

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	The Group		The Company	
		As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
ASSETS					
Cash and short term funds		782,208	665,574	2,293	77,386
Reverse repurchase agreements		280,176	274,388	-	-
Deposits and placements with banks and other financial institutions		331,160	325,561	-	360
Financial assets held-for-trading	11	870,437	660,864	-	414
Financial investments available- for-sale	12	745,288	265,333	59,975	-
Financial investments held-to-maturity	13	358,413	253,911	-	-
Derivative financial assets	19	23,541	28,785	-	-
Loans and advances	14	431,414	174,184	-	-
Clients' and brokers' balances	15	287,756	150,509	-	-
Other assets	16	47,007	12,855	7,807	14
Statutory deposits with Bank Negara Malaysia		30,750	24,500	-	-
Tax recoverable		180	1,464	173	1,365
Investment in subsidiary companies		-	-	342,720	372,659
Deferred tax assets		98,195	56,322	-	-
Property and equipment		5,765	6,888	-	-
Goodwill		33,059	33,059	-	-
Intangible assets		1,057	1,070	-	-
TOTAL ASSETS		4,326,406	2,935,267	412,968	452,198
LIABILITIES					
Deposits from customers	17	631,566	470,169	-	-
Deposits and placements of banks and other financial institutions	18	2,054,960	1,542,975	-	-
Repurchased agreements		179,087	177,033	-	-
Derivative financial liabilities	19	24,773	32,773	-	12,156
Clients' and brokers' balances		337,686	140,353	-	-
Other liabilities	20	495,735	89,664	523	1,887
Current tax liabilities		187	735	-	-
Deferred tax liabilities		7	-	4	-
TOTAL LIABILITIES		3,724,001	2,453,702	527	14,043

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	The Group		The Company	
		As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
EQUITY					
Share capital		246,896	246,896	246,896	246,896
Reserves		363,432	245,175	173,468	200,637
Treasury shares for ESOS scheme		(7,923)	(10,506)	(7,923)	(9,378)
TOTAL EQUITY		602,405	481,565	412,441	438,155
TOTAL LIABILITIES AND EQUITY					
		4,326,406	2,935,267	412,968	452,198
COMMITMENTS AND CONTINGENCIES					
	27	6,115,116	6,178,687	-	2,858
Net assets per share attributable to ordinary equity holder of the Company (RM)					
		2.52	2.03		

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
	Note				
The Group					
Interest income	21	24,463	19,791	98,665	79,776
Interest expense	22	(17,000)	(13,204)	(69,052)	(49,401)
Net interest income		7,463	6,587	29,613	30,375
Non-interest income	23	63,842	42,321	161,263	160,292
Net income		71,305	48,908	190,876	190,667
Overhead expenses	24	(42,503)	(25,167)	(112,233)	(120,730)
Operating profit before allowances Allowance for impairment on loans and advances and other losses		28,802	23,741	78,643	69,937
	25	(293)	(105)	(360)	(245)
Impairment losses on securities	26	-	(1,759)	-	(1,759)
Profit before taxation		28,509	21,877	78,283	67,933
Taxation		20,953	38,186	40,527	22,288
Net profit for the period/year		49,462	60,063	118,810	90,221
Earnings per share (sen)					
- Basic		20.65	25.45	49.93	38.37
- Diluted		20.54	25.05	49.65	37.78

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Note	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group				
Net profit for the period/year	49,462	60,063	118,810	90,221
Other comprehensive income/(expense):				
Net fair value changes on financial investments available-for-sale	(556)	(2,800)	(2,167)	(7,148)
Income tax relating to net fair value changes on financial investments available-for-sale	140	700	542	1,787
Currency translation differences in respect of foreign operation	-	-	-	(2)
Other comprehensive expense for the period/year, net of tax	(416)	(2,100)	(1,625)	(5,363)
Total comprehensive income for the period/year, net of tax	49,046	57,963	117,185	84,858

