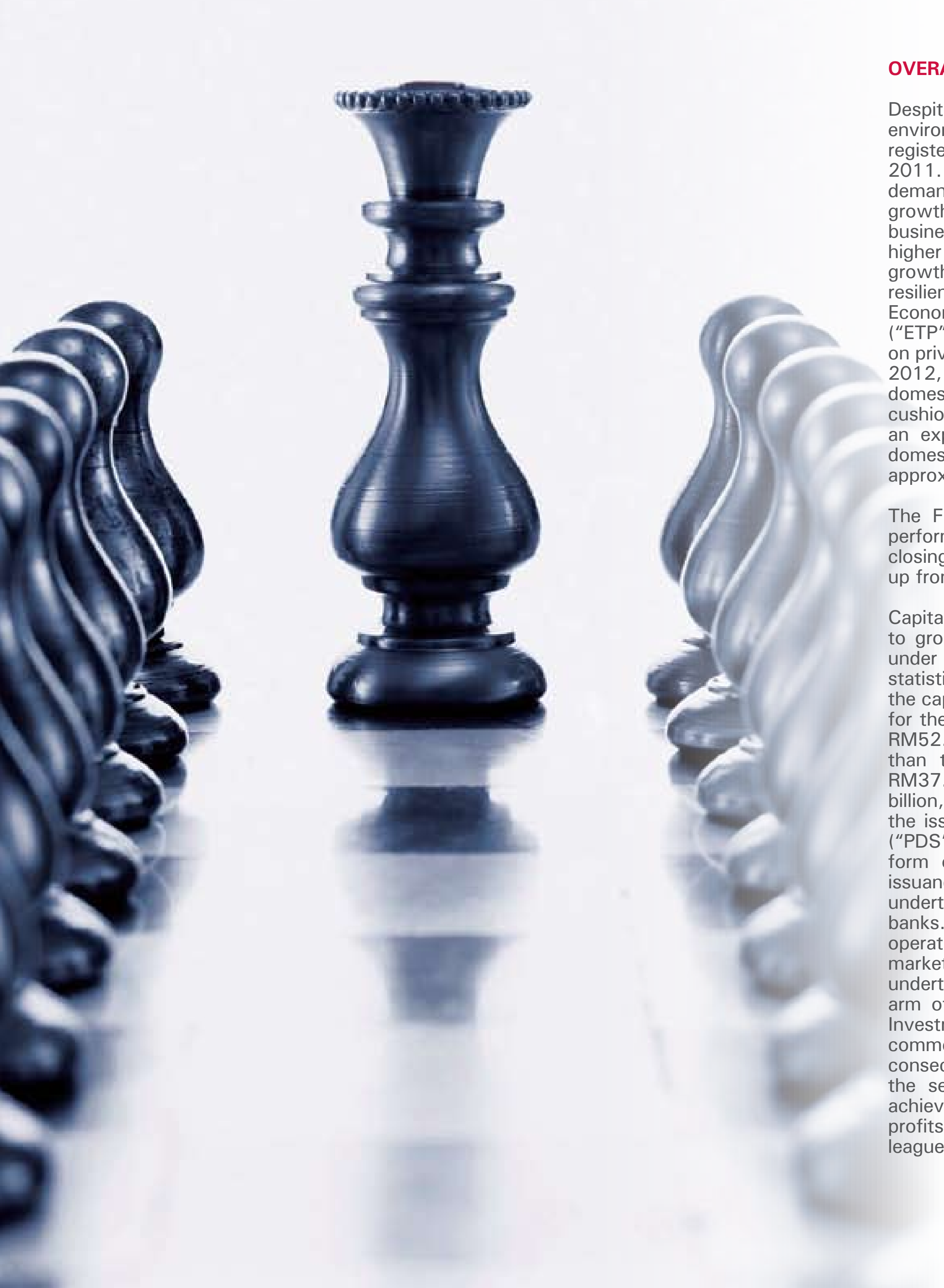
Hong Leong Asset Management Berhad is an established asset management company offering a comprehensive range of managed investment solutions across segregated assets and unit trust funds for state governments, insurance companies, endowments, family offices, corporations and high net worth individuals.

Hong Leong Asset Management Berhad's direct and channel distribution activities are supported by a strategic nationwide sales support infrastructure which includes their headquarters in Kuala Lumpur and five sales support offices nationwide in Bandar Utama, Ipoh, Penang, Johor Bahru, Kuching and Kota Kinabalu.

CHAIRMAN'S STATEMENT

Dear shareholders and stakeholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Hong Leong Capital Berhad ("HL Cap" or "the Group") for the financial year ("FY") ended 30 June 2012.



OVERALL BUSINESS ENVIRONMENT

Despite the challenging external environment, the Malaysian economy registered a steady growth of 5.1% in 2011. Throughout the year, domestic demand provided the main impetus to growth, with resilient household and business expenditure reinforced by higher public sector spending. Economic growth in 1H 2012 continued to remain resilient as implementation of the Economic Transformation Programme ("ETP") began to yield positive impact on private investment activities. For 2H 2012, the roll-out of ETP projects and domestic consumption are expected to cushion softer external demand, with an expected full calendar year gross domestic product ("GDP") growth of approximately 5%.

The FBM KLCI also staged a strong performance during the financial year, closing at 1,599 as at 30 June 2012 up from 1,579 the last year.

Capital market activities continued to grow strongly in the financial year under review. As per Bank Negara's statistic report, the net funds raised in the capital market by the private sector for the first half of 2012 amounted to RM52.4 billion, which was 41% higher than the full year 2011 amount of RM37.13 billion. Out of the RM52.4 billion, RM38.99 billion were raised by the issuance of private debt securities ("PDS") with more than 50% in the form of Sukuk (Islamic PDS). Major issuances are still predominantly undertaken by GLC-linked investment banks. Despite the highly competitive operating environment, the capital market activities (debt and equity) undertaken by the investment banking arm of the Group under Hong Leong Investment Bank Berhad achieved a commendable performance for the third consecutive year since its inception in the second half of year 2009. This achievement is not only in the form of profits but also market share in terms of league table recognition. This is in-line

CHAIRMAN'S STATEMENT
(continued)

with the division's business strategy to be a recognised niche player in the market by focusing on the offering of innovative and value-added financial solutions to our customers.

Demand dynamics for retail unit trust products remain weak amidst increasing competition as distributors diversified their wealth management offerings. The general asset management industry is also facing higher regulatory oversight in terms of the performance of its fiduciary duties, risk management and product approvals. The Group continues to evolve its asset management business model and products in line with the market environment to offer a greater diversity of investment solutions to its customers.

FINANCIAL PERFORMANCE

The Group recorded a profit after taxation of RM37.0 million for the financial year ended 30 June 2012 as compared to RM38.5 million in the last corresponding year, a decrease of RM1.5 million or 3.9% year-on-year ("yoy").

The investment banking subsidiary Hong Leong Investment Bank Berhad ("HLIB") recorded a profit before tax of RM51.7 million during the current reporting year compared to RM46.1 million last year. The higher profit was mainly contributed by the investment banking business division which achieved a better revenue of RM65.1 million (FY11: RM52.3 million) and a higher profit before tax of RM37.0 million, supported also by increased income contribution from Treasury & Markets.

The stockbroking business division of HLIB recorded a revenue of RM52.7 million (FY11: RM53.7 million) and a profit before tax of RM14.7 million, a 11.7% decrease as compared to last year's profit before tax of RM16.7 million, due to lower brokerage income earned. Lower retail trades and volumes in Bursa Malaysia where HLIB's stockbroking business is centred, were main contributors to the decrease in brokerage income

The Asset Management business registered a profit before taxation of RM1.9 million as compared to a PBT of RM5.7 million in the last financial year. This is mainly due to lower net contribution of RM3.6 million from management fee income and higher overheads, as well as one-off costs incurred in setting up a subsidiary in Singapore.

Overall, earnings per share marginally decreased to 15.7 sen per share from 16.4 sen per share in the last financial year.

As we continue to build our investment banking business, the Group has taken the decision to strengthen its capital base in anticipation of growth opportunities that may arise, and the challenges of operating in an increasingly stricter regulatory capital environment. Hence, no dividend had been recommended for the financial year 2012. HLIB's risk-weighted capital adequacy ratio stands at a healthy 23.5% as at 30 June 2012.

CORPORATE DEVELOPMENTS

Malaysian Rating Corporation Berhad ("MARC") had reaffirmed the AA-/MARC-1 financial institution ratings of HLIB with a stable outlook in June 2012.

The Group in its efforts to further buildon its brand had achieved the following league table recognition for the first half of year 2012:-

Bond Pricing Agency Malaysia Top Lead Arranger League Table

Ranked 2nd
for Conventional PDS by issue size

Ranked 5th
for Conventional PDS by number of issues

Ranked 7th
for Islamic PDS by issue size

Ranked 4th
for Islamic PDS by number of issues

Ranked 4th for all PDS by issue size

Ranked 5th for all PDS by number of issues

RAM Lead Managers' League Table

Ranked 3rd
by number of issues

Ranked 5th
by programme value

International Financial Review Asia

Ranked 5th
as Top Book-runners of all Malaysian ringgit Bonds

Ranked 7th
on Malaysia Global Equity and Equity-related Issues

Bloomberg

Ranked 4th
on RM Debt Underwriter league table

Ranked 5th
on Islamic RM Debt Underwriter league table

Ranked 8th
on RM Syndicated Loan Book Runner league table

Ranked 10th
on RM Syndicated Loan mandated Arranger league table

OUTLOOK

Moving forward, we expect our investment banking business unit to remain as the core business and profit engine of HLIB. While continuing our efforts in growing our local market share, HLIB will also seek to explore and seize regional business opportunities, as and when they arise.

The key focus for the coming financial year is to strengthen and build on our existing investment banking and asset management platforms. To achieve this and to stay relevant, we will continue to be responsive to changing market trends, take advantage of market opportunities, whilst leveraging on Hong Leong Group's customer relationships.

Efforts to enhance and streamline the Group's operations will continue to ensure we remain relevant in an intensely competitive industry. Last but not least, the development of human capital resources and the retention of talent will remain an important priority.

ACKNOWLEDGEMENTS

The long-term success of the Group is attributed to the support and commitment from our Board of Directors, management and all staff. I also wish to extend our appreciation to our clients, business partners, regulatory authorities, bankers, advisors and auditors and look forward to another rewarding year with you.

Quek Leng Chan
Chairman

25 September 2012

CORPORATE SOCIAL RESPONSIBILITY

Long before corporate social responsibility as a single concept was promulgated into guidelines for companies to follow, the Group was already well on its journey.

Corporate Social Responsibility (CSR) for the Hong Leong Group has always been more than just about community welfare. It is about having a sustainable business strategy in the face of global demands and challenges. It is also about conducting business with a conscience - caring for the community, the environment, our customers, our employees and our stakeholders.

ECONOMIC SUSTAINABILITY

For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- An established Financial Management Discipline intended to drive excellence in financial management with the objective of preserving and enhancing the quality of business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility is clearly set out to guide management. The Group sees Enterprise Risk Management as a serious consideration to protect the company from defaults that could fundamentally damage enterprise value.
- A strict code of business conduct and ethics which the Group abides by in all types of transactions and interactions.
- Public communications, like financial reports contain disclosures that are fair, accurate, timely and understandable.
- In choosing its directors, the Group seeks individuals of high integrity, have shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The strict practice of responsible selling and marketing of products and services, in a global market that is increasingly becoming even more aggressive and competitive.

SOCIAL SUSTAINABILITY

Employee Development and Welfare

The Hong Leong Group has initiated structured development programmes to help develop leadership skills, technical and soft skills among different groups of employees.

The Group's Graduate Development Programme aims to identify and develop young graduates from various disciplines like engineering, research & development, sales & marketing, finance, human resource and IT into talents to support the growth of the Group. Such programme entails classroom training, on-the-job familiarisation, projects or learning assignments as well as mentoring.

For the non-executives, various in-house and external programmes are conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce.

Diversity and Inclusion

With an approximate total workforce of 30,000 spread across North Asia and Southeast Asia, and the UK, the Hong Leong Group develops talent regardless of race, gender or religious belief. Staff advancement is based on merit and we believe that it is this variety of persuasions and cultures that fuel creativity, entrepreneurship and openness.

The Group also actively promotes work-life balance through various sports, family, social events initiatives. In this regard, various initiatives such as sports activities, social events and family days, were carried out with the full support and commitment of the employees throughout the financial year.

Environmental Preservation

As part of our commitment to our employees and to society as a whole, we practise environmental preservation and maintain high standards of Occupational Safety and Health management practices. Environmental management programmes such as recycling campaigns, air pollution controls and waste management programmes are continuously deployed to achieve the Group's objectives.

In addition, we conduct regular occupational safety and awareness programmes for our employees.

Earth Hour, a global event where households and businesses are encouraged to turn off non-essential lights and other electrical appliances for one hour to raise awareness

CORPORATE SOCIAL RESPONSIBILITY
(continued)

towards the need to take action on climate change, was observed by the Group.

Organised by the World Wildlife Fund, Earth Hour was conceived in Sydney in 2007. Since then, many other cities around the world have adopted the event which is held on the last Saturday of March annually. By doing its part, the Group supported this global effort to help make a difference.

COMMUNITY INVESTMENT

The Group conducts most of its philanthropic activities through the Hong Leong Foundation, the charitable arm of Hong Leong Group. Since its incorporation in 1992, the Foundation's programmes have been funded by the Group companies' contributions and focuses on education and community welfare as its key thrusts.

Scholarship

The Foundation's Scholarship Programme benefits academically outstanding Malaysian students from low-income families and students with disabilities. The Foundation believes that providing scholarships is about providing opportunities – giving students the chance to have the higher education necessary to break the cycle of poverty.

Over RM2 million is allocated each year for diploma and undergraduate studies at local universities and selected institutions of higher learning within Malaysia. Invitations are also extended to the scholars for industrial training at Group companies to help ensure that scholars graduate into the workforce with sufficient knowledge and relevant experience.

A separate fund is also set aside for scholarship grants for deserving children of Group staff.

Both grants for the public and Group staff's children are unconditional – they do not carry any repayment requirement nor are the recipients bonded to work for the Group upon graduation.

After School Care Programme

In a competitive and fast-paced society, latchkey children from under-served areas can get left behind academically. The After School Care Programme with the cooperation of several participating schools, caters to this group of children. The programme provides homework, tutoring, revision guidance and a hot meal.

The Foundation currently has projects in Selangor, Negeri Sembilan, Johor and Sabah.

School Building Fund

To enhance existing facilities for a better learning environment, the Foundation has made donations to various academic and vocational training institutions nationwide.

Community Welfare

Under the Foundation's Community Welfare Programme, cash and in-kind contributions are distributed to charities nationwide.

For this fiscal year, contributions amounting to about RM2 million have been made to Cheshire Home Selangor, Rumah Desa Amal Jireh, Rumah Grace, Rumah Graceville, Rumah Miriam, Rumah Orang-orang Tua Seri Setia, Rumah Stepping Stones Life Center, Rumah Victory, Rumah Kebajikan Warga Tua WP, Salvation Army Joyhaven, Sunshine Cottage Welfare Home, Pertubuhan Orang-orang Bermasalah Pembelajaran Dayspring, Sarawak Society for the Blind, Montfort Boys Town, Silent Teddies Bakery, Yayasan Sunbeams Home, Pusat Kanak kanak Cacat Pulau Pinang, Pusat Kebajikan Care Haven, Ray of Hope, Little Sisters of the Poor, Persatuan Kebajikan Kanak-kanak Kajang, MEMSA and Pusat Perubatan Universiti Malaya (PPUM).

Community Partner Programme

Our Community Partner Programme is based on the dual ideals of capacity building and empowerment. We work with a partner for a period of three years with an exit strategy. The aim of this programme is to provide holistic support from a wide range of issues from HR to media to funding sustainability. At present, the Foundation works with our community partner, Science of Life 24/7 (SOL).

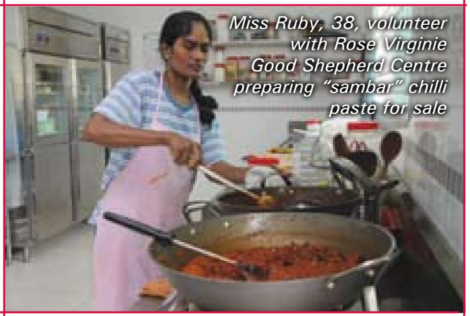
Small Enterprise Programme

The people behind Hong Leong Group are entrepreneurs and we seek to propagate this same spirit of entrepreneurship to the community.

This year, our Small Enterprise Programme supported Silent Teddies Bakery, a bakery project initiated by the Community Service Center for the Deaf. We have in the past supported United Voice's Art Gallery, a charity that works with people with learning disabilities, Good Shepherd Bakery, a charity that offers a half way home for gender based violence, micro finance for the single mothers of Chow Kit through Yayasan Nur Salam and people living with HIV with the Malaysian Aids Council.

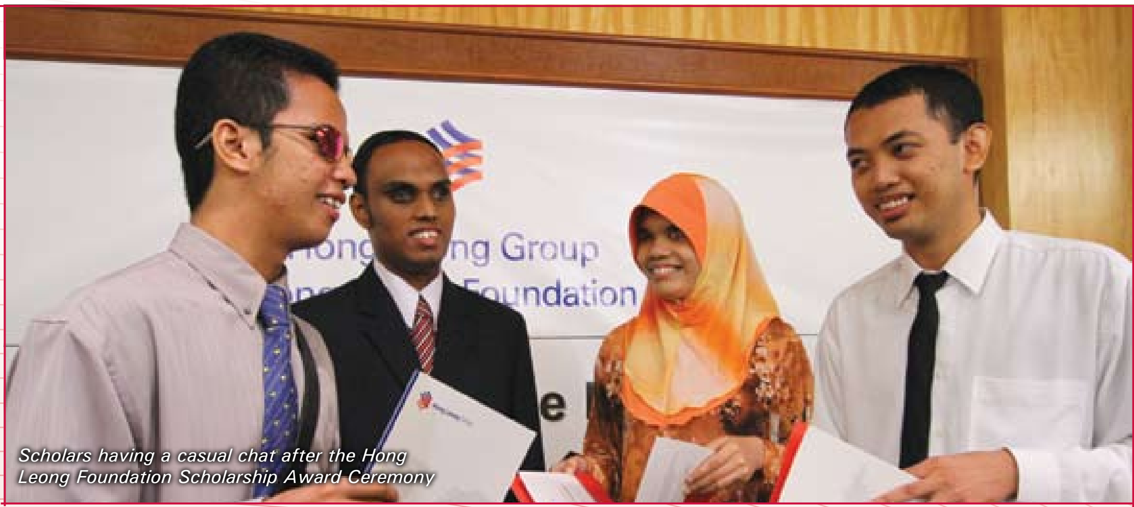
CORPORATE SOCIAL RESPONSIBILITY
(continued)


Hong Leong Foundation Scholars Open Day

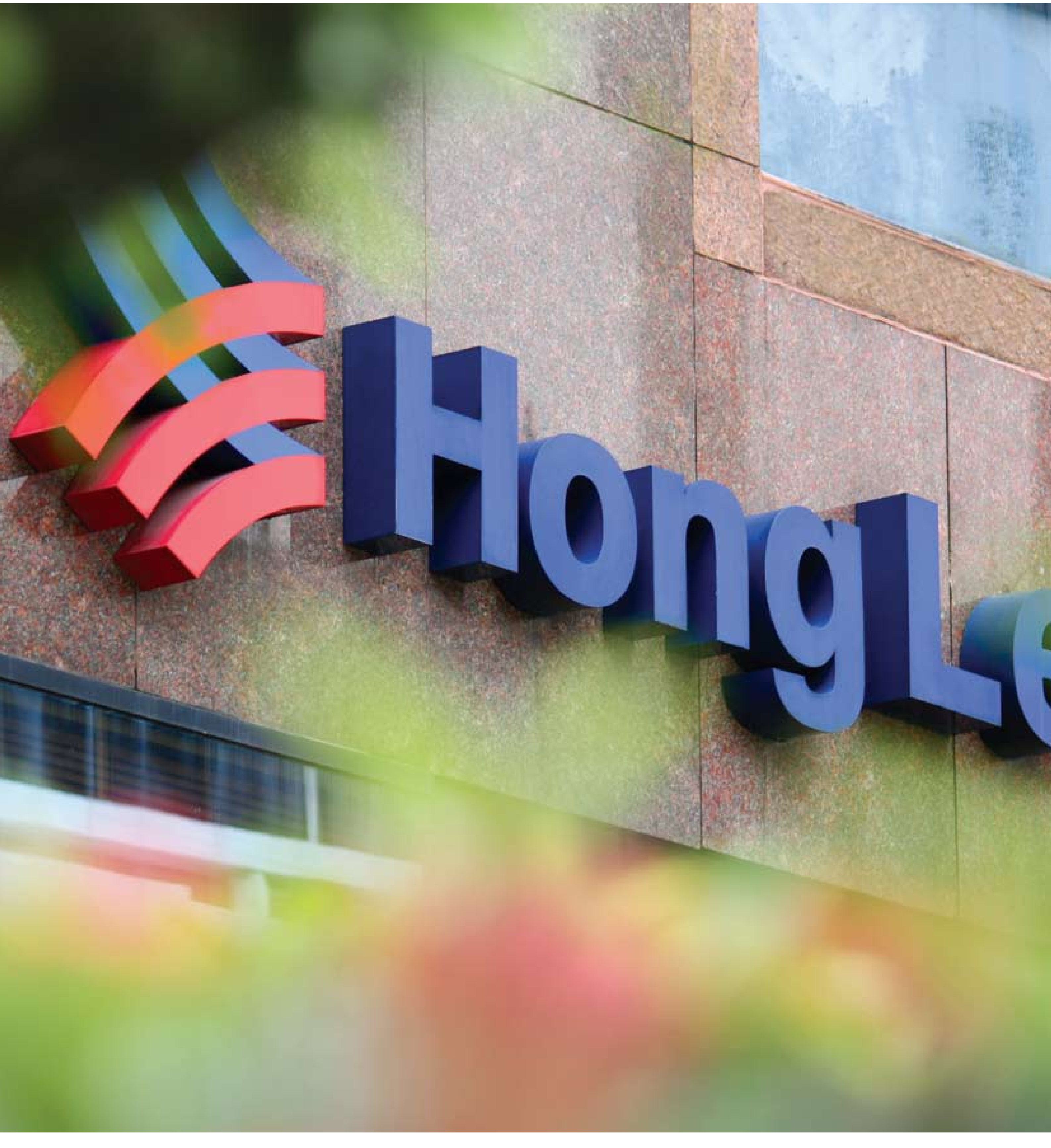

Miss Ruby, 38, volunteer with Rose Virginie Good Shepherd Centre preparing "sambar" chilli paste for sale


Children from SJK(C) Kempas Baru under the After School Care Programme posing with RMC Southern Johor's Committee and school board


GuocoLand China's outdoor art session with visually impaired children from Bethel Orphanage


Scholars having a casual chat after the Hong Leong Foundation Scholarship Award Ceremony

CORPORATE INFORMATION



DIRECTORS

YBhg Tan Sri Quek Leng Chan,
Chairman

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan

YBhg Dato' Mohamed Nazim bin Abdul Razak

Mr Choong Yee How

Mr Quek Kon Sean

GROUP COMPANY SECRETARY

Ms Christine Moh Suat Moi
MAICSA 7005095

AUDITORS

Messrs PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50706 Kuala Lumpur
Tel : 03-2173 1188
Fax : 03-2173 1288

REGISTRAR

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18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 1818
Fax : 03-2164 3703

REGISTERED OFFICE

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18 Jalan Perak
50450 Kuala Lumpur
Tel : 03-2164 8228
Fax : 03-2164 2503

WEBSITE

www.hlcap.com.my

BOARD OF DIRECTORS' PROFILE

"We firmly believe that our core values form our foundation and framework. These values build character; they are the binding cord that hold the people together, the driving force towards the successful accomplishment of the Group's Vision."

