



Financial Results

Form Version 8 (Enhanced)

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Submitted

Company Information

Main Market Company

New Announcement

Submitting Investment Bank/Advisor
(if applicable)Submitting Secretarial Firm (if
applicable)

* Company name	HONG LEONG CAPITAL BERHAD (formerly known as HLG Capital Berhad)
* Stock name	HLCAP
* Stock code	5274
* Contact person	Ms Christine Moh Suat Moi
* Designation	Company Secretary
* Contact number	03-21642501
E-mail address	smmoh@hongleong.com.my

Part A : To be filled by Public Listed Company

* Financial Year End	30/06/2011
* Quarter	4 Qtr
* Quarterly report for the financial period ended	30/06/2011
* The figures	have not been audited

Please attach the full Quarterly Report here

[HLCB - 4th Quarterly Report 26.8.2011.pdf](#)

Remarks

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
* 30/06/2011

INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD

	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Revenue	39,684	24,621	167,913	91,738
2. Profit/(loss) before tax	7,907	3,916	50,506	20,446
3. Profit/(loss) for the period	6,857	2,624	38,525	14,254
4. Profit/(loss) attributable to ordinary equity holders of the parent	6,857	2,624	38,525	14,254
5. Basic earnings/(loss) per share (Subunit)	2.90	1.10	16.40	6.00
6. Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
	AS AT END OF CURRENT QUARTER*		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)		1.4500		1.3000

Remarks :

Net assets per share attributable to ordinary equity holders of the parent (RM) is computed as Total Shareholders' Funds (excluding Minority Interest) divided by total number of ordinary shares in circulation.

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

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HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	The Group		The Company	
		As at 30/06/2011 RM'000	As at 30/06/2010 RM'000	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
ASSETS					
Cash and short term funds		887,262	722,645	10,157	230
Reverse repurchase agreements		159,684	-	-	-
Deposits and placements with banks and other financial institutions		60,125	45,070	-	-
Financial assets held-for-trading	10	430,746	431,783	477	372
Financial investments available-for-sale	11	74,882	2,445	-	-
Financial investments held-to-maturity	12	112,647	10,000	-	-
Derivative financial assets	18	5,358	23	-	-
Loans and advances	13	107,975	117,926	-	-
Clients' and brokers' balances	14	169,733	88,798	-	-
Other assets	15	68,635	17,222	110	2,869
Statutory deposits with Bank Negara Malaysia		17,800	4,000	-	-
Tax recoverable		605	810	1,306	2,312
Investment in subsidiary companies		-	-	268,477	270,189
Deferred tax assets		42,311	53,038	-	-
Property and equipment		8,354	6,934	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,094	1,339	-	-
TOTAL ASSETS		2,180,270	1,535,092	280,527	275,972
LIABILITIES					
Deposits from customers	16	395,243	31,218	-	-
Deposits and placements of banks and other financial institutions	17	747,999	600,990	-	-
Derivative financial liabilities	18	5,159	1,194	-	-
Clients' and brokers' balances		591,595	262,415	-	-
Other liabilities	19	79,884	313,199	601	666
Borrowings		20,075	22,000	20,075	22,000
TOTAL LIABILITIES		1,839,955	1,231,016	20,676	22,666

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	The Group		The Company	
		As at 30/06/2011 RM'000	As at 30/06/2010 RM'000	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		106,622	70,383	26,158	19,613
Treasury shares for ESOS scheme		(13,203)	(13,203)	(13,203)	(13,203)
TOTAL EQUITY		340,315	304,076	259,851	253,306
TOTAL LIABILITIES AND EQUITY					
		2,180,270	1,535,092	280,527	275,972
COMMITMENTS AND CONTINGENCIES					
	25	2,958,703	3,492,940	-	-
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		1.45	1.30		

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

		Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
	Note				
<u>The Group</u>					
Operating revenue		39,684	24,621	167,913	91,738
Interest income	20	19,394	4,529	60,125	15,998
Interest expense	21	(12,018)	(930)	(40,450)	(6,279)
Net interest income		7,376	3,599	19,675	9,719
Other operating income	22	20,290	20,092	107,788	75,740
Net income		27,666	23,691	127,463	85,459
Other operating expenses	23	(19,716)	(19,246)	(77,705)	(63,972)
Operating profit		7,950	4,445	49,758	21,487
Write-back of/(allowance for) impairment on loans and advances and other assets	24	(43)	(529)	748	(1,041)
Profit before tax expense		7,907	3,916	50,506	20,446
Tax expense		(1,050)	(1,292)	(11,981)	(6,192)
Net profit for the period		6,857	2,624	38,525	14,254
Earnings per RM1.00 share: - basic and diluted (sen)		2.9	1.1	16.4	6.0

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
<u>The Group</u>				
Net profit for the period	6,857	2,624	38,525	14,254
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	21	-	74	-
Income tax relating to net fair value changes on financial investments available-for-sale	(5)	-	(18)	-
Other comprehensive income for the period, net of tax	16	-	56	-
Total comprehensive income for the period	<u>6,873</u>	<u>2,624</u>	<u>38,581</u>	<u>14,254</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

		Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
<u>The Company</u>					
Operating revenue		<u>7,838</u>	<u>4,232</u>	<u>7,959</u>	<u>4,367</u>
Interest income	20	53	105	95	205
Interest expense	21	<u>(199)</u>	<u>(343)</u>	<u>(797)</u>	<u>(2,182)</u>
Net interest income		<u>(146)</u>	<u>(238)</u>	<u>(702)</u>	<u>(1,977)</u>
Other operating income	22	<u>7,785</u>	<u>4,127</u>	<u>7,864</u>	<u>4,162</u>
Net income		<u>7,639</u>	<u>3,889</u>	<u>7,162</u>	<u>2,185</u>
Other operating expenses	23	<u>(217)</u>	<u>(776)</u>	<u>(893)</u>	<u>(2,636)</u>
Operating profit		<u>7,422</u>	<u>3,113</u>	<u>6,269</u>	<u>(451)</u>
Write-back of/(allowance for) impairment on loans and advances	24	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit/(loss) before tax expense		<u>7,422</u>	<u>3,113</u>	<u>6,269</u>	<u>(451)</u>
Tax expense		<u>(12)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>
Net profit/(loss) for the period		<u>7,410</u>	<u>3,113</u>	<u>6,257</u>	<u>(451)</u>
Profit/(Loss) per RM1.00 share: - basic and diluted (sen)		<u>3.1</u>	<u>1.3</u>	<u>2.7</u>	<u>(0.2)</u>

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
<u>The Company</u>				
Net profit/(loss) for the period	7,410	3,113	6,257	(451)
Other comprehensive income				
Net fair value changes on financial investments available-for-sale	-	-	-	-
Income tax relating to net fair value changes on financial investments available-for-sale	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income/(expense) for the period	7,410	3,113	6,257	(451)

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Share Option Reserve RM'000	Fair Value Reserve RM'000	Distributable Reserves		Total RM'000
							Non-Distributable Reserves	Retained Profits RM'000	
The Group									
At 1 July 2010	246,896	(13,203)	543	11,044	-	-	58,796	304,076	
- as previously reported	-	-	-	-	-	-	(2,630)	(2,630)	
- effect of adopting FRS139	246,896	(13,203)	543	11,044	-	-	56,166	301,446	
At 1 July 2010, as restated	-	-	-	-	-	-	-	-	
Net profit for the period	-	-	-	-	-	-	38,525	38,525	
Other comprehensive income	-	-	-	-	56	56	-	56	
Total comprehensive income for the period	-	-	-	-	-	-	38,525	38,525	
Transfer to statutory reserve	-	-	-	17,178	-	-	(17,178)	-	
Grant of equity-settled ESOS	-	-	-	-	288	-	-	288	
At 30 June 2011	246,896	(13,203)	543	28,222	288	56	77,513	340,315	
At 1 July 2009	123,448	(3,973)	543	4,362	-	-	51,724	176,104	
Net profit for the period	-	-	-	-	-	-	14,254	14,254	
Other comprehensive income	-	-	-	-	-	-	-	-	
Total comprehensive income for the period	-	-	-	-	-	-	14,254	14,254	
Rights issue	123,448	-	-	-	-	-	-	123,448	
Purchased of shares for ESOS scheme	-	(9,230)	-	-	-	-	-	(9,230)	
Rights issue expenses	-	-	-	-	-	-	(500)	(500)	
Transfer to statutory reserve	-	-	-	6,682	-	-	(6,682)	-	
At 30 June 2010	246,896	(13,203)	543	11,044	-	-	58,796	304,076	

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

	Share Capital RM'000	Shares held by ESOS Trust RM'000	General Reserve RM'000	Statutory Reserve RM'000	Share Option Reserve RM'000	Fair Value Reserve RM'000	Distributable Reserves		Total RM'000
							Non-Distributable Reserves	Retained Profits RM'000	
The Company									
At 1 July 2010	246,896	(13,203)	-	-	-	-	19,613	253,306	253,306
Net profit for the period	-	-	-	-	-	-	6,257	6,257	6,257
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	6,257	6,257	6,257
Grant of equity-settled ESOS	-	-	-	-	288	-	-	-	288
At 30 June 2011	246,896	(13,203)	-	-	288	-	25,870	259,851	259,851
At 1 July 2009	123,448	(3,973)	-	-	-	-	20,564	140,039	140,039
Net loss for the period	-	-	-	-	-	-	(451)	(451)	(451)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(451)	(451)	(451)
Rights issue	123,448	-	-	-	-	-	-	-	123,448
Purchased of shares for ESOS scheme	-	(9,230)	-	-	-	-	-	-	(9,230)
Rights issue expenses	-	-	-	-	-	-	(500)	(500)	(500)
At 30 June 2010	246,896	(13,203)	-	-	-	-	19,613	253,306	253,306