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Current quarter ended 30/06/2014	Last year's quarter ended 30/06/2013	Current year ended 30/06/2014	Last year's ended 30/06/2013
Note	RM'000	RM'000	RM'000	RM'000
The Company				
Interest income	21	8	501	170
Interest expense	22	-	-	1,063
Net interest income/(expense)		<u>8</u>	<u>501</u>	<u>(4,124)</u>
Non-interest income	23	18,604	193,000	20,487
Net income		<u>18,612</u>	<u>193,501</u>	<u>188,881</u>
Overhead expenses	24	(135)	(346)	(1,111)
Operating profit before allowances		<u>18,477</u>	<u>193,155</u>	<u>187,029</u>
Allowance for impairment on other losses	25	(49,939)	(40)	(40)
(Loss)/profit before taxation		<u>(31,462)</u>	<u>193,115</u>	<u>186,989</u>
Taxation		136	(10,368)	(397)
Net (loss)/profit for the period/year		<u>(31,326)</u>	<u>182,747</u>	<u>176,621</u>
Earnings per share (sen)				
- Basic		(13.1)	77.2	(12.9)
- Diluted		<u>(13.0)</u>	<u>76.0</u>	<u>73.9</u>

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HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
Note				
The Company				
Net (loss)/profit for the period/year	(31,326)	182,747	(30,790)	176,621
Other comprehensive income:				
Net fair value changes on financial investments available-for-sale	12	-	15	-
Income tax relating to net fair value changes on financial investments available-for-sale	(3)	-	(4)	-
Other comprehensive income for the period/year, net of tax	9	-	11	-
Total comprehensive (expense)/income for the period/year, net of tax	(31,317)	182,747	(30,779)	176,621

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
(Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

Attributable to owners of the parent

The Group	Share Capital	Treasury Shares for ESOS Scheme	General Reserves	Statutory Reserves	Share Option Reserves	Fair Value Reserve	Exchange fluctuation Reserve	Retained Profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2013	246,896	(10,506)	543	69,712	965	956	12	172,987	481,565
Net profit for the year	-	-	-	-	-	-	-	118,810	118,810
Other comprehensive expense, net of tax	-	-	-	-	-	(1,625)	-	-	(1,625)
Total comprehensive (expense)/income	-	-	-	-	-	(1,625)	-	118,810	117,185
Transfer to statutory reserves	-	-	-	27,382	-	-	-	(27,382)	-
ESOS exercised	-	2,557	-	-	(574)	-	-	1,166	3,149
Option charge arising from ESOS granted	-	-	-	-	159	-	-	-	159
Disposal of treasury shares	-	26	-	-	-	-	-	321	347
At 30 June 2014	246,896	(7,923)	543	97,094	550	(669)	12	265,902	602,405
At 1 July 2012	246,896	(13,203)	543	47,352	884	6,317	14	104,196	392,999
Net profit for the year	-	-	-	-	-	-	-	90,221	90,221
Other comprehensive expense, net of tax	-	-	-	-	-	(5,361)	(2)	-	(5,363)
Total comprehensive (expense)/income	-	-	-	-	-	(5,361)	(2)	90,221	84,858
Transfer to statutory reserves	-	-	-	22,360	-	-	-	(22,360)	-
ESOS exercised	-	2,697	-	-	(338)	-	-	930	3,289
Option charge arising from ESOS granted	-	-	-	-	419	-	-	-	419
At 30 June 2013	246,896	(10,506)	543	69,712	965	956	12	172,987	481,565

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number: 213006-U)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Non-Distributable		Distributable			Total RM'000
	Share Capital RM'000	Treasury Shares for ESOS Scheme RM'000	Call Option Reserves RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	
The Company						
At 1 July 2013	246,896	(9,378)	-	-	200,637	438,155
Net loss for the year	-	-	-	-	(30,790)	(30,790)
Other comprehensive income, net of tax	-	-	-	11	-	11
Total comprehensive income/(expense)	-	-	-	11	(30,790)	(30,779)
Call options written for subsidiary	-	-	3,289	-	-	3,289
Call options exercised by the subsidiary during the year	-	-	(2,142)	-	2,142	-
Treasury shares transferred to trustee of subsidiary	-	1,429	-	-	-	1,429
Disposal of treasury shares	-	26	-	-	321	347
At 30 June 2014	246,896	(7,923)	1,147	11	172,310	412,441
At 1 July 2012	246,896	(13,203)	-	-	24,016	257,709
Net profit for the year	-	-	-	-	176,621	176,621
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	176,621	176,621
Treasury shares transferred to trustee of subsidiary	-	3,825	-	-	-	3,825
At 30 June 2013	246,896	(9,378)	-	-	200,637	438,155

The Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 30 June 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	The Group	
	30/06/2014	30/06/2013
	RM'000	RM'000
<u>Cash flows from operating activities</u>		
Profit before taxation	78,283	67,933
<u>Adjustments for non-cash items:</u>		
- Depreciation of property and equipment	2,028	2,322
- Amortisation of intangible assets	553	665
- Option charge arising from ESOS granted	159	419
- Gain on liquidation of a subsidiary	(201)	-
- Impairment on securities	-	1,759
- Loss/(gain) on disposal of property and equipment	1	(55)
- Property and equipment written off	1	209
- Intangible assets written off	-	37
- Allowance for impairment for losses on loans and advances	511	153
- Writeback of allowance for losses on clients' and brokers' balance	(26)	(399)
- Net unrealised (gain)/loss on revaluation:		
- Financial assets held-for-trading	(3,359)	3,221
- Derivative financial instruments	(3,128)	(19,718)
- Interest income from:		
- Financial assets held-for-trading	(19,554)	(28,301)
- Financial investments available-for-sale	(19,127)	(5,246)
- Financial investments held-to-maturity	(13,758)	(13,415)
- Derivative financial instruments	(2,729)	(3,092)
- Interest expense on derivative financial instruments	6,650	4,307
- Interest expense on borrowings	-	1,829
- Dividend income from:		
- Financial assets held-for-trading	(798)	(2,048)
- Financial investments available-for-sale	(2,472)	(118)
	(55,249)	(57,471)
Operating profit before changes in working capital	23,034	10,462

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 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	The Group	
	30/06/2014	30/06/2013
	RM'000	RM'000
Operating profit before changes in working capital (continued)	23,034	10,462
Changes in working capital:		
- Reverse repurchase agreements	(5,788)	(274,388)
- Deposits and placements with banks and other financial institutions	(5,599)	(233,394)
- Financial assets held-for-trading	(205,194)	37,244
- Derivative financial instruments	(21)	66
- Loans and advances	(257,741)	82,241
- Clients' and brokers' balances	(137,221)	25,765
- Other assets	(34,650)	65,350
- Statutory deposits with Bank Negara Malaysia	(6,250)	(4,950)
Net changes in operating assets	(652,464)	(302,066)
- Deposits from customers	161,397	(163,456)
- Deposits and placements of banks and other financial institutions	511,985	569,331
- Repurchased agreements	2,054	61,866
- Clients' and brokers' balances	197,333	1,862
- Other liabilities	406,071	4,878
Net changes in operating liabilities	1,278,840	474,481
Cash generated from operating activities	649,410	182,877
- Net income tax refund/(paid)	437	(803)
Net cash generated from operating activities	649,847	182,074

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 2013.

HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	The Group	
	30/06/2014	30/06/2013
	RM'000	RM'000
<u>Cash flows from investing activities</u>		
Net (purchase)/disposal of:		
- Financial investments available-for-sale	(479,484)	73,955
- Financial investments held-to-maturity	(104,174)	14,065
Dividend received from:		
- Financial assets held-for-trading	798	2,023
- Financial investments available-for-sale	2,472	113
Interest received from financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and derivative financial instruments	48,453	59,221
Interest expenses paid on derivative financial instruments	(3,528)	(4,165)
Cash received from liquidation of a subsidiary	201	-
Proceeds from disposal of property and equipment	-	59
Purchase of property and equipment	(907)	(1,317)
Purchase of intangible assets	(540)	(637)
Net cash (used in)/generated from investing activities	(536,709)	143,317
<u>Cash flows from financing activities</u>		
Interest paid on borrowings	-	(1,880)
Repayment of borrowings	-	(165,000)
Cash received from ESOS exercised	3,149	3,289
Cash received from disposal of treasury shares	347	-
Net cash generated from/(used in) financing activities	3,496	(163,591)
Net changes in cash and cash equivalents	116,634	161,800
Effect of exchange rate changes	-	(2)
Cash and cash equivalents at beginning of year	665,574	503,776
Cash and cash equivalents at end of year	782,208	665,574
Cash and cash equivalents comprise:		
Cash and short term funds	782,208	665,574

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 2013.