YBHG TAN SRI QUEK LENG CHAN

Chairman/Non-Executive/ Non-Independent

Aged 69, YBhg Tan Sri Quek Leng Chan, a Malaysian, qualified as a Barrister-at-Law from Middle Temple, United Kingdom. He has extensive business experience in various business sectors, including financial services, manufacturing and real estate.

YBhg Tan Sri Quek is the Chairman of Hong Leong Capital Berhad ("HLCB") and was appointed to the Board of Directors ("Board") of HLCB on 25 February 1991. YBhg Tan Sri Quek is also a member of the Nominating Committee ("NC") and Remuneration Committee ("RC") of HLCB.

He is the Chairman & Chief Executive Officer of Hong Leong Company (Malaysia) Berhad, a public company; Executive Chairman of GuocoLand (Malaysia) Berhad; Chairman of Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Bank Berhad ("HLB"), companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"); Chairman of Hong Leong Assurance Berhad ("HLA"), Hong Leong Islamic Bank Berhad ("HLISB") and Hong Leong Foundation; and a member of the Board of Trustees of The Community Chest, all public companies.

YBHG TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN

Non-Executive Director/ Independent

Aged 76, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Malaysian, was educated in England and was called to the English Bar at Middle Temple in 1964. He is a Consultant in a legal firm in Penang in which he was a Senior Partner from 1969 till June 2008. He is the Chairman of the Advocates and Solicitors Disciplinary Board. He was in the Penang State Executive Council from 1974 to 1982 and has served on various statutory boards.

YBhg Tan Sri Khalid was appointed to the Board of HLCB on 5 August 1991. He is also the Chairman of the Board Audit and Risk Management Committee ("BARMC") and NC of HLCB.

YBhg Tan Sri Khalid is also a Director of HLFG, a company listed on the Main Market of Bursa Securities and Hong Leong Investment Bank Berhad ("HLIB"), a public company.

YBHG DATO' AHMAD FUAAD BIN MOHD DAHALAN

Non-Executive Director/ Independent

Aged 62, YBhg Dato' Ahmad Fuaad bin Mohd Dahalan, a Malaysian, holds a Bachelor of Arts (Hons) degree from the University of Malaya.

YBhg Dato' Ahmad Fuaad was attached to Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, he served various posts and his last position was as the Managing Director. Dato' Ahmad Fuaad was formerly a Director of Lembaga Penggalakan Pelancongan Malaysia, Director for Malaysian Industry-Government Group for High Technology and Director of Malaysia Airports Holdings Berhad.

YBhg Dato' Ahmad Fuaad was appointed to the Board of HLCB on 12 December 2005. He is a member of the BARMC, NC and RC of HLCB.

YBhg Dato' Ahmad Fuaad is a Director of Tokio Marine Insurans (Malaysia) Berhad, a public company and YTL e-Solutions Berhad, a company listed on the ACE Market of Bursa Securities.

BOARD OF DIRECTORS' PROFILE
(continued)

YBHG DATO' MOHAMED NAZIM BIN ABDUL RAZAK
Non-Executive Director/ Independent

Aged 50, YBhg Dato' Mohamed Nazim bin Abdul Razak, a Malaysian, an architect by profession, graduated from the Architectural Association, School of Architecture, London. He served with YRM Architects in London, a multi-disciplinary building design consultancy and has more than 16 years experience in the architectural field, 13 of which were in Kuala Lumpur. YBhg Dato' Mohamed Nazim is the Chief Executive Officer of NRY Architects Sdn Bhd.

YBhg Dato' Mohamed Nazim was appointed to the Board of HLCB on 4 October 2005. He is also the Chairman of the RC and a member of the NC and BARMC of HLCB.

YBhg Dato' Mohamed Nazim is also a Director of HLB, a company listed on the Main Market of Bursa Securities, ING Insurance Berhad and HLISB, both public companies.

MR CHOONG YEE HOW
Non-Executive Director/ Non-Independent

Aged 56, Mr Choong Yee How, a Malaysian, obtained a Bachelor of Science in Biochemistry (Honours) degree in 1979 and a Master of Business Administration in 1981 from the University of Otago, New Zealand. Mr Choong has over 28 years of experience in banking, of which 23 years were with Citibank in Malaysia. Mr Choong started his career with Citibank Malaysia as a Management Associate and was promoted to assume various senior positions within the Citibank Group; the last being President and Chief Executive Officer of Citibank Savings Inc, Philippines. Mr Choong is currently the President & Chief Executive Officer of HLFG.

Mr Choong was appointed to the Board of HLCB on 1 December 2005. He is a member of the NC of HLCB.

Mr Choong is also a Director of HLFG and HLB, companies listed on the Main Market of Bursa Securities and HLA, HLISB, Hong Leong MSIG Takaful Berhad and HLIB, all public companies.

MR QUEK KON SEAN
Non-Executive Director/ Non-Independent

Aged 32, Mr Quek Kon Sean, a Malaysian, obtained a Bachelor of Science and Master of Science degrees in Economics from the London School of Economics and Political Science. In 2002, he joined Goldman Sachs International, London as an Analyst in the Investment Banking Division and in 2003 he joined HSBC, London in Debt Capital Markets. Mr Quek is currently the Executive Director of HLFG. Prior to joining HLFG, Mr Quek was a Management Executive of HL Management Co Sdn Bhd.

Mr Quek was appointed to the Board of HLCB on 28 February 2006.

Mr Quek is also a Director of HLFG and HLB, companies listed on the Main Market of Bursa Securities, and HLA, a public company.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, a deemed major shareholder of HLCB, are brothers. Tan Sri Quek Leng Chan is the father of Mr Quek Kon Sean. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of HLCB.

2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with HLCB.

3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences in the past 10 years.

4. ***Attendance of Directors***
   Details of Board meeting attendance of each director are disclosed in the Statement on Corporate Governance and Internal Control in the Annual Report.

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

The Board Audit Committee of Hong Leong Capital Berhad ("HLCB" or "the Company") has been established since 23 March 1994 and had been re-designated as the Board Audit & Risk Management Committee ("BARMC") on 29 August 2001.

COMPOSITION OF BARMC

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman
(Chairman, Independent Non-Executive Director)

YBhg Dato' Ahmad Fuaad bin Mohd Dahalan
(Independent Non-Executive Director)

YBhg Dato' Mohamed Nazim bin Abdul Razak
(Independent Non-Executive Director)

SECRETARY

The Secretary to the BARMC is the Group Company Secretary.

TERMS OF REFERENCE

- To nominate and recommend for the approval of the Board of Directors ("Board"), a person or persons as external auditor(s).
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit reports, audit findings and the management's responses thereto.
- To review the assistance given by the officers of HLCB and its subsidiaries ("the Group") to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function.
- To review the report and findings of the internal audit function including any findings of internal investigation and the management's response thereto.
- To review and report to the Board measures taken to:-
  a) identify and examine principal risks faced by the Company
  b) implement appropriate systems and internal controls to manage these risks
- To evaluate and recommend to the Board, risk management policies and strategies proposed by management.
- To review any related party transactions that may arise within the Company or the Group.
- Other functions as might be agreed to by the BARMC and the Board.

AUTHORITY

The BARMC is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

BOARD AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(continued)

MEETINGS (continued)

The Head of Operations, Head of Compliance of Hong Leong Investment Bank, Group Financial Controller, Chief Internal Auditor, Chief Risk Officer and external auditors are invited to attend the BARMC Meetings whenever required. At least twice a year, the BARMC will have a separate session with the external auditors without the presence of Executive Directors and management.

Two (2) members of the BARMC, who shall be independent and non-executive, shall constitute a quorum.

After each BARMC Meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC Meetings and where appropriate, make the necessary recommendations to the Board.

ACTIVITIES

The BARMC carries out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2012 ("FYE 2012"), five (5) BARMC Meetings were held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	5/5
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	5/5
YBhg Dato' Mohamed Nazim bin Abdul Razak	4/5

The BARMC reviewed the quarterly reports and annual financial statements of the Group. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The BARMC also reviewed the Internal Auditor's audit findings and recommendations.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.

The BARMC reviewed various related party transactions carried out by the Group.

INTERNAL AUDIT

The Group's Internal Audit function is carried out by the Group Internal Audit Division.

During the FYE 2012, the Group Internal Audit Division carried out its duties covering business audit, system and financial audit.

The cost incurred for the Internal Audit function in respect of the FYE 2012 was RM725,000.

This BARMC Report is made in accordance with the resolution of the Board of Directors.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders."

~ Finance Committee on Corporate Governance

The Board of Directors ("the Board") has reviewed the manner in which the Malaysian Code on Corporate Governance ("the Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the Best Practices set out in Part 2 of the Code except where otherwise stated.

A. DIRECTORS

I The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference to assist in the discharge of this responsibility.

The role and responsibilities of the Board broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage these risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM from time to time.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

II Board Balance

The Board comprises six (6) Directors, all of whom are non-executive whilst three (3) are independent. The profiles of the members of the Board are provided in the Annual Report.

The Board is of the view that the current Board composition fairly reflects the investment of shareholders in the Company.

The Board has identified YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, the Chairman of the Board Audit and Risk Management Committee ("BARMC"), as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

A. DIRECTORS (continued)

III Board Meetings

The Board met six (6) times during the FYE 2012 with timely notices of issues to be discussed. Details of attendance of each director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	6/6
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	6/6
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	6/6
YBhg Dato' Mohamed Nazim bin Abdul Razak	4/6
Mr Choong Yee How	6/6
Mr Quek Kon Sean	6/6

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

IV Supply of Information

All Board members are supplied with information in a timely manner. Board reports are circulated prior to Board Meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, performance of the Company and of the Group and management's proposals which require the approval of the Board.

All directors have access to the advice and services of the Company Secretary and Internal Auditors. All directors also have access to independent professional advice at the Company's expense in consultation with the Chairman of the Company.

V Appointments to the Board

The Nominating Committee ("NC") was established on 30 October 2008 and the members are as follows:

YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	*(Chairman, Independent Non-Executive Director)*
YBhg Tan Sri Quek Leng Chan	*(Non-Independent Non-Executive Director)*
YBhg Dato' Ahmad Fuaad Bin Mohd Dahalan	*(Independent Non-Executive Director)*
YBhg Dato' Mohamed Nazim bin Abdul Razak	*(Independent Non-Executive Director)*
Mr Choong Yee How	*(Non-Independent Non-Executive Director)*

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

A. DIRECTORS (continued)

V Appointments to the Board (continued)

The NC's functions and responsibilities are set out in the terms of reference as follows:-

- Recommend to the Board the minimum requirements for appointments to the Board, Board committees and for the position of Chief Executive Officer.
- Review and recommend to the Board all Board appointments and re-appointments and removals including of the Chief Executive Officer.
- Review annually the overall composition of the Board in terms of the appropriate size and skills, the balance between executive directors, non-executive and independent directors, and mix of skills and other core competencies required.
- Assess annually the effectiveness of the Board and key senior management officers as a whole and the contribution by each individual director to the effectiveness of the Board and various Board committees based on criteria approved by the Board.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- Ensure that the Board receives an appropriate continuous training programme.

In connection with the appointment and re-appointment of Directors and Chief Executive Officers of the Company, the NC is guided by a Fit and Proper Policy.

The Fit and Proper Policy includes a policy in relation to the tenure for Independent Directors of the Company ("Tenure Policy"). Pursuant to the Tenure Policy, an independent director who had served on the board of directors of any company in the Hong Leong Financial Group Berhad and/or its subsidiaries for a period of 12 years continuously or more shall submit a Letter of Intent to the NC informing of his intention to continue in office or to retire from the Board as an independent director, upon:

a) expiry of his term of office approved by BNM; or

b) the due date for his retirement either by rotation pursuant to the Articles of Association of the Company or pursuant to Section 129(2) of the Companies Act, 1965 as the case may be.

If the intention of the independent director is to continue in office, the NC shall consider the re-appointment based on the assessment criteria and guidelines set out in the Fit & Proper Policy and make the appropriate recommendation to the Board. If the intention is to retire from office, an application shall be submitted to BNM to seek clearance, in accordance with the BNM Guidelines.

During the FYE 2012, two (2) NC Meetings were held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	2/2
YBhg Tan Sri Quek Leng Chan	2/2
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	2/2
YBhg Dato' Mohamed Nazim bin Abdul Razak	1/2
Mr Choong Yee How	2/2

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

A. DIRECTORS (continued)

V Appointments to the Board (continued)

The NC reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NC also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions.

VI Re-appointment and Re-election

All Directors are required to submit themselves for re-election every three years.

Pursuant to Section 129(6) of the Companies Act, 1965, directors who are over the age of seventy (70) years shall retire at every Annual General Meeting ("AGM") and may offer themselves for re-appointment as directors of the Company to hold office until the conclusion of the next AGM.

VII Training And Education

All Directors of the Company have completed the Mandatory Accreditation Programme.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme for newly appointed directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as director of the Company and Continuing Professional Development which encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of briefings, courses and conferences.

As part of the training programme for its Directors, the Company has prepared for the use of its Directors the Director Manual, and regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge.

The Director Manual which is given to every Director for their reference, highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

During the FYE 2012, the Directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any new or changes to the companies and other relevant legislation, rules and regulations from in-house professionals. The Company also organised in-house programmes for its directors and senior management.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

During the FYE 2012, the Directors of the Company, collectively or on their own, attended the following training, programmes, seminars, briefings and/or workshops:

- BNM – Financial Institutions Directors' Education Programme
- Optimising IFRS/MFRS Convergence
- An Overview of the Amendments to the Main Market Listing Requirements and Corporate Governance Development
- Corporate Governance updates
- Financial Reporting
- First Asian Central Bank Watchers Conference Asian Perspective on World Finance by BNM
- PIDM Annual Dialogue with Insurers Release of Annual Report 2011

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

B. DIRECTORS' REMUNERATION

I Level and make-up of remuneration

The Remuneration Committee ("RC") was established on 30 October 2008 and the members are as follows:

YBhg Dato' Mohamed Nazim Bin Abdul Razak	*(Chairman, Independent Non-Executive Director)*
YBhg Tan Sri Quek Leng Chan	*(Non-Independent Non-Executive Director)*
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	*(Independent Non-Executive Director)*

The RC's functions and responsibilities are set out in the terms of reference as follows:

- Recommend to the Board the framework governing the remuneration of the:
  - Directors;
  - Chief Executive Officer; and
  - Key senior management officers.
- Review and recommend to the Board the specific remuneration packages of Executive Directors and the Chief Executive Officer.
- Review the remuneration package of key senior management officers.

During the FYE 2012, one (1) RC Meeting was held and the attendance of the Committee members was as follows:

Member	Attendance
YBhg Dato' Mohamed Nazim bin Abdul Razak	0/1
YBhg Tan Sri Quek Leng Chan	1/1
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	1/1

The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmark to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the level of responsibilities undertaken by them.

II Procedure

The Remuneration Committee, in assessing and reviewing the remuneration packages of executive directors, ensures a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of Directors, including Non-Executive Directors, are recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM.

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

B. DIRECTORS' REMUNERATION (continued)

III Disclosure

The aggregate remuneration of Directors (including remuneration earned as directors of subsidiaries) for the FYE 2012 is as follows:

	Fees (RM)	Salaries & Other Emoluments (inclusive bonuses and benefits-in-kind) (RM)	Total (RM)
Executive Directors	-	-	-
Non-Executive Directors	500,000	172,000	672,000

The number of Directors whose remuneration fall into the following bands is as follows:

Range of remuneration (RM)	Executive	Non-Executive
50,000 and below	-	0
50,001 – 100,000	-	4
100,001 – 200,000	-	2

C. SHAREHOLDERS

I Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the financial year, through which shareholders and investors can have an overview of the Group's performance and operations.

The Company has a website at www.hlcap.com.my which the shareholders can access for corporate information, including announcements made to Bursa Malaysia Securities Berhad by the Company.

In addition, the Group Financial Controller could provide shareholders and investors with a channel of communication in which they can provide feedback to the Group.

Queries may be conveyed to the Group Financial Controller at:

Tel No : 03-2168 2611
Fax No : 03-2161 2815
e-mail address : YSLau@hlgs.hongleong.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

D. ACCOUNTABILITY AND AUDIT

The BARMC was established on 23 March 1994 as Board Audit Committee and had been re-designated as the BARMC on 29 August 2001. The financial reporting and internal control system of the Group are overseen by the BARMC, which comprises three (3) Non-Executive Directors. The primary responsibilities of the BARMC are set out in the BARMC Report.

The BARMC met five (5) times during the FYE 2012. The attendance of the members are set out in the BARMC Report. The Group Financial Controller, Chief Internal Audit or Head of Compliance, Head of Risk Management and the CEO may attend Committee meetings, on the invitation of the respective Committees, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meeting. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from deliberating and voting on the subject matter.

The BARMC is supported by the Internal Audit Department whose principal responsibility is to conduct periodic audits on the internal control matters to ensure compliance with systems and/or standard operating procedures of the Group. Investigation will be made at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I Financial reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the financial statements with the assistance of the external auditors.

II Internal control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

Following the re-designation of the BARMC mentioned above, the BARMC is also entrusted with the responsibility of identifying and communicating to the Board critical risks the Group faces, changes to the Group's risk profile and management's action plans to manage the risks.

The Statement on Internal Control as detailed under paragraph E of this Statement provides an overview of the state of internal controls within the Group

III Relationship with auditors

The appointment of external auditors is recommended by the BARMC, which determines the remuneration of the external auditors.

During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BARMC members at least twice a year without the presence of executive directors and management.

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

E. STATEMENT ON INTERNAL CONTROL

I. Introduction

The Board recognizes the practice of good governance is an important continuous process and has established the BARMC to ensure maintenance of a sound system of internal controls and good risk management practices. The processes for risks and controls assessment and improvement are on-going continuously and are reviewed in accordance with the guidelines on the *'Statement on Internal Control: Guidance for Directors of Public Listed Companies'.*

II Responsibilities

The Board acknowledges its overall responsibility for the internal control environment and its effectiveness in safeguarding shareholders' interests and the Group's assets. The internal control framework is designed to manage rather than eliminate the risk of failure in the achievement of goals and objectives of the Group, and therefore only provide reasonable assurance and not absolute assurance, against material misstatements, losses or frauds.

The system of internal control that is instituted throughout the Group is updated from time to time to align with the dynamic changes in the business environment as well as process improvement initiatives undertaken. The Board confirms that its management team responsibly implements the Board policies, procedures and guidelines on risks and controls.

III Key Internal Control Processes

The key internal control processes that are established in reviewing the adequacy and integrity of the system of internal controls are as follows:

a. *Risk Management Framework*

The Risk Management Framework established by the Board is to assist it in:

- identifying the significant risks faced by the Group in the operating environment, as well as evaluating the impact of such risks;
- developing and approving the necessary measures to manage these risks; and
- monitoring the effectiveness of such measures and to develop, approve and monitor any corrective actions as may be deemed necessary.

These processes have been in place throughout the FYE 2012 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.

A Chief Risk Officer has been appointed to administer the Risk Management Framework of the Group. The primary responsibilities of the Chief Risk Officer are:

- periodically evaluate all identified risks for their relevance in the operating environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and controls to manage these risks;
- assess the adequacy of existing action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- report to the BARMC on the state of internal controls and the efficacy of management of risks throughout the Group.

In discharging the above responsibilities, the Chief Risk Officer is guided by but is not limited to the Statement on Internal Control - Guidance for Directors of Public Listed Companies.

CORPORATE GOVERNANCE AND INTERNAL CONTROL
(continued)

E. STATEMENT ON INTERNAL CONTROL (continued)

III Key Internal Control Processes (continued)

b. Internal control review and regulatory compliance procedures

The Internal Audit Department, under the direction of the BARMC, provides the BARMC and the Board the assurance it requires regarding the adequacy and integrity of the system of internal controls.