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

	The Group		The Company	
	30/06/2011	30/06/2010	30/06/2011	30/06/2010
	RM'000	RM'000	RM'000	RM'000
Profit/(loss) before tax expense	50,506	20,446	6,269	(451)
Adjustments for non-cash items	(35,417)	(1,690)	(7,058)	(1,970)
Operating profit/(loss) before changes in working capital	15,089	18,756	(789)	(2,421)
Changes in working capital:				
Net changes in operating assets	(484,607)	(459,619)	2,759	8,279
Net changes in operating liabilities	365,071	864,197	(65)	(23)
Income tax refunded/(paid)	28	(737)	1,419	-
Net cash (used in)/generated from operating activities	(104,419)	422,597	3,324	5,835
Net cash generated from/(used in) investing activities	30,190	(2,024)	9,325	(6,057)
Net cash used in financing activities	(2,769)	(12,984)	(2,722)	(4,216)
Net changes in cash and cash equivalents	(76,998)	407,589	9,927	(4,438)
Cash and cash equivalents at beginning of the period	515,442	107,853	230	4,668
Cash and cash equivalents at end of the period	438,444	515,442	10,157	230
Cash and cash equivalents comprise:				
Cash and short term funds	887,262	722,645	10,157	230
Less: Remisiers' and clients' trust monies	(448,818)	(207,203)	-	-
	438,444	515,442	10,157	230

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and of the Company for the year ended 30 June 2010.

HONG LEONG CAPITAL BERHAD ("HLCB" or "Company")
(formerly known as HLG Capital Berhad)
(Company Number 213006-U)

NOTES TO INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

Explanatory Notes pursuant to the Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions ("BNM/GP8") issued by Bank Negara Malaysia ("BNM")

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with FRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Company for the year ended 30 June 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Company since the year ended 30 June 2010.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 30 June 2010, except for the adoption of the following Financial Reporting Standards ("FRS"), amendments to FRSS and IC Interpretations:

- FRS 3 (revised) "Business Combinations"
- FRS 7 "Financial Instruments: Disclosures" and the related amendments
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related amendments
- Amendments to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - Puttable financial instruments and obligations arising on
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- Improvements to FRSS (2009 & 2010)

The adoption of these FRSS, amendments to FRSS and IC Interpretations did not have any significant financial impact on the results of the Group and of the Company. The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments to FRSS and IC Interpretations are disclosed in Note 33.

Amendments to FRS 139 included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement, as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, and its principal effects is also disclosed in Note 33.

HLCB Q4 (30.06.11)

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2010 was not qualified.

3. Comments about seasonal or cyclical factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical factors during the financial quarter ended 30 June 2011.

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

There were no unusual items affecting the assets, liabilities, equities, net income or cash flows of the Group and the Company during the financial quarter ended 30 June 2011.

5. Change in estimate

There were no material changes in estimate of amount reported in prior financial year that have a material effect in the financial quarter ended 30 June 2011.

6. Debt and Equity Securities

There were no new issuance and repayment of debt and equity securities, share-buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the financial quarter ended 30 June 2011.

- (a) The Company had, on 8 November 2005, announced that the shareholders of the Company had approved the establishment of an Executive Share Option Scheme ("Scheme") of up to 15% of the issued and paid-up ordinary share capital of the Company.

Approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the new ordinary shares of the Company to be issued pursuant to the exercise of options under the Scheme was obtained on 17 January 2006. The scheme was established on 23 January 2006 under a trust for employee ("ESOS Trust").

HLCB Q4 (30.06.11)

6. Debt and Equity Securities (continued)

- (b) The ESOS Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purpose of this trust. The shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group and the Company's statement of financial position as deduction in arriving at the shareholders' equity. Total shares held by ESOS Trust comprise 12,287,200 shares in the Company costing RM13,203,461 inclusive of transaction costs, as at 30 June 2011.

Grant date	Expiry date		As at 30 June 1011
19 January 2011	18 July 2013	*	1,342,500
19 January 2011	18 April 2014	^	1,566,250
19 January 2011	18 April 2015	^	1,566,250
			<u>4,475,000</u>

* 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.

7. Dividends

There was no dividend paid during the financial quarter ended 30 June 2011.

8. Valuations of Property, Plant and Equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 June 2011.

9. Significant Events

Incorporation of HL Asset Management Pte Ltd

On the 21 June 2011, Hong Leong Asset Management Berhad ("HLAM"), the subsidiary of Company incorporated a wholly-owned subsidiary in Singapore known as HL Asset Management Pte Ltd ("HLAMPL") with paid-up capital of SGD2.00. As at 30 June 2011, HLAMPL has not commenced operation and remained dormant.

HLCB Q4 (30.06.11)

Financial Reporting for Licensed Institutions ("BNM/GP8")

10. Financial assets held-for-trading

	The Group		The Company	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Money market instruments				
Negotiable instruments of deposits	20,143	45,003	-	-
Bankers' acceptances	212,418	-	-	-
Bank Negara Malaysia Bills	-	188,748	-	-
	<u>232,561</u>	<u>233,751</u>	<u>-</u>	<u>-</u>
Quoted securities				
In Malaysia:				
Shares	52,463	7,117	-	-
Unit trust investment	7,401	372	477	372
Outside Malaysia:				
Foreign currency bonds	98,036	-	-	-
	<u>157,900</u>	<u>7,489</u>	<u>477</u>	<u>372</u>
Unquoted securities				
Private and Islamic debt securities	40,285	190,543	-	-
	<u>430,746</u>	<u>431,783</u>	<u>477</u>	<u>372</u>
Total financial assets held-for-trading				