HONG LEONG CAPITAL BERHAD
(Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The Company

30/06/2014 **30/06/2013**
RM'000 **RM'000**

Cash flows from operating activities

(Loss)/profit before taxation	(30,393)	186,989
<u>Adjustments for non-cash items:</u>		
- Net unrealised loss/(gain) on financial assets held-for-trading	8	(6)
- Net unrealised (gain)/loss on derivative financial instruments	(8,867)	8,867
- Interest income	(170)	(1,063)
- Interest expense on borrowings	-	1,829
- Gain on capital reduction of a subsidiary	-	(155,063)
- Gain on liquidation of a subsidiary	(201)	-
- Dividend income from:		
- Financial assets held-for-trading	(77)	-
- Financial investments available-for-sale	(1,947)	-
- Subsidiaries	(9,133)	(46,800)
- Allowance for impairment on subsidiary	49,939	-
	29,552	(192,236)
Operating loss before changes in working capital	(841)	(5,247)

Decrease/(increase) in deposits and placements with banks and other financial institutions	360	(360)
Decrease in financial assets held-for-trading	406	1
(Increase)/decrease in other assets	(798)	19,032
Decrease in other liabilities	(1,364)	(90,472)
Cash used in operating activities	(2,237)	(77,046)
- Net income tax refund	1,333	860
- Interest received	170	1,063
Net cash used in operating activities	(734)	(75,123)

Cash flows from investing activities

Increase in financial investments available-for-sale	(59,960)	-
Dividend received from:		
- Financial assets held-for-trading	77	-
- Financial investments available-for-sale	1,947	-
- Subsidiaries	1,600	35,100
Investment in subsidiary company	(20,000)	-
Net proceed from liquidation of a subsidiary	201	278,167
Net cash (used in)/generated from investing activities	(76,135)	313,267

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HONG LEONG CAPITAL BERHAD
 (Company Number 213006-U)
UNAUDITED STATEMENTS OF CASH FLOWS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

The Company

30/06/2014 30/06/2013
RM'000 RM'000

Cash flows from financing activities

Interest paid on borrowings	-	(1,880)
Repayment of borrowings	-	(165,000)
Cash received from treasury shares transferred to trustee of subsidiary	1,429	3,825
Cash received from disposal of treasury shares	347	-
Net cash generated from/(used in) financing activities	1,776	(163,055)
Net changes in cash and cash equivalents	(75,093)	75,089
Cash and cash equivalents at beginning of year	77,386	2,297
Cash and cash equivalents at end of year	2,293	77,386
Cash and cash equivalents comprise:		
Cash and short term funds	2,293	77,386

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 2013.

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 2014

Explanatory Notes pursuant to the Financial Reporting Standard 134 ("FRS 134") and Guidelines on Financial Reporting issued by Bank Negara Malaysia ("BNM")

1. Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments available-for-sale, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

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

The relevant new accounting standards, amendments and improvements to published standards that are effective for the Group's and the Company's financial year beginning on or after 1 July 2013 are as follows:

- MFRS 10 "Consolidated Financial Statements"
- MFRS 12 "Disclosures of Interests in Other Entities"
- MFRS 13 "Fair Value Measurement"
- The revised MFRS 127 "Separate Financial Statements"
- Amendment to MFRS 7 "Financial Instruments: Disclosures"
- Amendments to MFRS 10, 11 & 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- Annual improvements 2009-2011 Cycle

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

(b) Standards early adopted by the Group

The amendments to MFRS 136 "Impairment of assets" removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 July 2014, however the Group has decided to early adopt the amendment as of 1 July 2013.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited financial statements for the financial year ended 30 June 2013 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 2014.

HLCB Q4 (30.06.14)

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 2014.

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 2014.

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 2014, other than as mentioned below.

- (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").

The ESOS Trust is administered by an appointed trustee. The trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as the Company and the trustee may agree to purchase shares in the Company from the open market for the purpose of this trust.