The Internal Audit Department undertakes periodic and systematic reviews of internal control systems and the review of compliance with the business objectives, policies, reporting standards and control procedures of the Group. This is to provide reasonable assurance to the Board on the proper functioning of the Risk Management Framework.

c. Compliance

The Group's Compliance Officers monitor daily operations of licensed subsidiaries to ensure compliance with regulatory requirements and internal policies. All breaches and exceptions are brought to the attention of the BARMC and is kept informed of the causes and the remedial measures taken.

d. Other major internal controls

- The Board receives and reviews reports from the management on the key operating statistics, business dynamics, legal matters and regulatory issues.
- The BARMC reviews and holds discussions with management on the actions taken on internal control issues identified in reports prepared by the GIAD, external auditors and regulatory authorities on quarterly basis.
- Policies on delegation and authority limits are strictly imposed to ensure a culture that respects integrity and honesty.
- Policies and procedures are set out in operation manuals and disseminated for easy reference and in support of a learning environment.

F. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The Main Market Listing Requirements of Bursa Malaysia Securities Berhad require the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of its financial performance and cash flows of the Group and of the Company for the financial year.

The directors are satisfied that in preparing the financial statements of the Group and of the Company for the FYE 2012, the Group has used the appropriate accounting policies and applied them consistently. The directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance and Internal Control is made in accordance with the resolution of the Board of Directors.

DIRECTORS' REPORT
for the financial year ended 30 June 2012

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are investment banking, stockbroking business, futures broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts as disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	The Group	The Company
	RM'000	RM'000
Net profit for the financial year	36,950	(1,854)

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2012.

BUSINESS STRATEGY FOR THE CURRENT FINANCIAL YEAR

The business strategy for the current financial year is disclosed in the annual report.

OUTLOOK AND BUSINESS PLAN FOR THE COMING FINANCIAL YEAR

The outlook and business plan for the coming financial year are disclosed in the annual report.

CORPORATE GOVERNANCE

Disclosures on:

- Statement on Corporate Governance
- The Board of Directors ("Board") responsibility and oversight
- Risk Management
- Internal Audit and Internal Control Activities

The above are disclosed in the annual report.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 43 to the financial statements.

DIRECTORS' REPORT
for the financial year ended 30 June 2012
(continued)

SIGNIFICANT EVENT AFTER THE FINANCIAL YEAR

Significant event after the financial year is disclosed in Note 44 to the financial statements.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

DIRECTORS

The Directors in office since the date of the last report are as follows:-

YBhg Tan Sri Quek Leng Chan	*(Chairman, Non-Independent Non-Executive Director)*
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	*(Independent Non-Executive Director)*
YBhg Dato' Mohamed Nazim bin Abdul Razak	*(Independent Non-Executive Director)*
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	*(Independent Non-Executive Director)*
Mr Choong Yee How	*(Non-Independent Non-Executive Director)*
Mr Quek Kon Sean	*(Non-Independent Non-Executive Director)*

In accordance with Article 116 of the Company's Articles of Association, YBhg Dato' Mohamed Nazim bin Abdul Razak and Mr Quek Kon Sean retire by rotation at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election.

In accordance with Section 129 of the Companies Act, 1965, YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman retires at the forthcoming AGM and being eligible, offers himself for re-appointment.

STATEMENTS OF DIRECTORS' RESPONSIBILITY

In preparing the financial statements, the Directors have ensured that the Malaysian Accounting Standards Board (MASB) Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines, and the provisions of the Companies Act, 1965, have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the financial statements of the Group and of the Company present a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and of the results and cash flows of the Group and of the Company for financial year ended on that date.

The financial statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors also have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Company manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 is set out on page 135.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2012, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 are as follows:

	Shareholdings in which Directors have direct interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 1.7.2011	Acquired	(Sold)	As at 30.6.2012
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	390,000	-	-	390,000
Hong Leong Financial Group Berhad	1.00	4,989,600	-	-	4,989,600
Narra Industries Berhad	1.00	8,150,200	-	-	8,150,200
Guoco Group Limited	USD0.50	1,056,325	-	-	1,056,325
GuocoLand Limited	(1)	13,333,333	-	-	13,333,333
GuocoLand (Malaysia) Berhad	0.50	19,506,780	-	-	19,506,780
GuocoLeisure Limited	USD0.20	735,000	-	-	735,000
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	5,544,000	-	-	5,544,000
Hong Leong Industries Berhad	0.50	52,800	-	-	52,800
Hong Leong Bank Berhad	1.00	400,000	-	-	400,000
Malaysian Pacific Industries Berhad	0.50	20,800	-	-	20,800
Interest of Mr Choong Yee How in:					
Hong Leong Financial Group Berhad	1.00	960,000	2,032,000 (9)	-	2,992,000
	1.00	5,840,000 *	3,500,000 *	(1,120,000) (10) (2,032,000) (9)	6,188,000 *
Interest of Mr Quek Kon Sean in:					
Hong Leong Financial Group Berhad	1.00	300,000	635,000 (9)	-	935,000
	1.00	1,825,000 *	1,800,000 *	(350,000) (10) (635,000) (9)	2,640,000 *

DIRECTORS' REPORT
for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS (continued)

	Nominal value per share RM	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			
		As at 1.7.2011	Acquired	(Sold)	As at 30.6.2012
Interests of YBhg Tan Sri Quek Leng Chan in:					
Hong Leong Company (Malaysia) Berhad	1.00	13,069,100	-	-	13,069,100
Hong Leong Financial Group Berhad	1.00	824,437,300	-	-	824,437,300
Hong Leong Capital Berhad	1.00	195,263,227	-	-	195,263,227
Hong Leong Bank Berhad	1.00	968,216,100	195,767,885 (8)	-	1,163,983,985
Hong Leong MSIG Takaful Berhad	1.00	65,000,000	-	-	65,000,000
Hong Leong Assurance Berhad	1.00	140,000,000	-	-	140,000,000
Hong Leong Industries Berhad	0.50	246,136,603 (6)	-	-	246,136,603 (6)
Hong Leong Yamaha Motor Sdn Bhd	1.00	17,352,872	-	-	17,352,872
	1.00	6,941 (7)	-	-	6,941 (7)
Guocera Tile Industries (Meru) Sdn Bhd	1.00	19,600,000	-	-	19,600,000
Hong Leong Maruken Sdn Bhd (In members' voluntary liquidation)	1.00	1,750,000	-	-	1,750,000
Century Touch Sdn Bhd (formerly known as Guocera Tile Industries (Labuan) Sdn Bhd) (In members' voluntary liquidation)	1.00	6,545,001	-	-	6,545,001
Varinet Sdn Bhd (In members' voluntary liquidation)	1.00	10,560,627	-	-	10,560,627
RZA Logistics Sdn Bhd	1.00	7,934,247	-	-	7,934,247
Guocera Tile Industries (Vietnam) Co., Ltd	(5)	5,286,500	-	-	5,286,500
Malaysian Pacific Industries Berhad	0.50	110,245,457 (6)	-	-	110,245,457 (6)
Carter Realty Sdn Bhd	1.00	7	-	-	7
Carsem (M) Sdn Bhd	1.00	84,000,000	-	-	84,000,000
	100.00	22,400 (7)	-	-	22,400 (7)

DIRECTORS' REPORT
for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS (continued)

	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds				
	Nominal value per share RM	As at 1.7.2011	Acquired	(Sold)	As at 30.6.2012
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Narra Industries Berhad	1.00	38,314,000	-	-	38,314,000
Guoco Group Limited	USD0.50	235,798,529	150,000	-	235,948,529
GuocoLand Limited	(1)	819,244,363 (6)	-	-	819,244,363 (6)
		8,724,438 *	283,875 *	(9,008,313) * (14)	-
Southern Steel Berhad	1.00	301,541,202 (11)	-	-	301,541,202
Southern Speciality Wire Sdn Bhd	1.00	5,625,000 (11)	1,875,000	-	7,500,000 (12)
Southern Pipe Industry (Malaysia) Sdn Bhd	1.00	54,383,093 (11)	-	-	54,383,093
	1.00	100,000 (7)(11)	-	-	100,000 (7)
Belmeth Pte Ltd	(1)	40,000,000	-	-	40,000,000
Guston Pte Ltd	(1)	8,000,000	-	-	8,000,000
Perfect Eagle Pte. Ltd.	(1)	24,000,000	-	-	24,000,000
First Garden Development Pte Ltd	(1)	63,000,000	-	-	63,000,000
Sanctuary Land Pte Ltd	(1)	90,000	-	-	90,000
Beijing Minghua Property Development Co., Ltd (In members' voluntary liquidation)	(2)	150,000,000	-	-	150,000,000
Nanjing Mahui Property Development Co., Ltd	(2)	271,499,800	-	-	271,499,800
Nanjing Xinhaoning Property Development Co., Ltd	(3)	11,800,800	-	-	11,800,800
Nanjing Xinhaoxuan Property Development Co., Ltd	(3)	11,800,800	-	-	11,800,800
Shanghai Xinhaojia Property Development Co., Ltd	(2)	-	3,150,000,000	-	3,150,000,000
Shanghai Xinhaozhong Property Development Co., Ltd	(3)	19,600,000	-	-	19,600,000

DIRECTORS' REPORT
for the financial year ended 30 June 2012 (continued)

DIRECTORS' INTERESTS (continued)

	Nominal value per share RM	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			
		As at 1.7.2011	Acquired	(Sold)	As at 30.6.2012
Interests of YBhg Tan Sri Quek Leng Chan in: (continued)					
Beijing Cheng Jian Dong Hua Real Estate Development Company Limited	(2)	50,000,000	-	-	50,000,000
Lam Soon (Hong Kong) Limited	HKD1.00	140,008,659	-	-	140,008,659
Kwok Wah Hong Flour Company Limited	HKD100.00	9,800	-	-	9,800
M.C. Packaging Offshore Limited	HKD0.01	812,695	-	(812,695) (13)	-
Guangzhou Lam Soon Food Products Limited	(4)	6,570,000	-	-	6,570,000
GuocoLand (Malaysia) Berhad	0.50	456,055,616	-	-	456,055,616
Guoman Hotel & Resort Holdings Sdn Bhd	1.00	277,000,000	-	-	277,000,000
JB Parade Sdn Bhd	1.00	28,000,000	-	-	28,000,000
	0.01	68,594,000 (7)	-	-	68,594,000 (7)
GuocoLeisure Limited	USD0.20	918,501,425	3,339,000	-	921,840,425
The Rank Group Plc	GBP13 8/9p	266,044,391	25,002,149	-	291,046,540
Park House Hotel Limited (In members' voluntary liquidation)	GBP10p	2,883,440	-	-	2,883,440
Interests of YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman in:					
Hong Leong Financial Group Berhad	1.00	3,600 15	-	-	3,600 15
Hong Leong Capital Berhad	1.00	100,000 15	-	-	100,000 15

DIRECTORS' REPORT
for the financial year ended 30 June 2012
(continued)

DIRECTORS' INTERESTS (continued)

	Nominal value per share RM	Shareholdings in which Directors have indirect interests Number of ordinary shares/preference shares/*shares issued or to be issued or acquired arising from the exercise of options/convertible bonds			
		As at 1.7.2011	Acquired	(Sold)	As at 30.6.2012
Interests of Mr Quek Kon Sean in:					
Hong Leong Industries Berhad	0.50	750,000	-	-	750,000
Malaysian Pacific Industries Berhad	0.50	281,250	-	-	281,250

Legend:

(1) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005
(2) Capital contribution in RMB
(3) Capital contribution in USD
(4) Capital contribution in HKD
(5) Capital contribution in VND
(6) Inclusive of interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member
(7) Redeemable Preference Shares
(8) Inclusive of shares acquired from rights issue
(9) Exercise of share options
(10) Share options lapsed
(11) Shareholding as at 3 January 2012 when the corporation concerned became a related corporation
(12) Became a wholly owned subsidiary during the financial year
(13) Struck off during the financial year
(14) Inclusive of redemption of convertible bonds
(15) Shares held pursuant to Section 134(12)(c) of the Companies Act, 1965

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company received or became entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or a due and receivable by the Directors as shown in the financial statements or as fixed salary of a full-time employee of the Company or of related corporations) by reason of a contract made by the Company or its related corporations with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for YBhg Tan Sri Quek Leng Chan, who may be deemed to derive a benefit by virtue of those transactions, contracts and agreements for the acquisition and/or disposal of stocks and shares, stocks-in-trade, products, parts, accessories, plants, chattels, fixtures, buildings, land and other properties or any interest in any properties; and/or for the provision of services including but not limited to project and sales management and any other management and consultancy services; and/or for construction, development, leases, tenancy, licensing, dealership and distributorship; and/or for the provision of treasury functions, advances in the conduct of normal trading, banking, insurance, investment, stockbroking and/or other businesses between the Company or its related corporations and corporations in which YBhg Tan Sri Quek Leng Chan is deemed to have interests.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than the shares options granted pursuant to the Executive Share Option Scheme.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

EXECUTIVE SHARE OPTION SCHEME ("ESOS" OR "SCHEME")

The Executive Share Option Scheme of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") has approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation").

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with FRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the balance sheet. The cost of operating the ESOS scheme is charged to the statement of income .

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

There were no options granted under the ESOS of the Company during the financial year ended 30 June 2012.

As at 30 June 2012, a total of 4,475,000 options have been granted under the ESOS, of which 1,500,000 were granted to directors and chief executives of the HLCB Group and all the options remain outstanding as at 30 June 2012.

Since the commencement of the ESOS, the maximum allocation applicable to directors and senior management of the HLCB Group is 50% of the Aggregate Maximum Allocation.

As at 30 June 2012, the actual percentage of options granted to directors and senior management of the HLCB Group under the ESOS was 1.25% of the issued and paid up ordinary share capital of the Company.

DIRECTORS' REPORT
for the financial year ended 30 June 2012
(continued)

SHARE CAPITAL

There was no change in the issued and paid-up capital of the Company during the financial year.

STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(a) As at the end of the financial year

Before the financial statements of the Group and the Company were made out, the Directors took reasonable steps:

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

(b) From the end of the financial year to the date of this report

(i) The Directors are not aware of any circumstances:

- which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any material extent; or
- which would render the values attributed to current assets in the financial statements misleading; or
- which had arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

(ii) In the opinion of the Directors:

- the results of the operations of the Group and the Company for the financial year ended 30 June 2012 are not likely to be substantially affected by any item, transaction or event of a material and unusual nature.
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the operation of the Group or the Company for the financial year in which this report is made; and
- no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and the Company to meet their obligations as and when they fall due.

(c) As at the date of this report

(i) There are no charges on the assets of the Group and the Company which had arisen since the end of the financial year to secure the liabilities of any other person.

(ii) There are no contingent liabilities which had arisen since the end of the financial year.

(iii) The Directors are not aware of any circumstances not otherwise dealt with in the report or financial statements which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT

for the financial year ended 30 June 2012
(continued)

HOLDING AND ULTIMATE HOLDING COMPANIES

The immediate holding and ultimate holding companies are Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLFG is listed on the Main Market of Bursa Malaysia Securities Berhad.

AUDITORS

The auditors, Messrs PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution.

TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Director

CHOONG YEE HOW
Director

Kuala Lumpur
18 September 2012

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2012

		The Group		The Company	
	Note	2012 RM'000	Restated 2011 RM'000	2012 RM'000	2011 RM'000
Assets					
Cash and short-term funds	2	965,576	887,262	2,297	10,157
Reverse repurchase agreements		-	159,684	-	-
Deposits and placements with banks and other financial institutions	3	92,167	60,125	-	-
Financial assets held-for-trading	4	705,692	430,746	409	477
Financial investments available-for-sale	5	117,712	74,882	-	-
Financial investments held-to-maturity	6	495,380	112,647	-	-
Derivative financial assets	18	31,866	7,350	-	-
Loans and advances	7	244,133	107,975	-	-
Clients' and brokers' balances	8	176,019	169,733	-	-
Other assets	9	77,512	66,643	19,046	110
Statutory deposits with Bank Negara Malaysia	10	19,550	17,800	-	-
Tax recoverable		928	605	893	1,306
Investment in subsidiary companies	11	-	-	402,474	268,189
Deferred tax assets	12	35,558	42,311	-	-
Property and equipment	13	8,106	8,354	-	-
Goodwill	14	33,059	33,059	-	-
Intangible assets - computer software	15	1,135	1,094	-	-
Total assets		3,004,393	2,180,270	425,119	280,239
Liabilities					
Deposits from customers	16	633,625	395,243	-	-
Deposits and placements of banks and other financial institutions	17	973,644	747,999	-	-
Repurchased agreements		115,167	-	-	-
Derivative financial liabilities	18	55,429	7,121	-	-
Clients' and brokers' balances	19	590,111	591,595	-	-
Other liabilities	20	84,966	77,505	2,359	601
Current tax liabilities		994	417	-	-
Deferred tax liabilities	12	956	-	-	-
Borrowings	21	165,051	20,075	165,051	20,075
Total liabilities		2,619,943	1,839,955	167,410	20,676
Equity					
Share capital	22	246,896	246,896	246,896	246,896
Reserves	23	150,757	106,622	24,016	25,870
Treasury shares for ESOS scheme	24	(13,203)	(13,203)	(13,203)	(13,203)
Total equity		384,450	340,315	257,709	259,563
Total equity and liabilities		3,004,393	2,180,270	425,119	280,239
Commitments and contingencies	34	6,332,259	3,945,487	-	-

INCOME STATEMENTS

for the financial year ended 30 June 2012

		The Group		The Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Interest income	25	102,294	60,125	356	95
Interest expense	26	(82,708)	(40,450)	(1,351)	(797)
Net interest income/(expense)		19,586	19,675	(995)	(702)
Non-interest income	27	117,358	107,788	2,416	7,864
		136,944	127,463	1,421	7,162
Overhead expenses	28	(90,101)	(77,705)	(3,220)	(893)
Operating profit/(loss) before allowances		46,843	49,758	(1,799)	6,269
Writeback of impairment losses on loans and advances and other losses	29	3,150	748	-	-
Profit/(loss) before taxation		49,993	50,506	(1,799)	6,269
Taxation	31	(13,043)	(11,981)	(55)	(12)
Net profit/(loss) for the financial year		36,950	38,525	(1,854)	6,257
Earnings per share (sen)					
- Basic	32	15.7	16.4		

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 30 June 2012

		The Group		The Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Net profit/(loss) for the financial year		36,950	38,525	(1,854)	6,257
Other comprehensive income/(expense):					
Net fair value changes on financial investments available-for-sale		401	74	-	-
Income tax relating to net fair value changes on financial investments available-for-sale	12	(101)	(18)	-	-
Currency translation differences in respect of foreign operation		14	-	-	-
Other comprehensive income for the financial year, net of tax		314	56	-	-
Total comprehensive income/(expense) for the financial year		37,264	38,581	(1,854)	6,257

STATEMENTS OF CHANGES IN EQUITY
for the financial year ended 30 June 2012

		Attributable to owners of the parent								
The Group	**Note**	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Statutory reserve RM'000**	**Share options reserve RM'000**	**Fair value reserve RM'000**	**General reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2011		246,896	(13,203)	28,222	288	56	543	-	77,513	340,315
Net profit for the financial year		-	-	-	-	-	-	-	36,950	36,950
Other comprehensive income, net of tax		-	-	-	-	300	-	14	-	314
Total comprehensive income for the financial year		-	-	-	-	300	-	14	36,950	37,264
Transfer to statutory reserve		-	-	19,130	-	-	-	-	(19,130)	-
Option charge arising from ESOS granted		-	-	-	596	-	-	-	-	596
Acquisition of a subsidiary										
- Effect of predecessor accounting		-	-	-	-	-	-	-	(16,604)	(16,604)
- Merger surplus adjusted against retained profits	43(a)	-	-	-	-	-	-	-	22,879	22,879
At 30 June 2012		246,896	(13,203)	47,352	884	356	543	14	101,608	384,450

	Attributable to owners of the parent							
The Group	**Share capital RM'000**	**Treasury shares for ESOS scheme RM'000**	**Statutory reserve RM'000**	**Share options reserve RM'000**	**Fair value reserve RM'000**	**General reserve RM'000**	**Retained profits RM'000**	**Total RM'000**
At 1 July 2010	246,896	(13,203)	11,044	-	-	543	56,166	301,446
Net profit for the financial year	-	-	-	-	-	-	38,525	38,525
Other comprehensive income	-	-	-	-	56	-	-	56
Total comprehensive income for the financial year	-	-	-	-	56	-	38,525	38,581
Transfer to statutory reserve	-	-	17,178	-	-	-	(17,178)	-
Grant of equity-settled ESOS	-	-	-	288	-	-	-	288
At 30 June 2011	246,896	(13,203)	28,222	288	56	543	77,513	340,315

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 30 June 2012
(continued)

	Non-distributable		Distributable	
The Company	Share capital RM'000	Treasury shares for ESOS scheme RM'000	Retained profits RM'000	Total RM'000
At 1 July 2011	246,896	(13,203)	25,870	259,563
Net loss for the financial year	-	-	(1,854)	(1,854)
Total comprehensive expense for the financial year	-	-	(1,854)	(1,854)
At 30 June 2012	246,896	(13,203)	24,016	257,709
At 1 July 2010	246,896	(13,203)	19,613	253,306
Net profit for the financial year	-	-	6,257	6,257
Total comprehensive income for the financial year	-	-	6,257	6,257
At 30 June 2011	246,896	(13,203)	25,870	259,563

STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2012

	The Group	
	2012 RM'000	2011 RM'000
Cash flows from operating activities		
Profit before taxation	49,993	50,506
Adjustments for:		
Depreciation of property and equipment	2,506	2,412
Amortisation of intangible assets - computer software	796	835
Option charge arising from ESOS	596	288
Gain on disposal of property and equipment	(356)	(27)
Gain on disposal of a subsidiary	(571)	-
Writeback of impairment for losses on loans and advances	(2,252)	(581)
(Writeback of)/allowance for losses on clients' and brokers' balances	(780)	111
Net unrealised loss/(gain) on revaluation:		
- Financial assets held-for-trading	(881)	913
- Derivative financial instruments	23,590	(1,363)
Accretion of discount less amortisation of premium	4,218	467
Interest income from:		
- Financial assets held-for-trading	(24,666)	(22,175)
- Financial investments available-for-sale	(5,030)	(5,788)
- Financial investments held-to-maturity	(18,458)	(2,203)
- Derivative financial instruments	(32,684)	(7,886)
Interest expense for		
- Derivative financial instruments	33,375	7,545
- Borrowings	1,334	844
Dividend income from:		
- Financial assets held-for-trading	(1,402)	(705)
- Financial investments available-for-sale	(220)	(92)
	(20,885)	(27,405)
Operating profit before working capital changes	29,108	23,101
(Increase)/decrease in operating assets		
Reverse repurchase agreements	159,684	(159,684)
Deposits and placements with banks and other financial institutions	38,397	(15,055)
Financial assets held-for-trading	(270,329)	356
Financial investments available-for-sale	(42,218)	(71,560)
Financial investments held-to-maturity	(381,022)	(101,885)
Derivative financial instruments	25	(29)
Loans and advances	(62,553)	7,026
Clients' and brokers' balances	5,752	(81,046)
Other assets	1,316	(49,604)
Statutory deposits with Bank Negara Malaysia	(1,750)	(13,800)
	(552,698)	(485,281)

STATEMENTS OF CASH FLOWS

for the financial year ended 30 June 2012 (continued)

	Note	The Group 2012 RM'000	The Group 2011 RM'000
Increase/(decrease) in operating liabilities			
Deposits from customers		238,382	364,025
Deposits and placements of banks and other financial institutions		225,645	147,009
Repurchased agreements		115,167	-
Clients' and brokers' balances		(34,927)	329,180
Other liabilities		(48,115)	(477,105)
		496,152	363,109
Cash used in operations		(27,438)	(99,071)
Net income tax refund		432	211
Net cash used in operating activities		(27,006)	(98,860)
Cash flows from investing activities			
Dividends received from:			
- Financial assets held-for-trading		1,358	705
- Financial investments available-for-sale		165	86
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivatives		66,387	33,883
Interest paid on derivative financial instruments		(28,623)	(5,648)
Proceeds from disposal of property and equipment		553	27
Proceeds from sale of a subsidiary		81	
Purchase of property and equipment		(1,433)	(3,832)
Purchase of intangible assets		(813)	(590)
Net cash flows arising from acquisition of MIMB	43(a)	(106,292)	-
Net cash (used in)/generated from investing activities		(68,617)	24,631
Cash flows from financing activities			
Interest paid on borrowings		(1,358)	(844)
Drawdown/(repayments) of borrowings		145,000	(1,925)
Net cash generated from/(used in) financing activities		143,642	(2,769)
Net increase/(decrease) in cash and cash equivalents during the financial year		48,019	(76,998)
Effect of exchange rate changes		14	-
Cash and cash equivalents at beginning of year		438,444	515,442
Cash and cash equivalents at end of the financial year		486,477	438,444
Cash and cash equivalents comprise:			
Cash and short term funds	2	965,576	887,262
Less: Remisiers' and clients' trust monies		(479,099)	(448,818)
		486,477	438,444

STATEMENTS OF CASH FLOWS
for the financial year ended 30 June 2012
(continued)

		The Company	
	Note	2012 RM'000	2011 RM'000
Cash flows from operating activities			
(Loss)/profit before taxation		(1,799)	6,269
Adjustments for:			
Unrealised loss/(gain) on financial assets held-for-trading		138	(105)
Gain on liquidation of a subsidiary		-	(6,050)
Interest expense on borrowings		1,351	797
Interest income		(356)	(95)
Dividend income from subsidiary companies		(2,400)	(1,700)
		(1,267)	(7,153)
Operating loss before working capital changes		(3,066)	(884)
Decrease in financial assets held-for-trading		(70)	-
(Decrease)/increase in receivables		(18,936)	2,759
(Decrease)/increase in payables		1,758	(65)
Cash (used in)/generated from operating activities		(20,314)	1,810
Income tax refund		958	1,419
Interest received		356	95
Net cash (used in)/generated from operating activities		(19,000)	3,324
Cash flows from investing activities			
Dividend income from subsidiary companies		1,800	1,275
Net proceed from liquidation of a subsidiary		-	8,050
Capital reduction of a subsidiary		5,000	-
Net purchase consideration for acquisition of MIMB	43(a)	(139,285)	-
Net cash (used in)/generated from investing activities		(132,485)	9,325
Cash flows from financing activities			
Interest paid on borrowings		(1,375)	(797)
Drawdown/(repayments) of borrowings		145,000	(1,925)
Net cash generated from/(used in) financing activities		143,625	(2,722)
Net (decrease)/increase in cash and cash equivalents during the financial year		(7,860)	9,927
Cash and cash equivalents at beginning of year		10,157	230
Cash and cash equivalents at end of the financial year		2,297	10,157
Cash and cash equivalents comprise:			
Cash and short term funds	2	2,297	10,157

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012

All significant accounting policies set out below have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards ("FRS"), the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, Bank Negara Malaysia ("BNM") Guidelines and comply with the provisions of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The preparation of financial statements in conformity with Financial Reporting Standards 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 financial statements, and the reported amounts of revenues 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 judgement are based on the management and Directors' best knowledge of current events and actions, actual results may differ from those estimates.

(i) Standards, amendments to published standards and interpretations that are applicable to the Group and the Company and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and effective for the Group and Company's financial year beginning on or after 1 July 2011 are as follows:

- Amendments to FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendments to FRS 7 "Financial Insturments: Disclosures - improving disclosures about financial instruments"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"
- Improvement to FRSs (2010)

The adoption of the above standards, amendments to published standards and interpretations to existing standards does not give rise to any material financial impact to the Group and the Company.

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

In the next financial year, the Group will be adopting the new International Financial Reporting Standards ("IFRS") - compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-time adoption of MFRS".

(i) Financial year beginning on/after 1 July 2012

- MFRS 139 - "Financial Instruments: Recognition and Measurement" (effective from 1 January 2012) Bank Negara Malaysia has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and provisioning to comply with the MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not identified yet. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

(i) Financial year beginning on/after 1 July 2012 (continued)

- The revised MFRS 124 "Related party disclosures" (effective from 1 January 2012) simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition.

  The revised MFRS 124 removes the exemption to disclose transaction between government related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  (i) the name of the government and the nature of their relationship,
  (ii) the nature and amount of each individually significant transactions, and
  (iii) the extent of any collectively significant transactions, qualitatively or quantitatively need to be disclosed.

- Amendment to MFRS 112 "Income taxes" (effective from 1 January 2012) introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. MFRS 112 currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in MFRS 140 "Investment property". As a result of the amendments, IC Interpretation 121 "Income taxes - recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into MFRS 112 the remaining guidance previously contained in IC Interpretation 121 which is withdrawn.

- Amendment to MFRS 7 "Financial Instruments: Disclosures on Transfers of Financial Assets" (effective from 1 January 2012) promotes transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.

- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

(ii) Financial year beginning on/after 1 July 2013

- MFRS 10 "Consolidated Financial Statements" (effective from 1 January 2013) changes the difinition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation - special purpose entities".

- MFRS 12 "Disclosures of Interests in Other Entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in Associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risk and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structures entities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

A BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

(ii) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (continued)

(ii) Financial year beginning on/after 1 July 2013 (continued)

- MFRS 13 "Fair Value Measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial Instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

  The revised MFRS 127 "Separate Financial Statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left the control provisions of MFRS 127 have been included in the new MFRS 10.

- Amendment to MFRS 1 "First Time Adoption on Fixed Dates and Hyperinflation" (effective from 1 January 2012) includes two changes to MFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to MFRSs', thus eliminating the need for entities adopting MFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to MFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with MFRSs after a period when the entity was unable to comply with MFRSs because its functional currency was subject to severe hyperinflation.

- Amendment to MFRS 7 "Financial Instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(iii) Financial year beginning on/after 1 July 2014

- Amendment to MFRS 132 "Financial Instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iv) Financial year beginning on/after 1 July 2015

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MRFS 9.

The Group has not finalised the financial impact of the changes to MFRS and is expected to complete the process by the first quarter of the financial year ending 30 June 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

B CONSOLIDATION

(i) Subsidiaries

The Company treats as subsidiaries those corporations, partnerships or other entities (including special purpose entities) in which the Company has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries are prepared in the same reporting date as the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. Subsidiaries are consolidated using the purchase method of accounting, except for business combinations involving entities or businesses under common control.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The Group incorporates the subsidiary's results, assets and liabilities prospectively from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the subsidiary before the transaction occurred and the corresponding amounts for the previous year are also not restated.

The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at acquisition date fair value and the resulting gain or loss is recognised in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in the profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cummulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

(ii) Changes in ownership interest

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value is its fair value on initial recognition as a financial asset in accordance with FRS 139 "Financial Instruments: recognition and measurement". Any amounts previously recognised in other comprehensive income in respect of the entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

B CONSOLIDATION (continued)

(iii) Investments in subsidiaries

In the Company's financial statements, the investments in subsidiaries are stated at cost less impairment losses. At each reporting date, the Company assesses whether there is an indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the profit or loss.

C GOODWILL

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of net fair value of the identifiable assets, liabilities and contingent liabilities of subsidiaries at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose. Each CGUs represents the lowest level at which the goodwill is mentioned and is not larger than a reportable business segment. Impairment testing is performed annually by comparing the present value of the CGU's projected cash flows against the carrying amount of its net assets which include allocated goodwill. Refer to Note T on impairment of non-financial assets.

D PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repair and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation of property and equipment is calculated to write off the cost of property and equipment to their residual values over the estimated useful lives, summarised as follows:

Leasehold land more than 50 years	Over the lease period of 999 years
Leasehold building	Over the remaining period of the lease or 50 years whichever is shorter
Office and computer equipment	20%-33%
Furniture and fittings	20%
Renovations	20%
Motor vehicles	20%

The assets' residual value and useful lives are reviewed and adjusted if appropriate, at each reporting period.

Property and equipment are reviewed for impairment at each reporting date and whenever events or changes in circumtances indicate that the carrying amount may not be recoverable. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Any subsequent increase in the recoverable amount is recognised in the profit or loss. Refer to Note T on impairment of non-financial assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in other operating income in profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

E INTANGIBLE ASSETS

Intangible assets comprise of computer software. Intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, where it is probable that future economic benefits attributable to the assets will flow from their use. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the financial year, provided it is performed at the same time every year. An intangible asset recognised during the current financial period is tested before the end of the current financial year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and any accumulated impairment losses and are amortised over their estimated useful lives.

Computer software are amortised over their finite useful lives of 3 years.

F LEASES

(a) Finance lease

Assets purchased under lease which in substance transfers the risks and benefits of ownership of the assets to the Group or the Company are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease term. Such leased assets are subject to depreciation on the same basis as other property and equipment.

Leases which do not meet such criteria are classified as operating lease and the related rentals are charged to the profit or loss.

(b) Operating lease

Leases of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payment made under operating lease are charged to the profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

G FINANCIAL ASSETS

(a) Classification

The Group and the Company classify their financial assets into the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. Management determines the classifications of its securities up-front at the point when transactions are entered into.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets held-for-trading and other financial assets designated by the Group and the Company as fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

G FINANCIAL ASSETS (continued)

(a) Classification (continued)

(i) Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss comprise financial assets held-for-trading and other financial assets designated by the Group and the Company as fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(iii) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative instruments with fixed or determinable payments and fixed maturities that the Group's and the Company's management has the positive intent and ability to hold to maturity. If the Group and the Company sell other than an insignificant amount of financial investments held-to-maturity, the entire category will be tainted and reclassified as financial investments available-for-sale.

(iv) Financial investments available-for-sale

Financial investments available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate, exchange rates or equity prices or that are not classified as financial assets at fair value through profit or loss, loans and receivables and financial investments held-to-maturity.

(b) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Transaction costs for securities carried at fair value through profit or loss are taken directly to the profit or loss.

(c) Subsequent measurement

Financial assets at fair value through profit or loss and financial investments available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the profit or loss in the period which they arise. Gains and losses arising from changes in fair value of financial investments available-for-sale are recognised directly in equity, until the securities are de-recognised or impaired at which time the cumulative gains or losses previously recognised in equity are recognised in the profit or loss. Foreign exchange gains or losses of financial investments available-for-sale are recognised in the profit or loss in the period it arises.

Financial investments held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses arising from de-recognition or impairment of the securities are recognised in the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

G FINANCIAL ASSETS (continued)

(c) Subsequent measurement (continued)

Interest from financial assets held at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity is calculated using the effective interest method and is recognised in the profit or loss. Dividends from available-for-sale equity instruments are recognised in the profit or loss when the entity's right to receive payment is established.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including the transaction costs, and measured subsequently at amortised cost using the effective interest rate method. Interest on loans is included in the profit or loss. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss.

H FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial liabilities are de-recognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition. The Group does not have any non-derivative financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

I SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Company have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Company have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

J CLIENTS' AND BROKERS' BALANCES

In line with the implementation of FRS 139, Bursa Malaysia Securities Berhad (the "Bursa") has amended the Rules of Bursa Securities issued on 4 November 2010. In accordance with the Rules of Bursa Securities, clients' accounts are classified as impaired accounts (previously referred to as non-performing) under the following circumstances:

Types	Criteria for classification as impaired
Contra losses	When an account remains outstanding from more than 16 calendar days from the date of contra transaction
Overdue purchase contracts	When an account remains outstanding from T+5 market days onwards (non-margin purchase) and T+9 market days onwards (discretionary financing)

Bad debts are written off when identified. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

K DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivatives that do not quality for hedge accounting are recognised immediately in the profit or loss.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which variables include only data from observable markets. When such evidence exists, the banking subsidiary recognise the profit or loss immediately.

L MANAGER'S STOCKS AND CONSUMABLES

Manager's stocks represent units in the unit trust funds managed by the unit trust management subsidiary. Manager's stocks are classified as a financial asset at fair value through profit or loss. Consumables for future use are stated at cost and are written off when they are not foreseen to be used.

M CASH AND CASH EQUIVALENTS

Cash and cash equivalents are cash and short-terms funds held for the purpose of meeting short-term commitments and readily convertible into cash without significant risk of changes in value, net of monies held in trust for clients and remisiers.

N BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

O INCOME TAXES

The tax expense for the financial period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that its relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to fair value re-measurement of financial investments available-for-sale, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statements together with the deferred gain or loss.

Deferred and income tax assets and liabilities are offset when there is a legally enforseeable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

P PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources to settle the obligation will be required; and

(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Company expect to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

Q RECOGNITION OF INTEREST INCOME

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

R RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees which are material are recognised as income based on time apportionment. Service charges and other fee income are recognised as income when the services are rendered.

Dividends from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and subsidiary companies are recognised when the rights to receive payment is established.

Net profit from financial assets held-for-trading and financial investments available-for-sale are recognised upon disposal of the financial instruments, as the difference between net disposal proceeds and the carrying amount of the financial instruments.

Net brokerage income, margin income, rollover fees, nominees service and handling charges are recognised on an accrual basis.

Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Management fees charged for management of clients' and unit trust funds is recognised on an accrual basis in accordance with the rates provided for in the prospectuses of unit trust funds and investment mandate with private customers. Other management fees charged for underwriting, placement and advisory fees are recognised on an accrual basis.

Service charge from sales of unit trust comprises gross proceeds from sales of unit trust less direct cost of unit trust created, net of cancellations. Such revenue is recognised upon the allotment of unit trust.

Commission from futures clients is recognised upon the execution of trade on behalf of clients.

S EMPLOYEE BENEFITS

Short term employee benefits

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

S EMPLOYEE BENEFITS (continued)

Defined contribution plan

A defined contribution plan is a pension plan under which the Group and the Company pays fixed contributions into a fund and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group and the Company contributes to a national defined contribution plan (the Employee Provident Fund) on a mandatory basis and the amounts contributed to the plan are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

Share-based compensation

The Company operates an equity-settled, share-based compensation plan for the employees of the Company. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Company revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

A trust has been set up for the Employee Share Option Scheme ("ESOS") and is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's stocks from the open market for the purposes of this trust.

T IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

U IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The criteria the Group and the Company use to determine that there is objective evidence of impairment loss include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

U IMPAIRMENT OF FINANCIAL ASSETS (continued)

(a) Assets carried at amortised cost (continued)

The Group and the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan or financial investments held-to-maturity have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

In accordance with the Amendments to FRS 139, MASB has included an additional transitional arrangement for entities in financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

The collective assessment impairment allowance of the Group as at the reporting date have been arrrived at based on this transitional arrangement issued by BNM.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

If in a subsequent period, the amount of impairment losses decreases and the decrease can be related objectively to an event occuring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(b) Assets carried at available-for-sale

The Group assesses at each reporting date whether there is objective evidence that the financial asset is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for "assets carried at amortised cost" above. If in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity instruments classified as financial investments available-for-sale, in addition to the criteria for assets carried at amortised cost above, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If there is an objective evidence that an impairment loss on financial investments available-for-sale has been incurred, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in the profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through the profit or loss.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the financial year ended 30 June 2012
(continued)

V DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group under standard repurchase agreements transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

W CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements of each of the Group and the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the financial asset and other changes in the carrying amount of the financial asset. Translation differences related to changes in the amortised cost are recognised in the profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial investments available-for-sale are included in the fair value reserve in equity.

X SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if any, are classified as equity and/or liability according to the economic substance of the particular instrument. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares is recognised as a liability when the shareholders' right to receive the dividend is established.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the financial year ended 30 June 2012
(continued)

Y SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Z FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on negotiated terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premium is recognised. Subsequent to initial recognition, the Group's and the Company's liability under such guarantees are measured at the higher of the initial amount, less amortisation of fee recognised in accordance with FRS 137 "Provisions, Contingent Liabilities and Contingent Assets", and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the profit or loss.

AA CONTINGENT ASSETS AND LIABILITIES

The Group and the Bank do not recognise contingent assets and liabilities, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are investment banking, stock broking business, future broking, related financial services, nominees and custodian services, unit trust management, fund management and sale of unit trusts as disclosed in Note 11 to the financial statements.

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The immediate holding and ultimate holding companies are Hong Leong Financial Group Berhad ("HLFG") and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia. HLFG is listed on Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors of the Company in accordance with a resolution of the Directors on 30 July 2012.

2 CASH AND SHORT-TERM FUNDS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and balances with banks and other financial institutions	110,304	57,337	537	1,357
Money at call and deposit placements maturing within one month	855,272	829,925	1,760	8,800
	965,576	887,262	2,297	10,157

Included in cash and short-term funds of the Group are accounts in trust for clients' and dealers' representatives amounting to RM479,099,000 (2011: RM448,818,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2012 RM'000	2011 RM'000
Licensed banks	92,167	60,125

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

4 FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Money market instruments				
Negotiable instruments of deposits	375,719	20,143	-	-
Bankers' acceptances	-	212,418	-	-
Bank Negara Malaysia Bills	199,683	-	-	-
	575,402	232,561	-	-
Quoted securities				
In Malaysia:				
Shares	8,433	52,463	-	-
Unit trust investment	14,797	7,401	409	477
Outside Malaysia:				
Foreign currency bonds	8,684	98,036	-	-
	31,914	157,900	409	477
Unquoted securities				
Private and Islamic debt securities	98,376	40,285	-	-
	705,692	430,746	409	477

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group	
	2012 RM'000	2011 RM'000
Money market instruments		
Cagamas bonds	5,150	5,140
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	22,626	10,902
Unquoted securities		
Shares	2,445	2,445
Private and Islamic debt securities	87,491	56,395
	117,712	74,882

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	2012 RM'000	2011 RM'000
Money market instruments		
Cagamas bonds	10,240	10,319
Malaysian Government Investment Issues	5,131	5,153
	15,371	15,472
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	434,067	76,710
Unquoted securities		
Private and Islamic debt securities	45,942	20,465
	495,380	112,647

7 LOANS AND ADVANCES

	The Group	
	2012 RM'000	2011 RM'000
Term loan financing	107,891	15,022
Share margin financing	137,847	76,819
Revolving credit	963	22,457
Staff loans	2,589	-
Gross loans and advances	249,290	114,298
Less :		
Allowance for losses on loans and advances:		
- individual assessment allowance	(1,256)	(4,679)
- collective assessment allowance	(3,901)	(1,644)
Total net loans and advances	244,133	107,975

(i) The maturity structure of loans and advances is as follows:

	The Group	
	2012 RM'000	2011 RM'000
Maturity within one year	246,681	113,338
One year to three years	398	960
Three years to five years	52	-
Over five years	2,159	-
	249,290	114,298

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

7 LOANS AND ADVANCES (continued)

(ii) The loans and advances are disbursed to the following types of customers:

	The Group	
	2012 RM'000	2011 RM'000
Domestic business enterprises		
- Small and medium enterprises	18,703	8,807
- Others	133,754	35,568
Individuals	93,288	69,923
Foreign entities	3,545	-
Gross loans and advances	249,290	114,298

(iii) Loans and advances analysed by interest rate sensitivity are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Fixed rate:		
- Staff housing loans	1,957	-
- Other fixed rate loans	44,070	11,237
Variable rate:		
- Cost plus	202,631	103,061
Non-interest bearing	632	-
Gross loans and advances	249,290	114,298

(iv) Loans and advances analysed by their economic purposes are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Purchase of securities	166,103	89,354
Working capital	80,598	24,944
Purchase of transport vehicles	633	-
Purchase of residential property	1,956	-
Gross loans and advances	249,290	114,298

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

7 LOANS AND ADVANCES (continued)

(v) Loans and advances analysed by geographical distribution are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Malaysia	249,290	114,298

(vi) Movements in the impaired loans and advances are as follows:

	The Group	
	2012 RM'000	2011 RM'000
At 1 July	9,374	12,700
Impaired during the financial year	136	107
Amount written back	(8,254)	(2,347)
Amount written off	-	(1,086)
At 30 June	1,256	9,374
Ratio of impaired loans to total loans and advances net of individual assessment allowance	0.5%	8.6%

(vii) Movements in the allowance for loss on loans and advances are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Individual assessment allowance		
At 1 July	4,679	6,247
Allowance made during the financial year	136	107
Amount written back	(3,559)	(589)
Amount written off	-	(1,086)
At 30 June	1,256	4,679
Collective assessment allowance		
At 1 July	1,644	1,743
Arising from acquisiton of MIMB	1,086	-
Allowance made/(written back)	1,171	(99)
At 30 June	3,901	1,644

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

7 LOANS AND ADVANCES (continued)

(viii) Impaired loans and advances analysed by their economic purposes are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Purchase of securities	1,256	1,120
Working capital	-	8,254
	1,256	9,374

(ix) Impaired loans and advances analysed by geographical distribution are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Malaysia	1,256	9,374

8 CLIENTS' AND BROKERS' BALANCES

Clients' and brokers' balances represent amounts receivable from outstanding purchase contracts in respect of the Group's stockbroking business entered on behalf of clients, amounts due from brokers and contra losses.