11. Financial investments available-for-sale

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Money market instruments		
Cagamas bonds	5,140	-
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	10,902	-
Unquoted securities		
Shares	2,445	2,445
Private and Islamic debt securities	56,395	-
	<u>74,882</u>	<u>2,445</u>
Total financial investments available-for-sale		

HLCB Q4 (30.06.11)

12. Financial investments held-to-maturity

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Money market instruments		
Negotiable instruments of deposits	-	10,000
Cagamas bonds	10,319	-
Malaysian Government Investment Issues	5,153	-
	<u>15,472</u>	<u>10,000</u>
Quoted securities		
Outside Malaysia:		
Foreign currency bonds	76,710	-
Unquoted securities		
Private and Islamic debt securities	20,465	-
Total financial investments held-to-maturity	<u>112,647</u>	<u>10,000</u>

13. Loans and advances

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
At amortised cost		
Term loan financing	15,022	47,559
Share margin financing	76,819	46,647
Revolving credits	22,457	28,204
Gross loans and advances	<u>114,298</u>	<u>122,410</u>
Less :		
Allowance for losses on loans and advances		
- individual assessment allowance	(4,679)	-
- collective assessment allowance	(1,644)	-
- specific allowance	-	(2,688)
- general allowance	-	(1,796)
Net loans and advances	<u>107,975</u>	<u>117,926</u>

13a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	8,807	2,007
- Others	35,568	73,526
Individuals	68,722	45,197
Foreign entities	1,201	1,680
Gross loans and advances	<u>114,298</u>	<u>122,410</u>

13b. By interest rate sensitivity

Fixed rate		
- Other fixed rate loan	76,819	46,647
Variable rate		
- Cost plus	37,479	75,763
Gross loans and advances	<u>114,298</u>	<u>122,410</u>

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13. Loans and advances (continued)

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
13c. <u>By residual contractual maturity</u>		
Maturity within 1 year	<u>114,298</u>	<u>122,410</u>
13d. <u>By geographical distribution</u>		
Malaysia	<u>114,298</u>	<u>122,410</u>
13e. <u>By economic purpose</u>		
Purchase of securities	89,354	61,569
Working capital	<u>24,944</u>	<u>60,841</u>
Gross loans and advances	<u>114,298</u>	<u>122,410</u>
13f. Movements in impaired loans and advances ("impaired loans") are as follows:		
Impaired loans and advances		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	<u>10,012</u>	-
At 1 July, as restated	<u>12,700</u>	<u>2,521</u>
Impaired during the year	107	178
Amount written back	<u>(2,347)</u>	<u>(11)</u>
Amount written off	<u>(1,086)</u>	-
Closing balance	<u>9,374</u>	<u>2,688</u>
Ratio of impaired loans to total loans and advances net of individual assessment allowance	<u>8.6%</u>	<u>2.2%</u>
13g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>9,374</u>	<u>2,688</u>
13h. <u>Impaired loans and advances by economic purpose</u>		
Working Capital	8,254	-
Purchase of securities	<u>1,120</u>	<u>2,688</u>
	<u>9,374</u>	<u>2,688</u>
13i. Movements in allowance for impaired loans and advances are as follows:		
<u>Collective assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	<u>1,743</u>	-
At 1 July, as restated	<u>1,743</u>	-
Allowance written back during the period	<u>(99)</u>	-
At 30 June	<u>1,644</u>	-

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13. Loans and advances (continued)

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
<u>Individual assessment allowance</u>		
At 1 July		
- as previously stated	-	-
- effect of adopting FRS139	6,247	-
At 1 July, as restated	6,247	-
Allowance made during the period	107	
Allowance written back during the period	(589)	
Amount written off	(1,086)	-
At 30 June	4,679	-
<u>General allowance</u>		
At 1 July		
- as previously stated	1,796	1,254
- effect of adopting FRS139	(1,796)	-
At 1 July, as restated	-	1,254
Allowance made during the period	-	542
At 30 June	-	1,796
<u>Specific allowance</u>		
At 1 July		
- as previously stated	2,688	2,521
- effect of adopting FRS139	(2,688)	-
At 1 July, as restated	-	2,521
Allowance made during the period	-	178
Written back during the period	-	(11)
At 30 June	-	2,688

14. Clients' and brokers' balances

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Performing accounts	169,525	88,037
Impaired accounts	12,589	37,813
	182,114	125,850
Less: Allowance for bad and doubtful debts		
- individual assessment allowance	(12,381)	-
- specific allowance	-	(37,043)
- general allowance	-	(9)
	169,733	88,798

HLCB Q4 (30.06.11)**15. Other assets**

	The Group		The Company	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Amount due from subsidiary companies	-	-	105	2,864
Deposits and prepayments	4,971	4,913	5	5
Other receivables	63,275	11,958	-	-
Manager's stocks and consumables	389	351	-	-
	<u>68,635</u>	<u>17,222</u>	<u>110</u>	<u>2,869</u>

16. Deposits from customers

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
16a. <u>By type of deposit</u>		
Fixed deposits	<u>395,243</u>	<u>31,218</u>
16b. <u>By type of customer</u>		
Government and statutory bodies	205,501	-
Business enterprises	188,724	31,218
Individual	1,018	-
	<u>395,243</u>	<u>31,218</u>
16c. The maturity structure of fixed deposits are as follows:		
Due within six months	<u>395,243</u>	<u>31,218</u>

17. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Licensed banks	211,431	61,000
Other financial institutions	536,568	539,990
	<u>747,999</u>	<u>600,990</u>

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18. Derivative financial instruments

	The Group	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Derivatives at fair value through profit or loss		
- Interest rate swaps	622	23
- Cross currency swaps	1,192	-
- Futures	515	-
- Foreign currency spot	29	-
- Call options	3,000	-
Total derivative financial assets	<u>5,358</u>	<u>23</u>
Derivatives at fair value through profit or loss		
- Interest rate swaps	1,600	-
- Cross currency swaps	2,247	-
- Futures	986	1,194
- Foreign currency spot	25	-
- Foreign currency forwards	301	-
Total derivative financial liabilities	<u>5,159</u>	<u>1,194</u>

19. Other liabilities

	The Group		The Company	
	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000	As at 30/06/2011 RM'000	As at 30/06/2010 RM'000
Amount due to holding company	2	2	2	2
Amount due to subsidiary companies	-	-	80	-
Amount due to related companies	1,880	1,039	27	25
Remisiers' trust deposits	10,210	11,122	-	-
Other payables and accrued liabilities	66,858	300,330	492	639
Current tax liability	417	204	-	-
Post employment benefits obligation				
- defined contribution plan	517	502	-	-
	<u>79,884</u>	<u>313,199</u>	<u>601</u>	<u>666</u>

20. Interest income

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
	The Group			
Loan and advances	1,632	1,618	6,058	6,211
Money at call and deposits placements				
with banks and other financial institutions	3,563	1,884	15,677	4,061
Financial investments available-for-sale	3,268	(2,021)	5,788	2,328
Financial investments held-to-maturity	724	292	2,203	292
Others	337	417	805	618
	<u>9,524</u>	<u>2,190</u>	<u>30,531</u>	<u>13,510</u>
Financial assets held-for-trading	9,951	2,453	30,061	2,603
Accretion of discount less amortisation of premium	(81)	(114)	(467)	(115)
Total interest income	<u>19,394</u>	<u>4,529</u>	<u>60,125</u>	<u>15,998</u>

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20. Interest income (continued)

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
The Group (continued)				
Of which:				
Interest income earned on impaired loans and advances	84	-	374	-
The Company				
Money at call and deposits placements with banks and other financial institutions	53	14	70	114
Others	-	91	25	91
	<u>53</u>	<u>105</u>	<u>95</u>	<u>205</u>

21. Interest expense

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
The Group				
Deposits and placements of banks and other financial institutions	5,476	1,052	13,320	1,151
Deposits from customers	6,342	(502)	26,286	2,796
Borrowings	200	380	844	2,332
Total interest expense	<u>12,018</u>	<u>930</u>	<u>40,450</u>	<u>6,279</u>
The Company				
Borrowings	<u>199</u>	<u>343</u>	<u>797</u>	<u>2,182</u>

22. Other operating income

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
The Group				
(a) Fee income:				
Brokerage commissions	9,849	10,122	46,643	42,264
Unit trust fee income	5,703	6,027	20,194	19,406
Net commission from futures contracts	182	278	927	919
Fee on loans and advances	62	111	2,328	548
Arranger fees	7,174	1,369	15,044	5,110
Placement fee	2,114	-	9,614	-
Corporate advisory fees	1,189	558	5,826	1,233
Underwriting commissions	509	-	1,838	-
Other fee income	3,499	1,245	4,064	2,589
	<u>30,281</u>	<u>19,710</u>	<u>106,478</u>	<u>72,069</u>
(b) Net realised gain arising from sale of:				
- Financial assets held-for-trading	(8,781)	324	2,995	897
- Financial investments available-for-sale	690	-	690	-
	<u>(8,091)</u>	<u>324</u>	<u>3,685</u>	<u>897</u>

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22. Other operating income (continued)

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
The Group (continued)				
(c) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	1,341	1,427	(913)	2,655
- Derivatives	316	(1,261)	1,363	(1,177)
	<u>1,657</u>	<u>166</u>	<u>450</u>	<u>1,478</u>
(d) Dividend income from:				
- Financial assets held-for-trading	41	-	705	598
- Financial investments available-for-sale	92	37	92	37
	<u>133</u>	<u>37</u>	<u>797</u>	<u>635</u>
(e) Gain on disposal of property and equipment	26	1	27	321
(f) Other income/(expense)	(3,716)	(146)	(3,649)	340
Total other operating income	<u>20,290</u>	<u>20,092</u>	<u>107,788</u>	<u>75,740</u>
The Company				
(a) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	26	(5)	105	30
(b) Dividend income from:				
- Subsidiary companies	1,700	4,122	1,700	4,122
(c) Other income	6,059	10	6,059	10
Total other operating income	<u>7,785</u>	<u>4,127</u>	<u>7,864</u>	<u>4,162</u>

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23. Other operating expenses