In accordance to MFRS 132 "Financial instruments: Presentation and Disclosure", the shares purchased for the benefit of the ESOS holders are recorded as "Shares held by ESOS Trust" in the Group's statement of financial position as deduction in arriving at the shareholders' equity.

The ordinary share options of the Group granted under the ESOS are as follows:

Grant date	Expiry date		As at	Granted	Exercised	Lapsed	As at
			01.07.2013				30.06.2014
19 January 2011	18 April 2014	^	1,330,000	-	1,330,000	-	-
19 January 2011	18 April 2015	^	1,330,000	-	-	-	1,330,000
16 January 2013	20 January 2016		1,050,000	-	1,050,000	-	-
			<u>3,710,000</u>	<u>-</u>	<u>2,380,000</u>	<u>-</u>	<u>1,330,000</u>

^ The exercise period is up to 3 months from the Vesting Date.

- (b) During the financial quarter ended 30 June 2014, the Company sold 24,100 units treasury shares to the open market.
- (c) Total shares held by ESOS Trust comprise 7,373,100 (2013: 9,777,200) shares in the Group costing RM7,922,915 (2013: RM10,506,289) inclusive of transaction costs, as at 30 June 2014.

7. Dividends paid

There was no dividend paid during the financial quarter ended 30 June 2014.

HLCB Q4 (30.06.14)

8. Valuations of property, plant and equipment

No valuations of property, plant and equipment were carried out for the financial quarter ended 30 June 2014.

9. Significant events

Status update on compliance with the required public shareholding spread pursuant to Section 4.3 of Practice Note 19 of the Main Market Listing Requirements

Pursuant to Section 4.3 of Practice Note 19 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), HLCB announced that Bursa Securities had vide its letter dated 2 April 2014:

- (i) granted the Company a further extension of time of 6 months from 1 March 2014 until 31 August 2014 ("Extended Time Frame") to comply with the 25% public shareholding spread requirement pursuant to paragraph 8.02(1) of the Main Market Listing Requirements of Bursa Securities; and
- (ii) in the event the Company fails to comply with the public shareholding spread requirement on or before the Extended Time Frame, Bursa Securities may exercise its discretion to impose trading suspension of HLCB shares and in which case a 5 market days notice shall be given to HLCB and the market.

As stated in the Bursa Letter, the aforesaid decision was made after taking into consideration, amongst others, the following:

- (i) the lack of liquidity coupled with high concentration of HLCB shares held by a small number of shareholders; and
- (ii) the trading activity in HLCB shares, including the unusual market activity queries and market alert issued to date.

The Bursa Letter has further stated that given the possibility of trading suspension, HLCB is required to make a monthly status announcement (within 5 market days after the end of each month) which must include the following information:

- (i) the percentage of public shareholding spread;
- (ii) the status of the steps taken to comply with the public shareholding spread requirement;
- (iii) number of remaining months to the expiry date of the Extended Time Frame; and
- (iv) the consequences of non-compliance with the public shareholding spread requirement upon the Extended Time Frame.

The public shareholding spread of the Company as at 20 August 2014 was 11.45%.

The Company has not identified a satisfactory plan to address the non-compliance with the 25% public shareholding spread requirement. The Company has applied to Bursa Securities for a further extension of time to comply with the public shareholding spread requirement.

10. Subsequent events

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

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11. Financial assets held-for-trading

	The Group		The Company	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Money market instruments				
Malaysian Government Securities	-	20,107	-	-
Negotiable instruments of deposits	403,428	150,372	-	-
Bankers' acceptances	316,639	219,476	-	-
	720,067	389,955	-	-
Quoted securities				
In Malaysia:				
Shares	8,360	9,570	-	-
Unit trust investment	2,173	3,666	-	414
	10,533	13,236	-	414
Unquoted securities				
Foreign currency bonds	33,777	63,074	-	-
Private and Islamic debt securities	106,060	194,599	-	-
	139,837	257,673	-	-
	870,437	660,864	-	414