	The Group	
	2012 RM'000	2011 RM'000
Performing accounts	175,368	169,525
Impaired accounts	1,403	12,589
	176,771	182,114
Less: Allowance for bad and doubtful debts:		
- individual assessment allowance	(752)	(12,381)
	176,019	169,733
At 1 July	12,589	37,813
Arising from acquisiton of MIMB	1,272	-
Impaired during the financial year	(2,335)	(442)
Amount written off	(10,123)	(24,782)
At 30 June	1,403	12,589

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

8 CLIENTS' AND BROKERS' BALANCES (continued)

Movements in the allowance for losses on clients' and brokers' balances are as follows:

	The Group	
	2012 RM'000	2011 RM'000
Individual assessment allowance		
At 1 July	12,381	37,043
Arising from acquisiton of MIMB	147	-
Allowance made during the financial year	107	1,562
Allowance written back during the financial year	(887)	(1,442)
Amount written off	(10,996)	(24,782)
At 30 June	752	12,381

9 OTHER ASSETS

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amounts due from subsidiary companies (a)	-	-	424	105
Amounts due from related companies	21,399	-	18,615	-
Deposits	4,486	4,323	5	5
Prepayments	547	648	2	-
Other receivables	50,659	61,283	-	-
Manager's stocks and consumables	421	389	-	-
	77,512	66,643	19,046	110

(a) The amounts due from subsidiary companies comprise the following:

	The Company	
	2012 RM'000	2011 RM'000
Advances (unsecured)	424	168,006
Less: Allowance for impairment loss	-	(167,901)
	424	105

The amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

10 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA ("BNM")

The non-interest bearing statutory deposits are maintained by the banking subsidiary with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amount of which is determined at set percentages of total eligible liabilities.

11 INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2012 RM'000	2011 RM'000
Subsidiary companies:		
Unquoted shares at cost	407,551	273,266
Less: Accumulated impairment losses	(5,077)	(5,077)
	402,474	268,189

Details of the subsidiary companies are as follows:

Name of companies	Country of incorporation	Effective equity interest 2012 %	Effective equity interest 2011 %	Principal activities
Hong Leong Investment Bank Berhad and its subsidiaries	Malaysia	100	100	Investment banking, stockbroking business, futures broking and related financial services
- HLG Nominee (Tempatan) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for Malaysian clients
- HLG Nominee (Asing) Sdn Bhd	Malaysia	100	100	Nominee and custodian services for foreign clients
- RC Holdings Sdn Bhd[1]	Malaysia	-	100	Dormant
- RC Nominees (Asing) Sdn Bhd	Malaysia	100	100	Dormant
- RC Nominees (Tempatan) Sdn Bhd	Malaysia	100	100	Dormant
- RC Research Sdn Bhd	Malaysia	100	100	Dormant
HLG Asset Management Sdn Bhd	Malaysia	100	100	In member's voluntary liquidation
HLG Capital Markets Sdn Bhd and its subsidiary	Malaysia	100	100	Investment holding
- HLG Principal Investments (L) Limited	Labuan	100	100	Dormant

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

11 INVESTMENT IN SUBSIDIARY COMPANIES (continued)

Name of companies	Country of incorporation	Effective equity interest 2012 %	2011 %	Principal activities
HLG Securities Sdn Bhd	Malaysia	100	100	Investment holding
HLG Futures Sdn Bhd	Malaysia	100	100	Dormant
Hong Leong Asset Management Bhd and its subsidiary	Malaysia	100	100	Unit trust management, fund management and sale of unit trusts
- HL Asset Management Pte Ltd	Singapore	100	100	Dormant
MIMB Investment Bank Berhad and its subsidiaries[2]	Malaysia	100	-	Investment banking, stockbroking business and related financial services
- ECS Jaya (1969) Sdn Bhd	Malaysia	100	-	Dormant
- MIMB Nominees (Tempatan) Sendirian Berhad	Malaysia	100	-	Dormant
- MIMB Nominees (Asing) Sendirian Berhad	Malaysia	100	-	Dormant
- HLIB Nominees (Tempatan) Sdn. Bhd. (formerly known as M.I.T Nominees (Tempatan) Sdn. Bhd.[4]	Malaysia	100	-	Nominees services
- HLIB Nominees (Asing) Sdn. Bhd. (formerly known as F.I.T. Nominees (Asing) Sdn. Bhd.)[4]	Malaysia	100	-	Nominees services
- SSSB Jaya (1987) Sdn Bhd and its subsidiaries	Malaysia	100	-	In creditors' voluntary liquidation
- SSSB Nominees (Tempatan) Sdn Bhd	Malaysia	100	-	In member's voluntary liquidation
- SSSB Nominees (Asing) Sdn Bhd	Malaysia	100	-	In member's voluntary liquidation
Unincorporated trust for ESOS[3]	Malaysia	-		Special purpose vehicle for ESOS purpose

[1] The subsidiary was disposed on 28 June 2012. Refer to Note 43 (b) for details.
[2] The subsidiaries were acquired on 1 June 2012. Refer to Note 43 (a) for details.
[3] Deemed subsidiary pursuant to IC 112 - Consolidation : Special Purpose Entities.
[4] The subsidiaries was changed their name with effect from 3 September 2012.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

12 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

		The Group	
	Note	2012 RM'000	Restated 2011 RM'000
Deferred tax assets	(a)	35,558	42,311
Deferred tax liabilities	(b)	(956)	-
		34,602	42,311
At 1 July		42,311	53,914
Arising from acquisition of MIMB	43(a)	6,275	-
Transfer from income statements	31	(13,883)	(11,585)
Transfer from equity		(101)	(18)
At 30 June		34,602	42,311
Deferred tax assets:			
- settled more than 12 months		35,550	24,745
- settled within 12 months		365	18,469
		35,915	43,214
Deferred tax liabilities:			
- settled more than 12 months		(638)	(544)
- settled within 12 months		(675)	(359)
		(1,313)	(903)
		34,602	42,311

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

12 DEFERRED TAXATION (continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

(a) Deferred Tax Assets

The Group	Collective assessment allowance RM'000	Unabsorbed tax losses RM'000	Other temporary differences RM'000	Total RM'000
At 1 July 2011	411	39,045	3,758	43,214
Arising from acquisition of MIMB	335	10,262	(4,031)	6,566
(Charged)/credited to income statement	(411)	(14,247)	793	(13,865)
At 30 June 2012	335	35,060	520	35,915
At 1 July 2010	438	52,525	1,145	54,108
Credited/(charged) to income statement	(27)	(13,480)	2,613	(10,894)
At 30 June 2011	411	39,045	3,758	43,214

(b) Deferred Tax Liabilities

The Group	Property and equipment RM'000	Financial investments available-for-sale RM'000	Other temporary differences RM'000	Total RM'000
At 1 July 2011	885	18	-	903
Arising from acquisition of MIMB	-	-	291	291
Charged to income statement	18	-	-	18
Charged to equity	-	101	-	101
At 30 June 2012	903	119	291	1,313
At 1 July 2010	194	-	-	194
Charged to income statement	691	-	-	691
Charged to equity	-	18	-	18
At 30 June 2011	885	18	-	903

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

13 PROPERTY AND EQUIPMENT

The Group 2012	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 July 2011	1,133	871	17,988	2,461	10,112	1,205	33,770
Arising from acquisiton of MIMB	-	-	1,099	210	3,197	-	4,506
Additions	-	-	619	117	697	-	1,433
Disposals	-	-	(2)	-	-	(423)	(425)
At 30 June 2012	1,133	871	19,704	2,788	14,006	782	39,284
Accumulated depreciation							
At 1 July 2011	3	46	15,875	1,759	7,202	531	25,416
Arising from acquisiton of MIMB	-	-	767	70	2,647	-	3,484
Charge for the financial year	1	17	1,194	222	893	179	2,506
Disposals	-	-	-	-	-	(228)	(228)
At 30 June 2012	4	63	17,836	2,051	10,742	482	31,178
Net book value							
At 30 June 2012	1,129	808	1,868	737	3,264	300	8,106

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

13 PROPERTY AND EQUIPMENT (continued)

The Group 2011	Leasehold land more than 50 years RM'000	Leasehold building RM'000	Office and computer equipment RM'000	Furniture and fittings RM'000	Renovations RM'000	Motor vehicles RM'000	Total RM'000
Cost							
At 1 July 2010	1,133	871	16,829	2,296	7,865	1,096	30,090
Additions	-	-	1,165	165	2,247	255	3,832
Disposals	-	-	(6)	-	-	(146)	(152)
At 30 June 2011	1,133	871	17,988	2,461	10,112	1,205	33,770
Accumulated depreciation							
At 1 July 2010	2	28	14,694	1,556	6,387	489	23,156
Charge for the financial year	1	18	1,187	203	815	188	2,412
Disposals	-	-	(6)	-	-	(146)	(152)
At 30 June 2011	3	46	15,875	1,759	7,202	531	25,416
Net book value							
At 30 June 2011	1,130	825	2,113	702	2,910	674	8,354

14 GOODWILL

	The Group	
	2012 RM'000	2011 RM'000
Cost		
At 1 July/30 June	33,059	33,059

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

14 GOODWILL (continued)

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs"):

	The Group	
CGUs	2012 RM'000	2011 RM'000
Investment banking and stock broking	28,986	28,986
Unit trust management	4,073	4,073
	33,059	33,059

Impairment test on goodwill

The fair value is determined based on value in use calculations. These calculations use pre-tax cash flows projections based on financial budgets approved by Directors covering a three-year period. Cash flows beyond the three-year period are assumed to grow at 4% (2011: 4%) to infinity.

The cash flows projections are derived based on a number of key factors including the past performance and management's expectations at the market development. The following are the discount rates used in determining the recoverable amount of each CGUs:

CGUs	2012 %	2011 %
Investment banking and stock broking	13.78	14.93
Unit trust management	13.37	14.93

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

For the current financial year, impairment was not required for goodwill arising from investment banking and stock broking, and unit trust management segment. Management believes that any reasonable possible change to the assumptions applied is not likely cause the recoverable amount to be lower than carrying amount.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

15 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	The Group	
	2012 RM'000	2011 RM'000
Cost		
At 1 July	12,047	11,457
Arising from acquisiton of MIMB	62	-
Additions	813	590
At 30 June	12,922	12,047
Amortisation		
At 1 July	(10,953)	(10,118)
Arising from acquisiton of MIMB	(38)	-
Charge of the financial year	(796)	(835)
At 30 June	(11,787)	(10,953)
At end of financial year	1,135	1,094

16 DEPOSITS FROM CUSTOMERS

	The Group	
	2012 RM'000	2011 RM'000
Fixed deposits	633,625	395,243
(i) Maturity structure of fixed deposits is as follows:		
Due within six months	633,625	395,243
(ii) The deposits are sourced from the following customers		
Government and statutory bodies	617,832	205,501
Business enterprises	15,793	188,724
Individual	-	1,018
	633,625	395,243

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	2012 RM'000	2011 RM'000
Licensed banks	406,153	211,431
Other financial institutions	567,491	536,568
	973,644	747,999

18 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The table below shows the Group's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analyse below.

	The Group		
2012	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Interest rate related contracts:			
- Interest rate swaps	1,408,500	13,389	(20,822)
- Futures	2,157,121	881	(3,426)
- Cross currency swaps	31,772	107	(57)
Foreign exchange related contracts			
- Foreign currency swaps	2,231,056	15,228	(31,121)
- Foreign currency forwards	585	11	(3)
Equity related contracts:			
- Call options	10,000	2,250	-
	5,839,034	31,866	(55,429)

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

18 DERIVATIVE FINANCIAL ASSETS/LIABILITIES (continued)

The table below shows the Group's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the reporting date are analyse below. (continued)

	The Group		
2011	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Interest rate related contracts:			
- Interest rate swaps	455,000	2,614	(3,562)
- Futures	2,253,753	515	(919)
Foreign exchange related contracts			
- Foreign currency swaps	811,255	1,192	(2,247)
- Foreign currency spot	18,119	29	(25)
- Foreign currency forwards	30,198	-	(301)
Equity related contracts:			
- Futures	44,675	-	(67)
- Call options	10,000	3,000	-
	3,623,000	7,350	(7,121)

19 CLIENTS' AND BROKERS' BALANCES

Included in clients' and brokers' balances of the Group are clients' trust balances, held in trust for clients of RM416,549,000 (2011: RM235,034,000).

20 OTHER LIABILITIES

		The Group		The Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Amounts due to:					
- immediate holding company	(a)	2	2	2	2
- subsidiary company	(a)	-	-	-	80
- other related companies	(a)	125	1,880	24	27
Remisiers' trust deposits		16,420	10,210	-	-
Other payables and accrued liabilities	(b)	59,039	64,896	2,333	492
Provision for commitments and contingencies		9,039	-	-	-
Post employment benefits obligation					
- defined contribution plan		286	517	-	-
- defined benefit plan		55	-	-	-
		84,966	77,505	2,359	601

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

20 OTHER LIABILITIES (continued)

(a) The amounts due to the immediate holding company, subsidiary and other related companies, are unsecured, interest free and repayable on demand.

(b) Included in other payables and accrued liabilities is client advance payable for the Group amounting to RM2,245,000 (2011: Nil).

21 BORROWINGS

	The Group and The Company	
	2012 RM'000	2011 RM'000
Revolving credit	165,051	20,075

The revolving credit facilities are unsecured. The interest rate of the revolving credit facilities ranges from 3.71% to 4.25% (2011: 3.62% to 4.16%) per annum. The revolving credit facilities are repayable within 12 months.

22 SHARE CAPITAL

	The Group and The Company	
	2012 RM'000	2011 RM'000
Authorised:		
Ordinary shares of RM1.00 each		
At beginning/end of the financial year	500,000	500,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
At beginning/end of the financial year	246,896	246,896

23 RESERVES

		The Group		The Company	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Retained profits	(i)	101,608	77,513	24,016	25,870
Statutory reserve	(ii)	47,352	28,222	-	-
Share options reserve		884	288	-	-
Fair value reserve	(iii)	356	56	-	-
General reserve		543	543	-	-
Exchange fluctuation reserve		14	-	-	-
		150,757	106,622	24,016	25,870

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

23 RESERVES (continued)

(i) Retained profits

Subject to agreement with the tax authorities, the Company has tax credits under Section 108 of the Income Tax Act, 1967 to frank payment of dividends out of the Company's retained profits to the extent of RM266,650,029 (2011: RM266,650,029). In addition, the Company has tax exempt income of approximately RM465,953 (2011: RM465,953) available for future distribution of tax exempt dividends.

(ii) Statutory reserve

The statutory reserve is maintained by the banking subsidiary which is in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividend.

(ii) Fair value reserve

Fair value reserve arises from a change in the fair value of financial investments available-for-sale. The gains or losses are transferred to the profit or loss upon de-recognition or impairment of such financial investments.

24 TREASURY SHARES

Treasury shares for ESOS scheme

The Company has entered into a Trust for ESOS purposes established via the signing of a Trust Deed on 23 January 2006 with AmTrustee Berhad in conjunction with the establishment of Executive Share Option Schemes ("ESOS"). The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust.

FRS 132 - Financial Instruments: Presentation and Disclosure requires that if an entity reacquires its own equity instruments, those instruments shall be deducted from equity and are not recognised as a financial asset regardless of the reason for which they are reacquired.

In accordance with FRS 132 - Financial Instruments: Presentation and Disclosure, the shares purchased for the benefit of the ESOS holders are recorded as "Treasury Shares for ESOS Scheme" in the equity on the statements of financial position. As at reporting date, the number of shares held by the appointed trustee was 12,287,200 shares (2011: 12,287,200 shares) at a carrying value of RM13,203,461 (2011: RM13,203,461) inclusive of transaction costs.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

25 INTEREST INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Loans and advances	9,545	6,058	-	-
Money at call and deposit placements with financial institutions	15,554	15,677	356	70
Financial assets held-for-trading	24,666	22,175	-	-
Financial investments available-for-sale	5,030	5,788	-	-
Financial investments held-to-maturity	18,458	2,203	-	-
Derivative financial instruments	32,684	7,886	-	-
Others	575	805	-	25
	106,512	60,592	356	95
Accretion of discount less amortisation of premium	(4,218)	(467)	-	-
	102,294	60,125	356	95
Of which:				
Interest income earned on impaired loans and advances	972	374	-	-

26 INTEREST EXPENSE

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits and placements of banks and other financial institutions	10,980	5,775	-	-
Deposits from customers	36,875	26,286	-	-
Derivative financial instruments	33,375	7,545	-	-
Borrowings	1,334	844	1,351	797
Others	144	-	-	-
	82,708	40,450	1,351	797

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

27 NON-INTEREST INCOME

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fee income				
Brokerage income	40,918	46,643	-	-
Unit trust fee income	16,651	20,194	-	-
Commissions from future contracts	882	927	-	-
Fees on loans and advances	1,828	2,328	-	-
Arranger fees	12,511	15,044	-	-
Placement fees	1,122	9,614	-	-
Corporate advisory fees	7,808	5,826	-	-
Underwriting commissions	1,286	1,838	-	-
Guarantee fees	700	-		
Other fee income	17,114	4,064	-	-
	100,820	106,478	-	-
Net income from securities				
Net realised gain arising from sale of:				
- Financial assets held-for-trading	4,580	2,841	144	-
- Financial investments available-for-sale	444	690	-	-
- Derivative financial instruments	4,309	154	-	-
Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	881	(913)	(138)	105
- Derivative financial instruments	(23,590)	1,363	-	-
Dividend income from:				
- Financial assets held-for-trading	1,402	705	-	-
- Financial investments available-for-sale	220	92	-	-
- Subsidiary companies	-	-	2,400	1,700
	(11,754)	4,932	2,406	1,805
Other income				
Gain on disposal of property and equipment	356	27	-	-
(Loss)/gain on liquidation of a subsidiary	-	(156)	-	6,050
Gain on disposal of a subsidiary	571	-	-	-
Foreign exchange gain/(loss)	25,658	(3,548)	-	-
Other non-operating income	1,707	55	10	9
	28,292	(3,622)	10	6,059
	117,358	107,788	2,416	7,864

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

28 OVERHEAD EXPENSES

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel costs	52,553	43,288	277	192
Establishment costs	16,120	16,460	163	31
Marketing expenses	2,255	2,879	16	8
Administration and general expenses	19,173	15,078	2,764	662
	90,101	77,705	3,220	893

(i) Personnel costs comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Salaries, bonus and allowances	42,913	36,912	199	127
Option charge arising from ESOS	596	288	-	-
Other employees benefits	9,044	6,088	78	65
	52,553	43,288	277	192

(ii) Establishment costs comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Depreciation of property and equipment	2,506	2,412	-	-
Amortisation of intangible assets - computer software	796	835	-	-
Rental of premises	5,427	5,132	-	5
Information technology expenses	5,175	4,920	140	19
Others	2,216	3,161	23	7
	16,120	16,460	163	31

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

28 OVERHEAD EXPENSES (continued)

(iii) Marketing expenses comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Advertisement and publicity	449	1,192	5	-
Travelling and accomodation	496	509	9	7
Others	1,310	1,178	2	1
	2,255	2,879	16	8

(iv) Administration and general expenses comprise the following:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Communication expenses	1,149	1,156	3	2
Stationery and printing expenses	722	730	18	5
Management fee	3,054	2,426	117	-
Professional fees	6,658	5,370	172	14
Stamp, postage and courier	589	572	2	2
Auditors' remuneration:				
- statutory audit				
- current financial year	454	240	60	46
- underprovision in prior financial year	90	-	-	-
- tax compliance fees				
- current financial year	16	12	4	-
- underprovision in prior financial year	4	-	4	-
- other fees				
- current financial year	229	38	194	5
- underprovision in prior financial year	45	-	5	-
Others	6,163	4,534	2,185	588
	19,173	15,078	2,764	662

Included in the overhead expenses of the Group and the Company are Directors' remuneration amounting to RM660,000 (2011: RM585,000) and RM490,000 (2011: RM415,000) respectively.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

29 WRITEBACK OF IMPAIRMENT FOR LOSSES ON LOANS AND ADVANCES AND OTHER LOSSES

	The Group	
	2012 RM'000	2011 RM'000
Allowance for losses on loans and advances:		
(a) Individual assessment allowance:		
- made during the financial year	136	107
- written back during the year	(3,559)	(589)
(b) Collective assessment allowance:		
- made/(written back) during the year	1,171	(99)
	(2,252)	(581)
Bad debts on loans and advances:		
- recovered	(118)	(278)
Allowance for losses on clients' and brokers' balances		
(a) General allowance:		
- written back	-	(9)
(b) Individual assessment allowance:		
- made during the financial year	107	1,562
- written back during the financial year	(887)	(1,442)
	(780)	111
	(3,150)	(748)

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

30 DIRECTORS' REMUNERATION

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors of the Company				
Non-Executive Directors:				
Fee:				
YBhg Tan Sri Quek Leng Chan [1]	74	67	74	67
YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman	179	163	104	83
YBhg Dato' Mohamed Nazim bin Abdul Razak	94	81	94	81
YBhg Dato' Ahmad Fuaad bin Mohd Dahalan	94	81	94	81
Mr Choong Yee How [1]	159	143	64	53
Mr Quek Kon Sean	60	50	60	50
	660	585	490	415

The movements and details of the Directors in office and interests in shares and share options are reported in the Directors' Report.