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
The Group				
Personnel costs	10,079	10,984	43,288	36,222
- Salaries, bonus and allowances	7,909	8,803	36,912	29,209
- Others	2,170	2,181	6,376	7,013
Establishment costs	3,990	4,058	16,460	14,320
- Depreciation of property and equipment	636	525	2,412	1,876
- Amortisation of intangible assets	199	201	835	677
- Rental	1,057	1,319	5,132	4,620
- Information technology expenses	1,479	1,517	4,920	5,010
- Others	619	496	3,161	2,137
Marketing expenses	1,087	794	2,879	2,217
- Advertisement and publicity	600	532	1,192	1,109
- Entertainment and business improvement	371	153	1,178	647
- Others	116	109	509	461
Administration and general expenses	4,560	3,410	15,078	11,213
- Management fees	498	347	2,426	1,566
- Teletransmission expenses	480	817	1,728	1,613
- Auditors' remunerations	159	6	312	212
- Legal and professional fees	2,066	1,010	5,613	3,486
- Others	1,357	1,230	4,999	4,336
	19,716	19,246	77,705	63,972
The Company				
Personnel costs	33	441	192	1,423
- Salaries, bonus and allowances	28	360	127	1,033
- Others	5	81	65	390
Establishment costs	9	29	31	36
- Rental	-	10	5	10
- Others	9	19	26	26
Marketing expenses	1	7	8	24
- Advertisement and publicity	-	6	-	6
- Others	1	1	8	18
Administration and general expenses	174	299	662	1,153
- Teletransmission expenses	2	1	4	22
- Auditors' remunerations	22	6	51	24
- Legal and professional fees	-	96	14	238
- Others	150	196	593	869
	217	776	893	2,636

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24. (Writeback of)/allowance for losses on loans and advances and other losses

	Current quarter ended 30/06/2011 RM'000	Last year's quarter ended 30/06/2010 RM'000	Current year ended 30/06/2011 RM'000	Last year ended 30/06/2010 RM'000
The Group				
Allowance for/(write-back of) losses impaired loans and advances:				
Specific allowance				
- written back during the period	-	-	-	(11)
- made during the period	-	20	-	178
General allowance made during the period	-	377	-	542
Individual assessment allowance				
- written back during the period	(346)	-	(589)	-
- made during the period	(2)	-	107	-
Collective assessment allowance				
- Made/(writeback) during the period	120	-	(99)	-
Bad debts on loans and advance				
- recovered	(278)	(25)	(278)	(41)
Allowance for losses on clients' and brokers' balances:				
Specific allowance				
- written back during the period	-	(671)	-	(417)
- made during the period	-	831	-	831
General allowance writeback				
during the period	-	(3)	(9)	(41)
Collective assessment allowance				
- written back during the period	315	-	(1,442)	-
- made during the period	21	-	1,562	-
Bad debts on clients' and brokers' balances				
- recovered	213	-	-	-
	<u>43</u>	<u>529</u>	<u>(748)</u>	<u>1,041</u>

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25. Commitments and contingencies

The Group 30 June 2011	Principal Amount RM'000	Credit Equivalent RM'000	Risk Weighted Amount RM'000
Commitments and contingent liabilities			
Obligations under underwriting agreement	20,238	10,119	10,119
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	302,249	-	-
	<u>322,487</u>	<u>10,119</u>	<u>10,119</u>
Derivative Financial Instruments			
Interest rate related contracts			
- One year or less	527,573	-	-
- Over one year to five years	1,817,370	18,572	3,714
- Over five years	123,810	-	-
Foreign exchange related contracts			
- One year or less	112,788	5,750	1,512
Equity related contracts			
- One year or less	44,675	-	-
- Over one year to five years	10,000	-	-
	<u>2,636,216</u>	<u>24,322</u>	<u>5,226</u>
	<u>2,958,703</u>	<u>34,441</u>	<u>15,345</u>
30 June 2010			
Commitments and contingent liabilities			
Any commitment that are unconditionally cancelled at any time by the bank without prior notice			
- maturity less than 1 year	267,940	-	-
Derivative Financial Instruments			
Interest rate related contracts:			
- One year or less	680,000	-	-
- Over one year to five years	2,545,000	1,021	204
	<u>3,225,000</u>	<u>1,021</u>	<u>204</u>
	<u>3,492,940</u>	<u>1,021</u>	<u>204</u>

The credit equivalent amount and risk weighted amount are arrived at using the credit conversion factors and risk weights as defined in the BNM's revised Risk-weighted Capital Adequacy Framework ("RWCAF").

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26. Capital adequacy

The capital adequacy ratios of Hong Leong Investment Bank ("HLIB") as at the following dates:

	HLIB	
	As at 30/06/2011	As at 30/06/2010
<u>Before deducting proposed dividends</u>		
Core capital ratio	38.2%	33.1%
Risk-weighted capital ratio	<u>38.6%</u>	<u>33.5%</u>
<u>After deducting proposed dividends</u>		
Core capital ratio	35.7%	33.1%
Risk-weighted capital ratio	<u>36.1%</u>	<u>33.5%</u>
	HLIB	
	As at 30/06/2011	As at 30/06/2010
	RM'000	RM'000
Components of Tier I and Tier II capital:		
<u>Tier I capital</u>		
Paid-up share capital	265,535	265,535
Retained profit	25,192	10,644
Statutory reserves	<u>28,222</u>	<u>11,044</u>
	<u>318,949</u>	<u>287,223</u>
Less: Goodwill	<u>(30,236)</u>	<u>(30,236)</u>
Deferred tax assets (net)	<u>(41,716)</u>	<u>(52,597)</u>
Total Tier I capital	<u>246,997</u>	<u>204,390</u>
<u>Tier II capital</u>		
Redeemable preference shares ("RPS")	1,631	1,631
Collective assessment allowance	1,574	-
General allowance	-	1,805
Total tier II capital	<u>3,205</u>	<u>3,436</u>
Total capital	250,202	207,826
Less: Investment in subsidiary companies	<u>(588)</u>	<u>(588)</u>
Capital base	<u>249,614</u>	<u>207,238</u>

The capital adequacy ratios of HLIB are computed in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF-Basel II"). HLIB has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010 - 8.00%) for the risk-weighted capital ratio.

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27. Segmental reporting

(a) Segment information by activities for the financial year ended 30 June 2011.

	Investment banking and stockbroking	Fund management and unit trust management	Futures and options broking	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2011						
REVENUE & EXPENSES						
Revenue						
Net Interest income	18,713	1,077	442	(557)	-	19,675
Non interest income	86,309	20,224	986	8,029	(7,760)	107,788
Results						
Profit / (loss) from operations	46,057	5,714	152	6,343	(7,760)	50,506
Taxation						(11,981)
Profit after taxation						38,525
30 June 2010						
REVENUE & EXPENSES						
Revenue						
Net Interest income	10,697	714	282	(1,974)	-	9,719
Non interest income	55,300	19,480	920	4,162	(4,122)	75,740
Results						
Profit / (loss) from operations	18,949	6,257	(167)	(461)	(4,132)	20,446
Taxation						(6,192)
Profit after taxation						14,254

(b) Segment information by geographical areas has not been disclosed as the Group operates principally in Malaysia.

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28. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2010.

29. Changes in composition of the Group

Member's voluntary winding-up of HLG Asset Management Sdn Bhd.

On 8 March 2011, the Company announced that its wholly-owned subsidiary, HLG Asset Management Sdn Bhd were place under member's voluntary winding-up pursuant to Section 254(1) of the Companies Act, 1965. The liquidation is pending completion.

Incorporation of HL Asset Management Pte. Ltd.

On the 21 June 2011, Hong Leong Asset Management Berhad ("HLAM"), the subsidiary of Company incorporated a wholly-owned subsidiary in Singapore known as HL Asset Management Pte. Ltd. ("HLAMPL") with paid-up capital of SGD2.00. As at 30 June 2011, HLAMPL has not commenced operation and remained dormant.

30. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2011 is RM1,063,000.

31. Changes in contingent liabilities

Details of contingent liabilities since the last audited balance sheet date are as follows:

Hong Leong Asset Management Berhad (formerly known as HLG Unit Trust Berhad), a wholly-owned subsidiary of the Company, is the Manager of HLG Sectoral Fund ("Funds") which comprises five 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 million, 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 million as at 30 June 2011.

32. Related party transactions

All related party transactions had been entered into in the ordinary course of business that had been undertaken at arms' length basis on normal commercial terms. These transactions are within the ambit of the approval granted under the Shareholders' Mandate for recurrent related party transactions obtained at a general meeting.

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33. Change in accounting policies and prior year adjustments

With effect from 1 January 2005, the BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8') whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139, have been adopted by the Group and the Company. Therefore, the adoption of FRS 139 on 1 July 2010 has resulted in the following material changes in accounting policies as follows:

1) Impairment of loans and advances

Prior to 1 July 2010, the Group loan loss allowances were determined in accordance with the BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ('BNM/GP3').

Under FRS 139, the Group first assesses individually whether objective evidence of impairment exists individually for loans.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the 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 issued on 8 January 2010, 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. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The collective assessment impairment allowances of the Group as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The adoption of FRS 139 and the transitional provision has resulted in the following adjustments against the retained profit of the Group as at 1 July 2010:

	The Group
	RM'000
i) Write back of specific allowance	(2,688)
ii) Write back of general allowance	(1,796)
iii) Opening adjustment in collective assessment allowance	1,743
iv) Opening adjustment in individual assessment allowance	6,247
v) Opening adjustment in deferred tax assets	<u>(876)</u>

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33. Change in accounting policies and prior year adjustments (continued)

2) Interest Income Recognition

Prior to 1 July 2010, interest on loans, advances and financing were recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

3) Recognition of Embedded Derivatives

Upon the adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract.

Based on the assessment by the Group and the Company upon adoption of FRS 139 on 1 July 2010, there were no embedded derivatives which were not closely related to the host contracts and which required bifurcation.

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Explanatory Notes Pursuant to Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. Performance review

(a) Current financial quarter under review against previous corresponding financial quarter

For the financial quarter ended 30 June 2011, the Group reported a higher profit before taxation of RM7.9 million as compared to the profit before taxation of RM3.9 million in the previous corresponding financial quarter. This was due to higher investment banking business income contributed by higher fee income.