12. Financial investments available-for-sale

	The Group		The Company	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Money market instruments				
Malaysian Government Securities	30,512	20,205	-	-
Malaysian Government Investment Issues	139,398	59,669	-	-
Cagamas bonds	15,063	5,122	-	-
	184,973	84,996	-	-
Quoted securities				
In Malaysia:				
Unit trust investment	108,703	695	59,975	-
Unquoted securities				
Shares	245	686	-	-
Foreign currency bonds	72,619	86,476	-	-
Private and Islamic debt securities	378,748	92,480	-	-
	451,612	179,642	-	-
	745,288	265,333	59,975	-

13. Financial investments held-to-maturity

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Money market instruments		
Malaysian Government Securities	51,316	-
Malaysian Government Investment Issues	25,517	5,107
Cagamas bonds	-	10,161
Negotiable instruments of deposits	51,499	-
	128,332	15,268
Unquoted securities		
Foreign currency bonds	194,666	192,912
Private and Islamic debt securities	35,415	45,731
	230,081	238,643
	358,413	253,911

14. Loans and advances

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Term loan financing	140,112	33,533
Share margin financing	291,384	139,049
Revolving credits	-	60
Staff loans	100	458
Other loans	1,319	2,074
Gross loans and advances	432,915	175,174
Allowance for impaired loans and advances:		
- individual assessment allowance	(194)	(252)
- collective assessment allowance	(1,307)	(738)
Net loans and advances	431,414	174,184

14a. By type of customer

Domestic business enterprises		
- Small and medium enterprises	72,653	26,600
- Others	115,866	52,708
Individuals	244,144	95,563
Foreign entities	252	303
Gross loans and advances	432,915	175,174

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
14b. <u>By interest rate sensitivity</u>		
Fixed rate		
- Staff housing loans	83	388
- Other fixed rate loan	47,353	51,237
Variable rate		
- Cost plus	385,479	123,482
Non-interest bearing	-	67
Gross loans and advances	<u>432,915</u>	<u>175,174</u>
14c. <u>By residual contractual maturity</u>		
Maturity within one year	365,350	172,658
More than one year to three years	3	149
More than three years to five years	67,479	119
More than five years	83	2,248
Gross loans and advances	<u>432,915</u>	<u>175,174</u>
14d. <u>By geographical distribution</u>		
Malaysia	<u>432,915</u>	<u>175,174</u>
14e. <u>By economic purpose</u>		
Purchase of securities	291,384	139,049
Working capital	140,112	33,592
Purchase of transport vehicles	157	235
Purchase of landed properties	1,256	2,298
Others	6	-
Gross loans and advances	<u>432,915</u>	<u>175,174</u>
14f. Movements in impaired loans and advances ("impaired loans") are as follows:		
At 1 July	1,123	1,256
Impaired during the year	156	1,123
Amount written back during the year	(426)	-
Amount written off during the year	-	(1,256)
At 30 June	<u>853</u>	<u>1,123</u>
% of impaired loans to total loans and advances, net of individual assessment allowance	<u>0.2%</u>	<u>0.6%</u>
14g. <u>Impaired loans and advances by geographical distribution</u>		
Malaysia	<u>853</u>	<u>1,123</u>
14h. <u>Impaired loans and advances by economic purpose</u>		
Purchase of transport vehicles	115	156
Purchase of landed properties	738	967
Gross impaired loans and advances	<u>853</u>	<u>1,123</u>

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14. Loans and advances (continued)

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
14i. Movement in the allowance for loss on loans and advances are as follows:		
<u>Individual assessment allowance</u>		
At 1 July	252	1,256
Allowance made during the year	2	252
Amount written back during the year	(60)	-
Amount written off during the year	-	(1,256)
At 30 June	194	252
<u>Collective assessment allowance</u>		
At 1 July	738	837
Allowance made/(written back) during the year	569	(99)
At 30 June	1,307	738

15. Clients' and brokers' balances

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Performing accounts	287,185	150,115
Impaired accounts	956	805
	288,141	150,920
Less: Individual assessment allowance	(370)	(378)
Collective assessment allowance	(15)	(33)
	287,756	150,509

16. Other assets

	The Group		The Company	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Amount due from subsidiary companies	-	-	7,400	3
Amount due from related companies	49	171	49	-
Deposits and prepayments	5,567	4,764	13	11
Other receivables	41,104	7,761	345	-
Manager's stocks and consumables	287	159	-	-
	47,007	12,855	7,807	14