Note:
(1) These fees have been assigned in favour of the Company where the Director is employed.

31 TAXATION

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Malaysian income tax:				
- current financial year's charge	138	1,368	55	69
- overprovision in prior years	(978)	(972)	-	(57)
	(840)	396	55	12
Deferred taxation (Note 12):				
- relating to origination and reversal of temporary differences	13,934	11,812	-	-
- recognition of deferred tax previously not recognised	(51)	(227)	-	-
	13,883	11,585	-	-
	13,043	11,981	55	12

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

31 TAXATION (continued)

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Company is as follows:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit/(loss) before taxation	49,993	50,506	(1,799)	6,269
Tax calculated at a rate of 25% (2011: 25%)	12,498	12,627	(450)	1,567
Tax effects of:				
- Income not subject to tax	(333)	(164)	-	(1,538)
- Expenses not deductible for tax purposes	1,907	1,130	505	40
- Deferred tax assets not recognised during the year	(51)	(640)	-	-
Overprovision in prior financial years	(978)	(972)	-	(57)
Tax expense for the financial year	13,043	11,981	55	12

Unrecognised deferred tax assets

	The Group	
	2012 RM'000	2011 RM'000
Tax losses		
Tax losses for which the related tax credit has not been recognised in the financial statements	23,127	23,127
Tax credit		
Tax credit which has not been recognised in the financial statements	243,371	-
Capital allowances		
Deductible temporary differences and unutilised capital allowances for which the related tax credit has not been recognised in the financial statements	391	391

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits will be available against which the unused tax losses, tax credit and capital allowances can be utilised.

The unused tax losses, tax credit and capital allowances do not expire under current tax legislation.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

32 EARNINGS PER SHARE

The basic earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of ordinary shares in issue excluding the weighted average shares held by ESOS Trust during the financial year as follows:

	The Group	
	2012	**2011**
(a) **Basic earnings per share**		
Net profit attributable to equity holders of the Company (RM'000)	**36,950**	38,525
Weighted average number of ordinary shares in issue ('000)	**234,609**	234,609
Basic earnings per share (sen)	**15.7**	16.4

(b) **Diluted earnings per share**

There is no diluted earnings per share as the Group has no category of dilutive potential ordinary shares outstanding as at 30 June 2012 and 30 June 2011.

33 DIVIDENDS

No dividend has been paid by the Company since the end of the previous financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

34 COMMITMENTS AND CONTINGENCIES

(a) Investment banking subsidiary company related commitments and contingencies

In the normal course of business, the investment banking subsidiary make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These commitments and contingencies are also not secured over the assets of the Group.

The commitments and contingencies constitute are as follows:

	2012			2011		
The Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted assets RM'000
Commitments and contingent liabilities						
Direct Credit Substitutes	50,750	50,750	50,750	-	-	-
Obligations under underwriting agreement	-	-	-	20,238	10,119	10,119
Any commitment that are unconditionally cancelled at any time by the Group without prior notice						
- maturity less than one year	426,568	-	-	302,249	-	-
Other commitments, such as formal standby facilities and credit lines						
- maturity less than one year	15,266	3,053	3,053	-	-	-
- maturity more than one year	641	321	321	-	-	-
Derivative Financial Instruments						
Interest rate related contracts:						
- One year or less	960,241	1,214	243	527,573	-	-
- Over one year to five years	2,579,963	48,838	9,768	2,057,370	18,572	3,714
- Over five years	57,189	-	-	123,810	-	-
Foreign exchange related contracts						
- One year or less	2,231,641	41,028	8,205	859,572	5,750	1,512
Equity related contracts:						
- One year or less	-	-	-	44,675	-	-
- Over one year to five years	10,000	-	-	10,000	-	-
	6,332,259	145,204	72,340	3,945,487	34,441	15,345

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

34 COMMITMENTS AND CONTINGENCIES (continued)

(b) Other commitments and contingencies - unsecured

Hong Leong Asset Management Bhd, a wholly owned subsidiary of the Company, is the Manager of HLG Sectoral Funds ("Funds"), which comprises five (5) sector funds. The Company provided a guarantee to Universal Trustee (Malaysia) Berhad, the trustee of the Funds, that if any of the five sector 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 each of the five funds was above the minimum of RM1,000,000 as at 30 June 2012.

35 CAPITAL COMMITMENTS

	The Group	
	2012 RM'000	2011 RM'000
Property and equipment:		
- Approved and contracted but not provided for	4,026	794
- Approved but not contracted for	1,745	269
	5,771	1,063

36 LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments, net of sublease, under non-cancellable operating lease commitment are as follows:

	The Group	
	2011 RM'000	2010 RM'000
Less than one year	4,915	4,610
More than one year but less than five years	4,256	3,649
More than five years	-	1

37 CAPITAL MANAGEMENT

The Group's capital is in relation to its risk profile and strategic objectives set by the Board to meet shareholders' requirements and expectations. The Group's Capital Management framework for maintaining appropriate capital levels is in line with the Bank Negara Malaysia's Revised Risk Weighted Capital Adequacy Framework.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2012
(continued)

38 CAPITAL ADEQUACY

BNM guidelines require banking entities to maintain a certain minimum level of capital funds against the "risk-weighted" value of assets and certain commitments and contingencies. The capital funds of Hong Leong Investment Bank ("HLIB") and MIMB Investment Bank Berhad ("MIMB") as at 30 June 2012 met the minimum requirement.

The capital ratios of the banking subsidiaries for year 2012 are computed based on BNM's revised Risk Weighted Capital Adequacy Framework Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

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

	HLIB		MIMB	
	2012	2011	2012	2011
Before deducting proposed dividends:				
Core capital ratio	24.8%	38.2%	147.6%	73.4%
Risk-weighted capital ratio	25.1%	38.6%	148.5%	73.9%
After deducting proposed dividends:				
Core capital ratio	23.1%	35.7%	147.6%	73.4%
Risk-weighted capital ratio	23.5%	36.1%	148.5%	73.9%

(ii) The components of Tier 1 and Tier 2 Capital of the banking subsidiaries are as follows:

	HLIB		MIMB	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tier-1 capital				
Paid-up share capital	265,535	265,535	75,000	75,000
Share premium	-	-	87,950	87,950
Other reserves [(1)]	15,936	53,414	11,774	93,102
Less: Goodwill	-	(30,236)	-	(66,663)
Less: Deferred tax assets	-	(41,716)	(35,469)	(35,319)
Total Tier-1 capital	281,471	246,997	139,255	154,070

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

38 CAPITAL ADEQUACY (continued)

(ii) The components of Tier 1 and Tier 2 Capital of the banking subsidiaries are as follows: (continued)

	HLIB		MIMB	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Tier-2 capital				
Redeemable preference shares	1,631	1,631	-	-
Collective assessment allowance for losses on loans and advances [2]	2,815	1,574	1,086	1,294
Total Tier-2 capital	4,446	3,205	1,086	1,294
Eligible Tier-2 capital	4,446	3,205	1,086	1,294
Total Tier-1 and Tier-2 capital	285,917	250,202	140,341	155,364
Less: Investments in subsidiary companies	(588)	(588)	(220)	(220)
Total capital base	285,329	249,614	140,121	155,144

Note:
[1] Fair value reserve has been excluded from the capital base.
[2] Excludes collective assessment allowance attributable to loans and advances classified as impaired.

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

	HLIB		MIMB	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Credit risk	750,181	286,833	34,603	90,139
Market risk	204,798	237,494	-	55,130
Operational risk	180,741	122,594	59,759	64,717
	1,135,720	646,921	94,362	209,986

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties and their relationships with the Company are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad ("HLCM")	Ultimate holding company
Hong Leong Financial Group Berhad ("HLFG")	Immediate holding company
Subsidiary companies of the Company as disclosed in Note 11	Subsidiaries
Subsidiary companies of HLCM	Subsidiaries of ultimate holding company
Subsidiary companies of HLFG	Subsidiaries of immediate holding company
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company and its holding company - Key management personnel of the Company who are in charge of the Group
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significant influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions

Transactions with related parties are as follows:

The Group 2012	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest income	-	7,965	-
Non-Interest income from Derivatives	-	3,234	-
Brokerage income	-	3,572	365
Corporate advisory fee	-	60	-
Arranger fee	395	850	-
Service charge	-	1,126	-
Gain on disposal of property and equipments	-	106	-
	395	16,913	365
Expenses			
Interest Expense	-	10,507	-
Rental	-	3,825	-
Management fee	3,054	-	-
Commission	-	4,027	-
Others	3	1,622	-
	3,057	19,981	-
Amounts due from:			
Cash and short-term funds	-	240,196	-
Financial assets held-for-trading	-	158,969	-
Financial investments held-to-maturity	-	48,923	-
Derivative financial Assets	-	3,635	-
Clients' and brokers' balances	-	1,304	-
Other assets	-	21,529	-
	-	474,556	-
Amounts due to:			
Deposits and placements of banks and other financial institutions	-	329,103	-
Derivative financial Liabilities		3,197	
Clients' and brokers' balances	-	14,761	55,271
Other liabilities	59	68	-
	59	347,129	55,271

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

The Company 2012	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest income	-	-	351	-
Dividends	-	2,400	-	-
Guarantee fee	-	10	-	-
	-	2,410	351	-
Expenses				
Interest Expense	-	17	-	-
Management fee	117	-	-	-
Corporate advisory fee	-	250	-	-
Others	3	-	179	-
	120	267	179	-
Amounts due from:				
Cash and short-term funds	-	-	1,327	-
Financial assets held-for-trading	-	-	409	-
Investment in subsidiary companies	-	402,474	-	-
Other assets	-	420	18,615	-
	-	402,894	20,351	-
Amounts due to:				
Other liabilities	2	-	24	1,326
	2	-	24	1,326

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

Transactions with related parties are as follows:

The Group 2011	Parent company RM'000	Other related companies RM'000	Key management personnel RM'000
Income			
Interest Income	-	3,096	-
Brokerage income	-	1,504	80
Corporate advisory fee	100	1,074	-
Arranger fee	-	6,058	-
Interest on interbank placements	-	1,231	-
	100	12,963	80
Expenses			
Interest expense	-	2,386	-
Rental	-	3,913	-
Interest on interbank borrowings	-	42	-
Management fee	418	2,115	-
Commission	-	4,637	-
Others	-	782	-
	418	13,875	-
Amounts due from:			
Cash and short term funds	-	367,488	-
Derivatives financial assets	-	9	-
Clients' and brokers' balances	-	17,918	-
Other assets	-	181	-
	-	385,596	-
Amounts due to:			
Deposits from customers	-	30,534	-
Derivatives financial Liabilities	-	376	-
Clients' and brokers' balances	-	18,174	63,914
Other liabilities	2	1,880	-
	2	50,964	63,914

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

39 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) Related parties transactions (continued)

The Company 2011	Parent company RM'000	Subsidiaries RM'000	Other related companies RM'000	Key management personnel RM'000
Income				
Interest on interbank placements	-	-	95	-
Dividend income	-	1,700	-	-
Gain on liquidation of a subsidiary	-	6,050	-	-
Others	-	10	-	-
	-	7,760	95	-
Amounts due from:				
Cash and short-term funds	-	-	10,157	-
Other assets		105		
	-	105	10,157	-
Amounts due to:				
Other liabilities	2	80	27	-
	2	80	27	-

(c) Key management personnel

Key management compensation

	The Group	
	2012 RM'000	2011 RM'000
Fees	**1,646**	810
Salaries and other short-term employee benefits	**5,153**	2,760
Defined contribution plan	**655**	330
	7,454	3,900

Included in the above is the Directors' remuneration which is disclosed in Note 30.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

40 SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

No analysis by geographical segments is presented as the Group's operations are substantially carried out in Malaysia.

Inter-segment pricing is determined based on negotiated terms. These transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise tax recoverable, deferred tax, other corporate assets and other corporate liabilities.

Segment capital expenditure is the total costs incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

Investment banking and stock broking	-	Securities and stockbroking and investment banking
Futures and options broking	-	Futures and options broking
Fund management and unit trust management	-	Unit trust management, fund management and sale of unit trusts
Investment holding and others	-	Investment holdings and others

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

40 SEGMENTAL INFORMATION (continued)

The Group 2012	Investment banking and stockbroking RM'000	Futures and options broking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	117,430	1,282	17,890	342	-	136,944
Inter-segment revenue	250	-	(10)	18,718	(18,958)	-
Total revenue	117,680	1,282	17,880	19,060	(18,958)	136,944
Overhead expenses	(68,800)	(1,379)	(15,997)	(3,228)	(697)	(90,101)
Writeback of impairment losses on loans and advances and other losses	3,141	-	-	9	-	3,150
Results						
Segment results from operations	52,021	(97)	1,883	15,841	(19,655)	49,993
Tax expense						(13,043)
Net profit for the financial year						36,950
Assets						
Segment assets	2,844,801	26,929	21,976	607,789	(533,590)	2,967,905
Other corporate assets						36,488
Total assets						3,004,393
Liabilities						
Segment liabilities	2,420,854	27,027	4,228	167,601	(723)	2,618,987
Other corporate liabilities						956
Total liabilities						2,619,943
Other informations						
Capital expenditure	1,910	-	336	-	-	2,246
Depreciation of property and equipment	2,185	45	276	-	-	2,506
Amortisation of intangible assets - computer software	729	4	63	-	-	796
Writeback of allowance for losses on loans and advances	(2,252)	-	-	-	-	(2,252)
Bad debts on loans and advances recovered	(118)	-	-	-	-	(118)
Writeback of allowance for losses on clients' and brokers' balances	(780)	-	-	-	-	(780)

Note:
1. Total segment revenue comprises of net interest income and non-interest income.
2. Other corporate assets are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

40 SEGMENTAL INFORMATION (continued)

The Group 2011	Investment banking and stockbroking RM'000	Futures and options broking RM'000	Fund management and unit trust management RM'000	Investment holding and others RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
External revenue	105,022	1,428	21,301	(288)	-	127,463
Inter-segment revenue	-	-	-	7,760	(7,760)	-
Total revenue	105,022	1,428	21,301	7,472	(7,760)	127,463
Overhead expenses	(59,713)	(1,276)	(15,587)	(1,129)	-	(77,705)
Writeback of impairment losses on loans and advances and other losses	748	-	-	-	-	748
Result						
Segment results from operations	46,057	152	5,714	6,343	(7,760)	50,506
Taxation						(11,981)
Net profit for the financial year						38,525
Assets						
Segment assets	2,068,309	18,096	31,449	504,576	(485,077)	2,137,353
Other corporate assets						42,917
Total assets						2,180,270
Liabilities						
Segment liabilities	1,789,173	18,041	13,299	21,019	(1,993)	1,839,539
Other corporate liabilities						416
Total liabilities						1,839,955
Other information						
Capital expenditure	4,026	-	396	-	-	4,422
Depreciation of property and equipment	2,180	9	223	-	-	2,412
Amortisation of intangible assets - computer software	779	2	54	-	-	835
Writeback of allowance for losses on loans and advances	(581)	-	-	-	-	(581)
Bad debts on loans and advances recovered	(278)	-	-	-	-	(278)
Allowance for losses on clients' and brokers' balances	111	-	-	-	-	111

Note:
1. Total segment revenue comprises of net interest income and non-interest income.
2. Other corporate assets and liabilities are not directly attributed to the business segments and cannot be allocated on a reasonable basis.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

40 SEGMENTAL INFORMATION (continued)

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

41 FINANCIAL INSTRUMENTS

(a) Risk management objectives and policies

Risk management is one of the core activities of the Group to strike a balance between sound practices and risk-return. An effective risk management is therefore vital to ensure that the Group conducts its business in a prudent manner to ensure that the risk of potential losses is reduced.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, credit limits and monitoring procedures. Credit risk includes settlement risk, default risk and concentration risk. Exposure to credit risk arises mainly from financing, underwriting, securities and derivative exposures of the Group.

The Group has set out Board approved policies and guidelines for the management of credit risk. To oversee all credit related matters of the Group, the Management Credit and Underwriting Committee ("MCUC") was setup in 2011 in addition to an independent Credit Department.

The Board has delegated appropriate Delegation of Authority to the MCUC and senior management for the approval of credit facilities. Credit limit setting for Treasury activities are endorsed by the MCUC and approved by the Board at least annually. Adherence to established credit policies, guidelines and limits is monitored daily by the Credit Control Department, Credit Department and the Risk Management Department.

Market Risk

Market risk is the risk of loss arising from adverse fluctuation in market prices, such as interest rates, equity prices and foreign currency. The Group monitors all such exposures arising from trading activities of the treasury and stockbroking business activities on a daily basis and management is alerted on the financial impact of these risks. To mitigate market risk, the Group also uses derivative financial instruments.

The Group has in place a set of policies, guidelines, measurement methodologies and control limits which includes Value-at-Risk ("VaR"), Present-Value-Basis-Point ("PVBP"), Management Action Trigger ("MAT"), notional limits and concentration limits to mitigating market risk.

Stress testing is also employed to capture the potential market risk exposures from unexpected market movements. Concerns and significant findings are communicated to the senior management at the Assets and Liabilities Management Committee ("ALMCO") and to the Board.

Liquidity Risk

Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets and/or meet obligations as they fall due. Financial obligations arises from the withdrawal of deposits, funding of loans committed and repayment of borrowed funds. It is the Group's policy to ensure that there is adequate liquidity across all business units to sustain ongoing operations, as well as sufficient liquidity to fund asset growth and strategic opportunities.

(b) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain constant. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group as at reporting date.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

(i) Interest rate sensitivity analysis

The following table shows the sensitivity of the Group's profit after tax and its equity to an immediate up and down +/-50 basis points ('bps') parallel shift in the interest rate.

	The Group		The Company	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
2012				
+50 bps	(294)	(1,440)	(825)	-
- 50 bps	294	1,440	825	-
2011				
+50 bps	2,167	(1,066)	(100)	-
- 50 bps	(2,167)	1,066	100	-

The results above represent financial assets and liabilities that have been prepared on the following basis:

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movements for all short-term interest rate sensitive financial assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movements for the short term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 50 basis point interest rate change impact. For assets and liabilities with non-fix maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing financial assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest rate.

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

The Group	Impact on profit after tax	
	2012 RM'000	2011 RM'000
+5 bps	68	(15)
- 5 bps	(68)	15

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Company's exposure to interest rate risks. Included in the tables are the Group's and the Company's assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates. As interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of interest rates on the structure of the statements of financial position. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liabilities funding.

The Group								
2012								
	Non-trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	905,869	-	-	-	-	59,707	-	965,576
Deposits and placements with banks and other financial institutions	-	50,584	41,583	-	-	-	-	92,167
Financial assets held-for-trading	-	-	-	-	-	-	705,692	705,692
Financial investments available-for-sale	-	-	14,712	100,555	-	2,445	-	117,712
Financial investments held-to-maturity	-	-	16,315	435,732	43,333	-	-	495,380
Derivative financial assets	-	-	-	-	-	-	31,866	31,866
Loans and advances	214,883	-	27,787	391	2,158	(1,086)	-	244,133
Clients' and brokers' balances	-	-	-	-	-	176,019	-	176,019
Other assets *	-	-	-	-	-	175,848	-	175,848
Total assets	1,120,752	50,584	100,397	536,678	45,491	412,933	737,558	3,004,393

* Include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, property and equipment, goodwill and intangible assets.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group								
2012	Non-trading book							
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	474,745	127,105	31,775	-	-	-	-	633,625
Deposits and placements of banks and other financial institutions	793,950	173,484	6,210	-	-	-	-	973,644
Repurchased agreements	-	-	115,167	-	-	-	-	115,167
Derivative financial liabilities	-	-	-	-	-	-	55,429	55,429
Clients' and brokers' balances	-	-	-	-	-	590,111	-	590,111
Borrowings	165,051	-	-	-	-	-	-	165,051
Other liabilities	-	-	-	-	-	86,916	-	86,916
Total liabilities	1,433,746	300,589	153,152	-	-	677,027	55,429	2,619,943
Total equity	-	-	-	-	-	384,450	-	384,450
Total liabilities and equity	1,433,746	300,589	153,152	-	-	1,061,477	55,429	3,004,393
On-balance sheet interest sensitivity gap	(312,994)	(250,005)	(52,755)	536,678	45,491			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(312,994)	(250,005)	(52,755)	536,678	45,491			

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group								
2011								
	◄ Non-trading book					►		
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	829,925	-	-	-	-	57,337	-	887,262
Reverse repurchase agreements	86,423	73,261	-	-	-	-	-	159,684
Deposits and placements with banks and other financial institutions	-	60,125	-	-	-	-	-	60,125
Financial assets held-for-trading	-	-	-	-	-	-	430,746	430,746
Financial investments available-for-sale	-	-	-	72,437	-	2,445	-	74,882
Financial investments held-to-maturity	-	-	-	52,077	60,570	-	-	112,647
Derivative financial assets	-	-	-	-	-	-	7,350	7,350
Loans and advances	18,615	89,360	-	-	-	-	-	107,975
Clients' and brokers' balances	-	-	-	-	-	169,733	-	169,733
Other assets *	-	-	-	-	-	169,866	-	169,866
Total assets	934,963	222,746	-	124,514	60,570	399,381	438,096	2,180,270

* Include statutory deposits with Bank Negara Malaysia, tax recoverable, deferred tax assets, property and equipment, goodwill and intangible assets.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Group								
2011	← Non-trading book					→		
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities								
Deposits from customers	391,005	4,238	-	-	-	-	-	395,243
Deposits and placements of banks and other financial institutions	746,079	-	1,920	-	-	-	-	747,999
Derivative financial liabilities	-	-	-	-	-	-	7,121	7,121
Clients' and brokers' balances	-	-	-	-	-	591,595	-	591,595
Other liabilities and tax liabilities	-	-	-	-	-	77,922	-	77,922
Borrowings	20,075	-	-	-	-	-	-	20,075
Total liabilities	1,157,159	4,238	1,920	-	-	669,517	7,121	1,839,955
Total equity	-	-	-	-	-	340,315	-	340,315
Total liabilities and equity	1,157,159	4,238	1,920	-	-	1,009,832	7,121	2,180,270
On-balance sheet interest sensitivity gap	(222,196)	218,508	(1,920)	124,514	60,570			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(222,196)	218,508	(1,920)	124,514	60,570			