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

For the financial period ended 30 June 2011, the Group reported a higher profit before taxation of RM50.5 million compared to the profit before taxation of RM20.4 million in the previous corresponding financial period. This was due to higher contribution from investment banking which commenced its business activities at the end of September 2009.

(c) Performance of current financial quarter under review against preceding financial quarter

For the financial quarter ended 30 June 2011, the Group reported a profit before tax of RM7.9 million compared to the profit of RM14.3 million for the preceding financial quarter. The decrease in profit was due to lower fee and trading income from investment banking during the financial quarter.

2. Prospects for the next financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2012 with improving profitability via diversification of income source from more extensive investment banking activities.

3. Variance in profit forecast and shortfall in profit guarantee

The Group had not entered into any scheme that requires it to present forecast results or guarantee any profits.

4. Taxation

The Group	Financial quarter		Financial period ended	
	30-06-11	30-06-10	30-06-11	30-06-10
	RM'000	RM'000	RM'000	RM'000
Tax expense on Malaysian tax				
– Current	(761)	(135)	396	775
Deferred tax	1,811	1,427	11,585	5,417
	1,050	1,292	11,981	6,192

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5. Sale of properties / unquoted investments

There were no sales of properties and unquoted investments for the current financial quarter under review.

6. Purchase / disposal of quoted securities of the Group

There were no purchases or disposals of quoted investments by the Group for the financial quarter under review other than those transacted by the stockbroking subsidiary in the ordinary course of business.

7. Status of corporate proposals

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

8. Group borrowings

The short term borrowings of the Group are unsecured and denominated in Ringgit Malaysia.

9. Off-balance sheet financial instruments

The Banking subsidiary has incurred the following:

<u>Derivatives financial instrument</u>	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	527,573	149	3
(ii) 1 year to 3 years	1,013,264	33	434
(iii) More than 3 years	927,916	955	2,082
Foreign exchange related contracts			
(i) Less than 1 year	112,788	1,221	2,573
Equity related contractes			
(i) 1 year to 3 years	44,675	-	67
(ii) More than 3 years	10,000	3,000	-
	<u>2,636,216</u>	<u>5,358</u>	<u>5,159</u>

The above contracts are subject to credit risk and market risk.

Credit risk

Credit risk arises when counterparties to derivatives contracts are not able to or willing to fulfil their obligation to pay the Bank the positive fair value or receivable resulting from the execution of contract terms. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to credit risk.

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9. Off-balance sheet financial instruments (continued)

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk.

Related accounting policies

The accounting policies applied for recognising the financial instruments concerned are the same as those applied for the audited financial statements.

10. Material litigation

The Company and HLG Securities Sdn Bhd ("HLG Securities") had been named as defendants in a Writ of Summons dated 21 March 2002 filed by Borneo Securities Holdings Sdn Bhd ("BSH") and served on HLG Securities on 15 April 2002.

BSH alleged that HLG Securities breached the terms of the sale and purchase agreement dated 31 October 2000 ("SPA") between HLG Securities and BSH for HLG Securities' proposed acquisition of 100% equity interest in Borneo Securities Sdn Bhd for a total purchase consideration of RM88 million. The Company is of the view that the suit is baseless as the motion for the proposed acquisition was not approved by shareholders at the Extraordinary General Meeting of the Company held on 24 October 2001 and accordingly, the SPA was terminated.

11. Dividends

The Board of Directors does not recommend any dividend to be paid for the financial quarter ended 31 June 2011.

12. Earnings per share ("EPS")

(a) Basic earnings per share

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

	Financial quarter ended		Financial period ended	
	30-06-11	30-06-10	30-06-11	30-06-10
Net profit attributable to shareholders of the Company (RM'000):	6,857	2,624	38,525	14,254
Weighted average number of Ordinary Shares in issue	234,609	235,975	234,609	235,975
Basic earnings per share (sen)	2.9	1.1	16.4	6.0

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12. Earnings per share ("EPS") (continued)

(b) Fully diluted earnings per share

There were no dilutive elements to the share capital and hence EPS (fully diluted) was the same.

13. Realised and Unrealised Profits/Losses

On 25 March 2010, Bursa Securities issued a directive to Paragraphs 2.06 and 2.23 of the Main Market Listing Requirements of Bursa Securities. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of the retained profit of the Group and the Company pursuant to the directives, is as follows:

	As at 30 June 2011 RM'000	As at 31 March 2011 RM'000
The Group		
Total retained profit		
- Realised	69,534	79,285
- Unrealised	- in respect of deferred tax recognised in the profit or loss 42,311	44,127
	- in respect of other items of income and expense 1,600	22
	<u>113,445</u>	<u>123,434</u>
Less : Consolidation adjustment	<u>(34,960)</u>	<u>(35,600)</u>
	<u>78,485</u>	<u>87,834</u>
The Company		
Total retained profit		
- Realised	25,693	18,308
- Unrealised	- in respect of other items of income and expense 177	152
	<u>25,870</u>	<u>18,460</u>

The breakdown of the realised and unrealised profit is derived in accordance to Guidance on Special Note No. 1, *Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Banking Group as disclosed above excludes translation gains and losses on monetary items denominated in currency other than the functional currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Banking Group and are deemed realised.

Dated this 26 August 2011