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Company								
2012	← Non-trading book					→		
	Up to 1 month RM'000	1 - 3 months RM'000	3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	1,760	-	-	-	-	537	-	2,297
Financial assets held-for-trading	-	-	-	-	-	-	409	409
Other assets	-	-	-	-	-	19,046	-	19,046
Tax recoverable	-	-	-	-	-	893	-	893
Investment in subsidiary companies	-	-	-	-	-	402,474	-	402,474
Total assets	1,760	-	-	-	-	422,950	409	425,119
Liabilities								
Other liabilities	-	-	-	-	-	2,359	-	2,359
Borrowings	165,051	-	-	-	-	-	-	165,051
Total liabilities	165,051	-	-	-	-	2,359	-	167,410
Total equity	-	-	-	-	-	257,709	-	257,709
Total liabilities and equity	165,051	-	-	-	-	260,068	-	425,119
On-balance sheet interest sensitivity gap	(163,291)	-	-	-	-			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(163,291)	-	-	-	-			

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The Company 2011	Non-trading book: Up to 1 month RM'000	Non-trading book: 1 - 3 months RM'000	Non-trading book: 3 - 12 months RM'000	Non-trading book: 1 - 5 years RM'000	Non-trading book: Over 5 years RM'000	Non-trading book: Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	10,157	-	10,157
Financial assets held-for-trading	-	-	-	-	-	-	477	477
Other assets	-	-	-	-	-	110	-	110
Tax recoverable	-	-	-	-	-	1,306	-	1,306
Investment in subsidiary companies	-	-	-	-	-	268,189	-	268,189
Total assets	-	-	-	-	-	279,762	477	280,239
Liabilities								
Other liabilities	-	-	-	-	-	601	-	601
Borrowings	20,075	-	-	-	-	-	-	20,075
Total liabilities	20,075	-	-	-	-	601	-	20,676
Total equity	-	-	-	-	-	259,563	-	259,563
Total liabilities and equity	20,075	-	-	-	-	260,164	-	280,239
On-balance sheet interest sensitivity gap	(20,075)	-	-	-	-			
Off-balance sheet interest sensitivity gap	-	-	-	-	-			
Total interest rate sensitivity gap	(20,075)	-	-	-	-			

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. Liquidity obligations arise from wtihdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Company seek the project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8:

	The Group							
	2012							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	485,714	473,494	-	-	-	-	6,368	965,576
Deposits and placements with banks and other financial institutions	-	-	50,584	-	41,583	-	-	92,167
Financial assets held-for-trading	50,004	249,979	49,847	225,592	-	107,040	23,230	705,692
Financial investments available-for-sale	-	-	-	10,055	4,657	100,555	2,445	117,712
Financial investments held-to-maturity	-	-	-	16,315	-	479,065	-	495,380
Derivative financial assets	2,964	1,825	10,869	4,566	1,638	10,004	-	31,866
Loans and advances	134,377	79,884	-	27,342	27	2,503	-	244,133
Clients' and brokers' balances	173,526	2,493	-	-	-	-	-	176,019
Other assets *	440	4,821	18,656	257	45,064	9,844	96,766	175,848
Total assets	847,025	812,496	129,956	284,127	92,969	709,011	128,809	3,004,393

* Includes statutory deposits with Bank Negara Malaysia, property and equipment, intangible assets, tax recoverable, deferred tax assets and goodwill.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

	The Group							
	2012							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	355,088	119,657	127,105	-	31,775	-	-	633,625
Deposits and placements of banks and other financial institutions	382,532	411,418	173,484	4,599	1,611	-	-	973,644
Repurchased agreements	-	-	-	115,167	-	-	-	115,167
Derivative financial liabilities	1,699	12,441	19,089	2,542	2,803	16,855	-	55,429
Clients' and brokers' balances	588,422	1,689	-	-	-	-	-	590,111
Borrowings	-	165,051	-	-	-	-	-	165,051
Other liabilities	10,372	2,955	887	4,658	32,408	35,636	-	86,916
Total liabilities	1,338,113	713,211	320,565	126,966	68,597	52,491	-	2,619,943
Total equity	-	-	-	-	-	-	384,450	384,450
Total liabilities and equity	1,338,113	713,211	320,565	126,966	68,597	52,491	384,450	3,004,393

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012 (continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

	The Group							
	2011							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	707,227	180,035	-	-	-	-	-	887,262
Reverse repurchase agreements	-	86,423	73,261	-	-	-	-	159,684
Deposits and placements with banks and other financial institutions	-	-	60,125	-	-	-	-	60,125
Financial assets held-for-trading	19,262	134,903	78,477	20,071	5,036	113,133	59,864	430,746
Financial investments available-for-sale	-	-	-	-	10,099	62,338	2,445	74,882
Financial investments held-to-maturity	-	-	-	-	-	112,647	-	112,647
Derivative financial assets	396	650	2,218	50	48	3,988	-	7,350
Loans and advances	74,565	13,988	14,798	-	-	4,624	-	107,975
Clients' and brokers' balances	169,733	-	-	-	-	-	-	169,733
Other assets *	30,108	-	10,876	-	43,768	24,201	60,913	169,866
Total assets	1,001,291	415,999	239,755	20,121	58,951	320,931	123,222	2,180,270

* Includes statutory deposits with Bank Negara Malaysia, property and equipment, intangible assets, tax recoverable, deferred tax assets and goodwill.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

	The Group							
	2011							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	309,917	81,088	4,238	-	-	-	-	395,243
Deposits and placements of banks and other financial institutions	540,705	201,288	-	4,448	1,558	-	-	747,999
Derivative financial liabilities	914	803	2,857	29	2	2,516	-	7,121
Clients' and brokers' balances	591,595	-	-	-	-	-	-	591,595
Other liabilities	12,609	-	-	-	65,313	-	-	77,922
Borrowings	-	20,075	-	-	-	-	-	20,075
Total liabilities	1,455,740	303,254	7,095	4,477	66,873	2,516	-	1,839,955
Total equity	-	-	-	-	-	-	340,315	340,315
Total liabilities and equity	1,455,740	303,254	7,095	4,477	66,873	2,516	340,315	2,180,270

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

	The Company							
	2012							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	1,337	960	-	-	-	-	-	2,297
Financial assets held-for-trading	-	-	-	-	-	-	409	409
Other assets	424	-	18,614	-	7	-	1	19,046
Tax recoverable	-	-	-	-	-	-	893	893
Investment in subsidiary companies	-	-	-	-	-	-	402,474	402,474
Total assets	1,761	960	18,614	-	7	-	403,777	425,119
Liabilities								
Other liabilities	26	-	-	-	2,333	-	-	2,359
Borrowings	-	165,051	-	-	-	-	-	165,051
Total liabilities	26	165,051	-	-	2,333	-	-	167,410
Total equity	-	-	-	-	-	-	257,709	257,709
Total liabilities and equity	26	165,051	-	-	2,333	-	257,709	425,119

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilites (include non-financial instruments) as at 30 June 2012 based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM/GP8: (continued)

	The Company							
	2011							
	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	10,157	-	-	-	-	-	-	10,157
Financial assets held-for-trading	-	-	-	-	-	-	477	477
Other assets	105	-	-	-	5	-	-	110
Tax recoverable	-	-	-	-	-	-	1,306	1,306
Investment in subsidiary companies	-	-	-	-	-	-	268,189	268,189
Total assets	10,262	-	-	-	5	-	269,972	280,239
Liabilities								
Other liabilities	109	-	-	-	492	-	-	601
Borrowings	-	20,075	-	-	-	-	-	20,075
Total liabilities	109	20,075	-	-	492	-	-	20,676
Total equity	-	-	-	-	-	-	259,563	259,563
Total liabilities and equity	109	20,075	-	-	492	-	259,563	280,239

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

	The Group						
	2012						
	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Deposits from customers	475,051	127,281	31,966	-	-	-	634,298
Deposits and placements of banks and other financial institutions	794,607	178,772	1,664	-	-	-	975,043
Repurchased agreements	-	-	116,511	-	-	-	116,511
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(642,073)	(767,621)	(61,800)	-	-	-	(1,471,494)
- Outflow	653,915	782,084	63,543	-	-	-	1,499,542
- Net settled derivatives	85	1,762	2,173	9,232	4,463	70	17,785
Clients' and brokers' balances	590,111	-	-	-	-	-	590,111
Borrowings	165,490	-	-	-	-	-	165,490
Other liabilities	13,327	5,188	32,765	29,906	5,730	-	86,916
Total financial liabilities	2,050,513	327,466	186,822	39,138	10,193	70	2,614,202

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Group						
	2011						
	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Liabilities							
Deposits from customers	391,286	4,240	-	-	-	-	395,526
Deposits and placements of banks and other financial institutions	742,272	4,507	1,584	-	-	-	748,363
Derivative financial liabilities							
- Gross settled derivatives							
- Inflow	(557,566)	(303,551)	-	-	-	-	(861,117)
- Outflow	558,279	304,201	-	-	-	-	862,480
- Net settled derivatives	(38)	547	311	1,370	123	18	2,331
Clients' and brokers' balances	591,595	-	-	-	-	-	591,595
Borrowings	20,134	-	-	-	-	-	20,134
Other liabilities	13,026	-	64,896	-	-	-	77,922
Total financial liabilities	1,758,988	9,944	66,791	1,370	123	18	1,837,234

	The Company						
	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2012							
Liabilities							
Borrowings	165,490	-	-	-	-	-	165,490
Other liabilities	26	-	2,333	-	-	-	2,359
Total financial liabilities	165,516	-	2,333	-	-	-	167,849

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows. (continued)

	The Company						
	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2011							
Liabilities							
Borrowings	20,134	-	-	-	-	-	20,134
Other liabilities	109	-	492	-	-	-	601
Total financial liabilities	20,243	-	492	-	-	-	20,735

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

	The Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2012			
Direct credit substitutes	-	50,750	50,750
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	15,266	-	15,266
Any commitment that are unconditionally cancelled at anytime by the bank withour prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	289,099	-	289,099
	304,365	50,750	355,115
2011			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	20,238	-	20,238
	20,238	-	20,238

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers. The table below shows the maximum exposure to credit risk for the Group and the Company:

	The Group		The Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short-term funds (exclude cash in hand)	965,554	887,249	2,297	10,157
Reverse repurchase agreements	-	159,684	-	-
Deposits and placements with banks and other financial institutions	92,167	60,125	-	-
Financial assets and investments portfolios (exclude shares and unit trust investment):				
- Financial assets held-for-trading	682,462	370,882	-	-
- Financial investments available-for-sale	115,267	72,437	-	-
- Financial investments held-to-maturity	495,380	112,647	-	-
Loans and advances	244,133	107,975	-	-
Clients' and brokers' balances	176,019	169,733	-	-
Other assets	76,544	65,605	19,046	110
Derivative financial assets	31,866	7,350	-	-
	2,879,392	2,013,687	21,343	10,267
Credit risk exposure relating to off-balance sheet items:				
Commitments and contingencies	493,225	322,487	-	-
Total maximum credit risk exposure	3,372,617	2,336,174	21,343	10,267

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(ii) Collaterals

The main type of collaterals obtained by the Group are as follows:

(a) Fixed deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Quoted shares

The Group also accept non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 30 June 2012 for the Group is 55.6%. The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

(a) Loans and advances

All loans and advances are categorised as either:
- neither past due nor impaired;
- past due but not impaired; or
- impaired

Past due loans and advances refers to loans that are overdue by one day or more. Impaired loans and advances are loans and advances with months-in-arrears more than 90 days or with impaired allowances.

Loans and advances are summarised as follows:

	2012	2011
The Group	**RM'000**	**RM'000**
Neither past due nor impaired	248,034	104,924
Past due but not impaired	-	-
Individually impaired	1,256	9,374
Gross loans and advances	249,290	114,298
Less : Allowance for impaired loans, advances and financing		
- Individual assessment allowance	(1,256)	(4,679)
- Collective assessment allowance	(3,901)	(1,644)
Total net loans and advances	244,133	107,975

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances

(i) Loans and advances neither past due nor impaired

Analysis of loan and advances that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

The Group	2012 RM'000	2011 RM'000
Grading classification:		
- Good	246,211	104,924
- Fair	1,823	-
Total neither past due nor impaired	248,034	104,924

The definition of the grading classification can be summarised as follows:

Good:
Refers to loans and advances which have never been past due in the last 6 months and have never undergone any restructuring or rescheduling exercise previously.

Fair:
Refers to loans and advances which have been past due at some point within the last 6 months, or have undergone restructuring or rescheduling exercise previously.

(ii) Loans and advances past due but not impaired

A financial asset is defined as "past due" when the counterparty has failed to make a principal or interest payment when contractually due.

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary.

There were no loans and advances past due but not impaired for the Group.

(iii) Loans and advances that are individually determined to be impaired as at reporting date are as follows:

The Group	2012 RM'000	2011 RM'000
Gross amount of individually impaired loans	1,256	9,374
Less: Individual assessment allowance	(1,256)	(4,679)
Total net amount of individually impaired loans	-	4,695

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) The credit quality of financial assets other than loans and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3

Short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets.

Short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:-

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other assets RM'000	Derivative financial assets RM'000
2012								
Neither past due nor impaired	1,057,721	-	682,462	115,267	495,380	175,368	76,544	31,866
Individually impaired	-	-	-	-	-	1,403	-	-
Less : Impairment losses	-	-	-	-	-	(752)	-	-
	1,057,721	-	682,462	115,267	495,380	176,019	76,544	31,866
2011								
Neither past due nor impaired	947,374	159,684	370,882	72,437	112,647	169,525	65,605	7,350
Individually impaired	-	-	-	-	-	12,589	-	-
Less : Impairment losses	-	-	-	-	-	(12,381)	-	-
	947,374	159,684	370,882	72,437	112,647	169,733	65,605	7,350

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:- (continued)

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
2012		
Neither past due nor impaired	**2,297**	**19,046**
Individually impaired	-	-
Less : Impairment losses	-	-
	2,297	**19,046**
2011		
Neither past due nor impaired	10,157	110
Individually impaired	-	-
Less : Impairment losses	-	-
	10,157	110

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:- (continued)

(i) Analysis of short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows:

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other assets RM'000	Derivative financial assets RM'000
2012							
AAA to AA3	123,935	98,344	82,354	84,877	1,363	26,030	24,440
A1 to A3	1	-	6,781	154,596	-	-	3,507
Baa1 to Baa3	-	8,684	15,845	212,686	-	-	-
P1 to P3	822,460	375,719	-	-	-	-	-
Non-rated, of which:							
- Bank Negara Malaysia	90,122	199,683	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	5,131	-	-	-
- Government Guaranteed Private	-	-	-	-	-	-	-
Debt Securities	-	-	10,287	38,090	-	-	-
- Others	21,203	32	-	-	174,656	50,514	3,919
	111,325	199,715	10,287	43,221	174,656	50,514	3,919
	1,057,721	682,462	115,267	495,380	176,019	76,544	31,866

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:- (continued)

(i) Analysis of short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other assets RM'000	Derivative financial assets RM'000
2011								
AAA to AA3	-	-	265,033	51,298	20,565	-	9,221	3,834
A1 to A3	-	-	17,436	10,902	-	-	30,108	-
Baa1 to Baa3	-	-	68,210	-	76,710	-	-	-
P1 to P3	733,520	-	20,143	-	-		-	-
Non-rated, of which:								
- Bank Negara Malaysia	193,831	159,684	-	-	-	-	-	-
- Malaysia Government Investment Issues	-	-	-	-	5,153	-	-	-
- Government Guaranteed Private	-	-	-	-	-	-	-	-
Debt Securities	-	-	-	10,237	10,219	-	-	-
- Others	20,023	-	60	-	-	169,733	26,276	3,516
	213,854	159,684	60	10,237	15,372	169,733	26,276	3,516
	947,374	159,684	370,882	72,437	112,647	169,733	65,605	7,350

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets are summarised as follows:- (continued)

(i) Analysis of short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements, financial assets and investments portfolios, clients' and brokers' balances, other assets and derivative financial assets that are neither past due nor impaired by rating agency designation as at reporting date are as follows: (continued)

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Other assets RM'000
2012		
AAA to AA3	-	18,790
P1 to P3	2,297	-
Non-rated, of which:		
- Others	-	256
	-	256
	2,297	19,046
2011		
P1 to P3	10,157	-
Non-rated, of which:		
- Others	-	110
	-	110
	10,157	110

(iv) Collateral and other credit enhancements obtained

(a) Repossessed collateral

As and when required, the Group will take possession of collateral they hold as securities and will dispose of them as soon as practicable but not later than 5 years from the date they take possession, with the proceeds used to reduce the outstanding indebtedness. Repossessed collaterals are classified in the statements of financial position as other assets. There is no repossessed collateral as at the reporting date.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below:

The Group 2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Clients' and brokers' balances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	30,565	-	-	-	-	-	30,565	-
Manufacturing	-	-	-	10,208	1,202	-	-	-	11,410	241
Electricity, gas and water	-	-	6,781	-	-	-	-	-	6,781	-
Construction	-	-	-	-	626	-	-	2,250	2,876	2,364
Wholesale and retail	-	-	15,574	15,506	-	-	-	-	31,080	-
Transport, storage and communications	-	5,266	-	22,938	-	-	-	-	28,204	-
Finance, insurance, real estate and business services	967,596	477,503	62,347	431,554	100,604	1,363	26,475	29,616	2,097,058	81,803
Government and government agencies	90,125	199,693	-	15,174	-	-	15,518	-	320,510	-
Purchase of securities	-	-	-	-	109,565	173,526	-	-	283,091	289,099
Others	-	-	-	-	32,136	1,130	34,551	-	67,817	119,718
	1,057,721	682,462	115,267	495,380	244,133	176,019	76,544	31,866	2,879,392	493,225

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance sheet financial instruments are set out below: (continued)

The Group 2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Reverse repurchase agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans and advances RM'000	Clients' and brokers' balances RM'000	Other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Credit related commitments and contingencies RM'000
Agriculture	-	-	-	10,099	-	15,588	-	-	-	25,687	-
Mining and quarrying	-	-	-	-	-	4,627	-	-	-	4,627	-
Manufacturing	-	-	-	-	10,246	12,108	-	-	-	22,354	-
Electricity, gas and water	-	-	-	6,482	-	-	-	-	-	6,482	20,078
Wholesale and retail	-	-	-	10,398	-	-	-	-	-	10,398	-
Transport, storage and communications	-	-	59,163	-	5,089	-	-	-	-	64,252	-
Finance, insurance, real estate and business services	754,324	-	311,719	19,797	92,159	-	-	41,277	7,350	1,226,626	160
Government and government agencies	193,050	159,684	-	25,661	5,153	-	-	9,976	-	393,524	-
Purchase of securities	-	-	-	-	-	74,564	165,813	-	-	240,377	302,249
Others	-	-	-	-	-	1,088	3,920	14,352	-	19,360	-
	947,374	159,684	370,882	72,437	112,647	107,975	169,733	65,605	7,350	2,013,687	322,487

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(d) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's and the Company's financial assets, including off-balance financial instruments are set out below: (continued)

The Company	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Other assets RM'000	On-balance sheet total RM'000
2012				
Finance, insurance, real estate and business services	2,297	-	19,039	21,496
Others	-	-	7	475
	2,297	-	19,046	21,971
2011				
Finance, insurance, real estate and business services	10,157	477	-	10,634
Others	-	-	110	110
	10,157	477	110	10,744

(e) Fair value measurement

Amendments to FRS 7 "Financial Instruments: Disclosures – improving disclosures about financial instruments" (effective from 1 January 2011) require disclosure of fair value measurements by level of a fair value measurement hierarchy. Comparatives disclosures is not required by the standard.

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.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

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). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
The Group 2012				
Financial assets				
Financial assets held-for-trading	23,230	682,462	-	705,692
Financial investments available-for-sale	-	115,267	2,445	117,712
Derivative financial assets	-	31,866	-	31,866
	23,230	829,595	2,445	855,270
Financial liabilities				
Derivative financial liabilities	-	55,429	-	55,429
The Company 2012				
Financial assets				
Financial assets held-for-trading	409	-	-	409

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

The Group 2012	Financial investment available-for-sale Domestic RM'000
As at 1 July 2011/30 June 2012	2,445

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

The table below summarises the carrying amounts and the fair values of those financial assets not presented in the Group's and the Company's statements of financial position at their fair values:

	The Group and the Company	
	Carrying amount RM'000	Fair value RM'000
2012		
Financial assets		
Financial investments held-to-maturity	495,380	506,037
Financial liabilities		
Repurchased agreements	115,167	115,802
2011		
Financial assets		
Financial investments held-to-maturity	112,647	112,306

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with banks and other financial institutions

For deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Financial investments held-to-maturity

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company will establish the fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flows analysis and other valuation techniques commonly used by market participants.

Loans and advances

For floating rate loans, the carrying value is generally a reasonable estimate of fair value. For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of individual assessment allowance, being the expected recoverable amount.

Clients' and brokers' balances

The carrying amount as at reporting date approximate fair values due to relatively short-term maturity of these financial instruments.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

41 FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

The fair values are based on the following methodologies and assumptions: (continued)

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For each deposit with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

Deposits and placements of other financial institutions and repurchased agreements

The estimated fair values of deposits and placements of other financial institutions and repurchased agreements with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received less associated costs.

42 EQUITY COMPENSATION BENEFITS

Executive Share Option Scheme ("ESOS" or "Scheme")

The Executive Share Option Scheme of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company which was approved by the shareholders of the Company on 8 November 2005, was established on 23 January 2006 and would be in force for a period of ten (10) years.

On 18 January 2006, the Company announced that Bursa Malaysia Securities Berhad ("Bursa Securities") has approved-in-principle the listing of new ordinary shares of the Company to be issued pursuant to the exercise of options under the ESOS at any time during the existence of the ESOS.

The ESOS would provide an opportunity for eligible executives who had contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:-

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors (executive or non-executive) of the Company and its subsidiaries. The maximum allowable allotments for the full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

2. The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being ("Aggregate Maximum Allocation").

3. The Scheme shall be in force for a period of ten (10) years from 23 January 2006.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

42 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

The main features of the ESOS are, inter alia, as follows:- (continued)

4. The option price shall not be at a discount of more than ten percent (10%) (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

5. The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS.

6. The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust established for the ESOS; or a combination of both new shares and existing shares.

Pursuant to this, a trust has been set up for the ESOS and it is administered by an appointed trustee. This trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase the Company's shares from the open market for the purposes of this trust. In accordance with FRS 132, the shares purchased for the benefit of the ESOS holdings are recorded as "Treasury Shares for ESOS Scheme" in equity on the balance sheet. The cost of operating the ESOS scheme is charged to the statement of income.

The trustee will manage the trust in accordance with the trust deed. Upon termination of the trust, the trustee will dispose all remaining trust shares, if any, and deal with any surplus or deficit of the trust in accordance with the instructions of the Company.

On 19 January 2011, the Company's wholly owned subsidiary, Hong Leong Investment Bank Berhad ("the Bank") granted 4,475,000 conditional incentive share options of the Company's shares (Affirmative Action Bonus ("AAB")) options to eligible executives of the Bank pursuant to ESOS at exercise price of RM1.42.

The ordinary share options granted under the ESOS are as follows:

Grant date	Expiry Date		As at 30 June 2011	Lapsed	As at 30 June 2012
19 January 2011	18 July 2013	*	1,342,500	(82,500)	**1,260,000**
19 January 2011	18 April 2014	^	1,566,250	(96,250)	**1,470,000**
19 January 2011	18 April 2015	^	1,566,250	(96,250)	**1,470,000**
			4,475,000	(275,000)	**4,200,000**

* The exercise period is up to 6 months from the date of notification of entitlement ("Vesting Date").
^ The exercise period is up to 3 months from the Vesting Date.

The estimated fair value of each share option granted is between RM0.36 to RM0.48 per option. This was calculated using the Black-Scholes model. The model inputs were the share price at grant date of RM1.39, exercise price of RM1.42, expected volatility of 36.7%, expected yield of 0% and a risk free interest rate of 3.8%.

The options outstanding at reporting date had an exercise price of RM1.42 and weighted average remaining contractual life (from grant date to the end of exercise period) of 2 years (2011: 3 years).

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

42 EQUITY COMPENSATION BENEFITS (continued)

Executive Share Option Scheme ("ESOS" or "Scheme") (continued)

The number and market values of the ordinary shares held by the Trustee are as follows:

	The Group and The Company			
	2012		2011	
	Number of trust shares held '000	Market value RM'000	Number of trust shares held '000	Market value RM'000
At 1 July	**12,287**	**14,007**	12,287	17,448
Shares purchased	-	-	-	-
At 30 June	**12,287**	**14,007**	12,287	17,448

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed business rationalisation

The Company had on 12 March 2012 announced the approval from the Minister of Finance through Bank Negara Malaysia ("BNM"), to enter into sale and purchase agreement with Hong Leong Bank Berhad ("HLBB") in respect of the proposed acquisition of MIMB Investment Bank Berhad ("MIMB").

On 10 April 2012, the Company had entered into the following:

(i) a conditional sale and purchase agreement with HLBB for the proposed acquisition of the entire equity interest in MIMB ("MIMB SPA") for an indicative cash consideration of RM157.90 million in accordance with the terms and subject to the conditions therein;

(ii) a letter of indemnity from HLBB to the Company pursuant to the MIMB SPA;

(iii) a conditional sale and purchase agreement with HLBB for the proposed disposal of the entire equity interest in Hong Leong Investment Bank Berhad ("HLIB") ("HLIB SPA") for a sum equal to the net tangible assets of HLIB as at the date immediately preceding the completion date of the HLIB SPA.

Based on the HLBB's letter of indemnity to the Company, HLBB has agreed to indemnify and reimburse the Company in respect of:

(a) any liability in respect of all existing legal action taken against MIMB as at the date of the MIMB SPA; and

(b) all legal action against MIMB not provided for in the completion accounts arising after the date of the MIMB SPA (and within 2 years from the MIMB SPA completion date), where the cause of action giving rise to such legal action arose prior to the MIMB SPA completion date.

The abovesaid proposals were tabled and approved by the shareholders at the Extraordinary General Meeting of the Company held on 24 May 2012.

The proposed acquisition of MIMB had been completed on 1 June 2012. With effect from 1 June 2012, MIMB became a wholly-owned subsidiary of HLCB.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(a) Proposed business rationalisation (continued)

The acquisition was accounted for using predecessor basis of accounting.

Following the completion of the Acquisition of MIMB, the Company will rationalise the investment banking business of HLIB and MIMB by transferring the entire assets, liabilities, activities, business and undertaking of HLIB to MIMB for a provisional consideration of RM251.30 million, to be satisfied by MIMB to HLIB in the following manner:

(a) cash consideration of RM159,669,234.76;
(b) 90 million new ordinary shares of RM1.00 each in MIMB; and
(c) 163,076,524 new redeemable preference shares of RM0.01 each in MIMB.

HLIB's business undertakings shall subsequently be vested to MIMB pursuant to a Court Order to be procured. The proposed business rationalisation is expected to be completed by end of 2012. Upon completion of the proposed business rationalisation, HLIB shall surrender its merchant banking license to BNM and its Capital Markets Sevices License to the Securities Commission. HLIB shall thereafter undertake a capital reduction exercise to reduce its capital to a nominal amount.

Following from the certification by the Auditors of the Completion Net Tangible Assets ("NTA"), the final consideration in respect of the acquisition of MIMB has been determined at RM139.29 million. HLCB had on 14 August 2012 received the sum of RM18.61 million from HLBB, being the differential amount between the final consideration and the MIMB consideration of RM157.90 million.

On 15 August 2012, High Court Malaysia had granted a Vesting Order for the transfer of the entire assets, liabilities, activities, business and undertakings of HLIB to MIMB with effect from 29 September 2012.

The effect of the acquisition on the Group's cash flows is as follows:

	The Group RM'000
At date of acquisition:	
Cash and short term funds	32,993
Deposits and placements with banks and other financial institutions	70,439
Loans and advances	71,353
Other assets	11,712
Property and equipment	1,022
Intangible assets	24
Deferred tax assets	6,275
Net clients' and brokers' balance	(22,185)
Other liabilities	(26,073)
Net assets acquired at the date of acquisition	145,560
Post acquisition loss of a subsidiary acquired under common control	16,604
Merger surplus arising from acquisition	(22,879)
Total purchase consideration	139,285
Less: Cash and cash equivalents of a subsidiary acquired	(32,993)
Net cash flows of the Group on acquisition of a subsidiary	106,292

The financial results of MIMB in the financial period between the date of aquisition and the reporting date was not significant to the Group.

NOTES
TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

43 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Disposal of a subsidiary

On 28 June 2012, Hong Leong Investment Bank Berhad ("HLIB"), a wholly owned subsidiary of the Company, had entered into a share sale agreement with HLA Holdings Sdn Bhd ("HLAH"), a wholly-owned subsidiary of Hong Leong Financial Group Berhad ("HLFG"), for the disposal of its entire equity interest in RC Holdings Sdn Bhd ("RCH") to HLAH for a consideration equivalent to the net assets of RCH (excluding tax recoverable) as at 28 June 2012 or such other date as may be mutually agreed by the parties. The unaudited net assets of RCH (excluding tax recoverable) as at 28 June 2012 is approximately RM81,000.

The financial information relating to the disposal is immaterial to the Group.

The Disposal is not subject to the approval of the shareholders of HLCB and any regulatory authorities.

(c) Capital reduction of a subsidiary

On 5 August 2011, HLG Futures Sdn Bhd, a wholly owned subsidiary of the Company, had reduced its issued and paid-up capital from RM5,000,000 divided into 5,000,000 issued and fully paid-up ordinary shares of RM1.00 each to RM2.00 divided into 5,000,000 issued and fully paid-up ordinary shares of RM0.0000004 each and such reduction was effected by returning to the shareholder the 5,000,000 ordinary shares that have been issued as paid-up capital to the extent of RM0.9999996 per share, such capital being in excess of the needs of HLG Futures and by reducing the nominal amount of each such ordinary share to RM0.0000004.

Upon the aforesaid capital reduction taking effect, the 5,000,000 shares of RM0.0000004 each of HLG Futures are consolidated in such manner that every 2,500,000 of the said shares constitute one (1) RM1.00 share upon which the sum of RM1.00 is credited as fully paid-up.

44 SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

(a) Proposed increased authorised share capital

On 13 August 2012, MIMB Investment Bank Berhad ("MIMB") increased its authorised share capital from RM500,000,000 comprising 500,000,000 shares of RM1 each to RM620,000,000 comprising 620,000,000 shares of RM1 each, and 2,000,000,000 redeemable preference shares of RM0.01 each.

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 30 June 2012
(continued)

45 REALISED AND UNREALISED PROFITS

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants on 20 December 2010 and the directive of Bursa Malaysia Securities Berhad.

The Group	2012 RM'000	2011 RM'000
Total retained profits of Hong Leong Capital Berhad and its subsidiaries:		
- Realised	99,846	62,961
- Unrealised - in respect of deferred tax recognised in the profit or loss	34,602	42,311
- in respect of other items of income and expenses	25,684	7,201
	160,132	112,473
Less: Consolidation adjustments	(58,524)	(34,960)
Total Group's retained profits	101,608	77,513
The Company		
Total retained profits of Hong Leong Capital Berhad		
- Realised	24,007	25,693
- Unrealised - in respect of other items of income and expenses	9	177
	24,016	25,870

The Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

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.

STATEMENT BY DIRECTORS
pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman and Choong Yee How, the Directors of Hong Leong Capital Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 37 to 134 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and of the results and cash flows of the Group and the Company for the financial year then ended on that date, in accordance with the provisions of the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines.

On behalf of the Board.

TAN SRI DATO' SERI KHALID AHMAD BIN SULAIMAN
Director

CHOONG YEE HOW
Director

Kuala Lumpur
18 September 2012

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, Lau Yew Sun, the officer primarily responsible for the financial management of Hong Leong Capital Berhad, do solemnly and sincerely declare that the financial statements set out on pages 37 to 134 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Lau Yew Sun
Kuala Lumpur in Wilayah Persekutuan on
18 September 2012

Before me,

LEONG SEE KEONG
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Capital Berhad
(Incorporated in Malaysia) (Company No: 213006-U)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Hong Leong Capital Berhad, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 44, on page 37 to 133.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act, 1965, the MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities and Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in the form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of Hong Leong Capital Berhad
(Incorporated in Malaysia) (Company No: 213006-U)
(continued)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 45 on page 134 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

ONG CHING CHUAN
(No. 2907/11/13 (J))
Chartered Accountant

Kuala Lumpur
18 September 2012

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-first Annual General Meeting of Hong Leong Capital Berhad ("the Company") will be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 30 October 2012 at 10.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2012.

2. To approve the payment of Directors' fees of RM370,000 for the financial year ended 30 June 2012 (2011: RM310,000), to be divided amongst the Directors in such manner as the Directors may determine. *(Resolution 1)*

3. To re-elect the following retiring Directors:

   (a) YBhg Dato' Mohamed Nazim bin Abdul Razak *(Resolution 2)*
   (b) Mr Quek Kon Sean *(Resolution 3)*

4. To pass the following motion as an ordinary resolution:

   " **THAT** YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting." *(Resolution 4)*

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. *(Resolution 5)*

SPECIAL BUSINESS
As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:-

6. **Authority To Directors To Issue Shares**

   " **THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." *(Resolution 6)*

7. **Proposed Renewal of and New Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM**

   " **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(A) and (C) of the Company's Circular to Shareholders dated 8 October 2012 ("the Circular") with HLCM and persons connected with HLCM, as set out in Appendix II of the Circular provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders; **AND THAT** the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

NOTICE
OF ANNUAL GENERAL MEETING
(continued)

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting, ***(Resolution 7)***

whichever is the earlier."

8. **Proposed Renewal of and New Shareholders' Mandate on Recurrent Related Party Transactions of a Revenue or Trading Nature with Tower Real Estate Investment Trust ("Tower REIT")**

" **THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature as disclosed in Section 2.3(B) of the Company's Circular to Shareholders dated 8 October 2012 with Tower REIT provided that such transactions are undertaken in the ordinary course of business, on arm's length basis and on commercial terms which are not more favourable to the related party than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders; **AND THAT** the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting, ***(Resolution 8)***

whichever is the earlier."

9. To consider any other business of which due notice shall have been given.

By Order of the Board

CHRISTINE MOH SUAT MOI
(MAICSA 7005095)
Group Company Secretary

Kuala Lumpur
8 October 2012

NOTICE OF ANNUAL GENERAL MEETING
(continued)

NOTES:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.

2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds.

3. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.

4. The Form of Proxy must be deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. **Ordinary Resolution 6 on Authority to Directors to Issue Shares**

   The proposed Ordinary Resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 27 October 2011 and which will lapse at the conclusion of the Twenty-first AGM.

   The Renewed Mandate will enable the Directors to take swift action in case of, inter alia a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares and to avoid delay and cost in convening general meetings to approve such issue of shares.

2. **Ordinary Resolutions 7 and 8 on Recurrent Related Party Transactions of a Revenue or Trading Nature**

   The proposed Ordinary Resolutions, if passed, will empower the Company and its subsidiaries ("HLCB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for HLCB Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

   Detailed information on the Proposed Renewal of and New Shareholders' Mandate is set out in the Circular to Shareholders dated 8 October 2012 which is dispatched together with the Company's 2012 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Twenty-first AGM of the Company.

OTHER INFORMATION

1. MATERIAL CONTRACTS

Save for the following, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad:

- Conditional sale and purchase agreement dated 10 April 2012 entered into between the Company and Hong Leong Bank Berhad (HLBB") for the proposed acquisition of the entire equity interest in MIMB Investment Bank Berhad for an indicative cash consideration of RM157.90 million in accordance with the terms and subject to the conditions therein.

Hong Leong Financial Group Berhad is a direct major shareholder of the Company and HLBB.

YBhg Tan Sri Quek Leng Chan is a Director and deemed major shareholder of the Company and HLBB.

Mr Quek Kon Sean is a Director of the Company and HLBB. He is also the son of Tan Sri Quek Leng Chan.

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012

Authorised share capital : RM500,000,000
Issued & paid-up capital : RM246,896,668
Class of shares : Ordinary shares of RM1.00 each
Voting rights
- on show of hands : 1 vote
- on a poll : 1 vote for each share held

Distribution Schedule of Shareholders as at 3 September 2012

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	49	1.57	1,880	0.00
100 – 1,000	666	21.30	612,294	0.25
1,001 – 10,000	1,833	58.62	8,534,738	3.46
10,001 – 100,000	528	16.88	15,761,461	6.38
100,001 – less than 5% of issued shares	50	1.60	26,723,068	10.82
5% and above of issued shares	1	0.03	195,263,227	79.09
	3,127	100.00	246,896,668	100.00

List of Thirty Largest Shareholders as at 3 September 2012

Name of Shareholders	No. of Shares	%
1. Assets Nominees (Tempatan) Sdn Bhd *- Hong Leong Financial Group Berhad*	195,263,227	79.09
2. AmTrustee Berhad *- Exempt AN for HLG Capital Berhad (ESOS)*	12,287,200	4.98
3. Quek Siow Leng	1,254,900	0.51
4. Siva Kumar A/L M Jeyapalan	1,164,300	0.47

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 (continued)

List of Thirty Largest Shareholders as at 3 September 2012 (continued)

	Name of Shareholders	No. of Shares	%
5.	Citigroup Nominees (Asing) Sdn Bhd - *Exempt AN for UBS AG Hong Kong (Foreign)*	1,000,000	0.40
6.	Tan Liew Cheun	930,000	0.38
7.	Low Poh Weng	688,000	0.28
8.	HDM Nominees (Asing) Sdn Bhd - *Lim & Tan Securities Pte Ltd (A/C House)*	628,000	0.25
9.	Amsec Nominees (Tempatan) Sdn Bhd - *Yu Kuan Chon*	526,000	0.21
10.	HLG Nominee (Tempatan) Sdn Bhd - *Chut Nyak Isham Bin Nyak Ariff*	507,000	0.21
11.	Malacca Equity Nominees (Tempatan) Sdn Bhd - *Ho Kok Kiang*	500,000	0.20
12.	Life Enterprise Sdn Bhd	439,600	0.18
13.	Pacific & Orient Insurance Co Berhad	397,000	0.16
14.	Wong Wooi Choon @ Philip Wong	300,000	0.12
15.	RHB Capital Nominees (Tempatan) Sdn Bhd - *Su Ming Keat*	298,000	0.12
16.	Public Nominees (Tempatan) Sdn Bhd - *Lee Lak Chye @ Li Choy Hin*	292,100	0.12
17.	HSBC Nominees (Asing) Sdn Bhd - *Exempt AN for Credit Suisse*	269,900	0.11
18.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd - *Yu Kuan Chon*	263,400	0.11
19.	Tan Kwang How	240,000	0.10
20.	Sai Yee @ Sia Say Yee	217,000	0.09
21.	Cimsec Nominees (Tempatan) Sdn Bhd - *Teoh Ewe Jin*	204,000	0.08
22.	Low Vee Leong	200,000	0.08
23.	Yee Chin Shiar	200,000	0.08
24.	Lim Kheng Boon	196,000	0.08
25.	ECML Nominees (Tempatan) Sdn. Bhd - *Yu Kuan Chon*	194,700	0.08
26.	Chong Thuah Realty Sdn Bhd	188,000	0.08
27.	Omar Bin Zolkifli	180,068	0.07
28.	Heng Ah Lik	179,400	0.07
29.	Kenanga Nominees (Tempatan) Sdn Bhd - *Yu Kuan Chon*	177,400	0.07
30.	Ong Joo Hock	175,300	0.07
		219,360,495	88.85

OTHER INFORMATION
(continued)

2. ANALYSIS OF SHAREHOLDINGS AS AT 3 SEPTEMBER 2012 (continued)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 3 September 2012 are as follows:-

Names of Shareholders	Direct Interest No. of Shares	Direct Interest %	Indirect Interest No. of Shares	Indirect Interest %
Hong Leong Financial Group Berhad	195,263,227	79.09	-	-
Tan Sri Quek Leng Chan			195,263,227**	79.09
Hong Leong Company (Malaysia) Berhad			195,263,227*	79.09
HL Holdings Sdn Bhd			195,263,227**	79.09
Kwek Holdings Pte Ltd			195,263,227**	79.09
Kwek Leng Beng			195,263,227**	79.09
Hong Realty (Private) Limited			195,263,227**	79.09
Hong Leong Investment Holdings Pte Ltd			195,263,227**	79.09
Davos Investment Holdings Private Limited			195,263,227**	79.09
Kwek Leng Kee			195,263,227**	79.09
Quek Leng Chye			195,263,227**	79.09
Guoco Assets Sdn Bhd			195,263,227*	79.09
Guoco Group Limited			195,263,227*	79.09
GuoLine Overseas Limited			195,263,227*	79.09
GuoLine Capital Assets Limited			195,263,227*	79.09

* Held through Hong Leong Financial Group Berhad
** Held through Hong Leong Company (Malaysia) Berhad

3. DIRECTORS' INTERESTS AS AT 3 SEPTEMBER 2012

Subsequent to the financial year end, there is no change, as at 3 September 2012 to the Directors' interests in the ordinary shares and/or preference shares and/or convertible bonds and/or options over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 29 to 33 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

4. LIST OF PROPERTIES

Location	Tenure	Description of property held	Gross Area (Sq-ft)	Approx. Age (Years)	Net book value (RM'000)	Date of acquisition
1. 51-53, Persiaran Greenhill 30450 Ipoh, Perak	Freehold & leasehold -999 years	Branch premises	4,793	17	1,937	31/12/1993

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Hong Leong Capital Berhad (213006-U)
A Member of the Hong Leong Group

FORM OF PROXY

I/We ____

NRIC/Passport/Company No. ____

of ____

being a member of HONG LEONG CAPITAL BERHAD (the "Company"), hereby appoint ____

____

NRIC/Passport No. ____

of ____

____

or failing him/her ____

____

NRIC/Passport No. ____

of ____

____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Twenty-first Annual General Meeting of the Company to be held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Tuesday, 30 October 2012 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS		FOR	AGAINST
1.	To approve the payment of Directors' fees.		
2.	To re-elect YBhg Dato' Mohamed Nazim bin Abdul Razak as a Director.		
3.	To re-elect Mr Quek Kon Sean as a Director.		
4.	To re-appoint YBhg Tan Sri Dato' Seri Khalid Ahmad bin Sulaiman as a Director pursuant to Section 129 of the Companies Act, 1965.		
5.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.		
Special Business			
6.	To approve the ordinary resolution on authority to Directors to issue shares.		
7.	To approve the ordinary resolution on the proposed renewal of and new shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and Persons Connected with HLCM.		
8.	To approve the ordinary resolution on the proposed renewal of and new shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Tower Real Estate Investment Trust.		

Dated this .... day of 2012

______________________ Number of shares held

______________________ Signature(s) of Member

Notes:-

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 22 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
3. If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
4. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
5. Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please see note 9 below). Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
6. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
7. In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
8. All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 8, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time and date of the meeting or adjourned meeting.
9. In the event two or more proxies are appointed, please fill in the ensuing section:

Name of Proxies	% of shareholdings to be represented

Fold This Flap For Sealing

Then Fold Here

Affix
Stamp

The Group Company Secretary
HONG LEONG CAPITAL BERHAD
(Company No. 213006-U)

Level 8, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

1st Fold Here