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17. Deposits from customers

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Deposits from customers	631,566	470,169
17a. <u>By type of deposits</u>		
Fixed deposits	631,566	470,169
17b. <u>By type of customer</u>		
Government and statutory bodies	534,103	429,322
Business enterprises	96,453	40,847
Individuals	1,010	-
	631,566	470,169
17c. The maturity structure of fixed deposits are as follows:		
Due within six months	631,566	470,169

18. Deposits and placements of banks and other financial institutions

	The Group	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Bank Negara Malaysia	96,343	316,207
Licensed banks	553,736	128,060
Licensed investment banks	52,804	105,866
Other financial institutions	1,352,077	992,842
	2,054,960	1,542,975

19. Derivative financial assets/liabilities

The Group 30/06/2014	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
	Interest rate related contracts:		
- Interest rate swaps	2,411,000	9,769	(18,537)
- Futures	494,816	489	-
- Cross currency swaps	64,220	195	(36)
Foreign exchange related contracts:			
- Foreign currency swaps	1,432,090	9,204	(5,969)
- Foreign currency forwards	57,314	14	(207)
- Foreign currency spot	48,165	19	(24)
Equity related contracts:			
- Call option	11,500	3,851	-
	4,519,105	23,541	(24,773)

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19. Derivative financial assets/liabilities (continued)

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
The Group			
30/06/2013			
Interest rate related contracts:			
- Interest rate swaps	1,888,500	6,615	(11,778)
- Futures	894,809	2,239	(942)
- Cross Currency Swaps	94,809	222	(278)
Foreign exchange related contracts:			
- Foreign currency swaps	2,064,470	14,835	(19,645)
- Foreign currency forwards	19,011	-	(128)
- Foreign currency spot	12,642	12	(2)
Equity related contracts:			
- Call option	10,000	4,862	-
	<u>4,984,241</u>	<u>28,785</u>	<u>(32,773)</u>
The Company			
30/06/2013			
Equity related contracts:			
- Put option	2,858	-	(12,156)

20. Other liabilities

	The Group		The Company	
	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
Amount due to holding company	-	2	-	2
Amount due to subsidiary companies	-	-	-	1,001
Amount due to related companies	177	142	7	-
Remisiers' trust deposits	13,777	15,482	-	-
Other payables and accrued liabilities	481,480	73,742	516	884
Post employment benefits obligation				
- defined contribution plan	301	296	-	-
	<u>495,735</u>	<u>89,664</u>	<u>523</u>	<u>1,887</u>

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21. Interest income

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group				
Loan and advances	4,459	3,357	16,627	15,495
Money at call and deposits placements with banks and other financial institutions	5,351	4,435	25,825	13,013
Financial assets held-for-trading	4,688	6,990	19,554	28,301
Financial investments available-for-sale	6,152	1,778	19,127	5,246
Financial investments held-to-maturity	2,994	2,020	13,758	13,415
Derivative financial instruments	596	783	2,729	3,092
Others	223	428	1,045	1,214
Total interest income	24,463	19,791	98,665	79,776
The Company				
Money at call and deposits placements with banks and other financial institutions	8	359	170	921
Others	-	142	-	142
Total interest income	8	501	170	1,063

22. Interest expense

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group				
Deposits and placements of banks and other financial institutions	3,289	2,650	15,979	10,221
Deposits from customers	11,855	9,774	45,946	33,280
Derivative financial instruments	1,680	1,136	6,650	4,307
Borrowings	-	-	-	1,829
Others	176	(356)	477	(236)
Total interest expense	17,000	13,204	69,052	49,401
The Company				
Borrowings	-	-	-	1,829
Others	-	-	-	3,358
Total interest expense	-	-	-	5,187

23. Non-interest income

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group				
(a) Fee income:				
Fee on loans and advances	241	258	1,284	1,459
Arranger fees	3,736	314	15,295	11,667
Placement fee	23,446	9,188	24,521	30,861
Guarantee fees	532	216	1,314	880
Corporate advisory fees	2,810	2,630	8,058	7,455
Underwriting Commission	1,660	369	2,274	1,420
Brokerage commissions	17,888	15,046	60,576	43,511
Commission from futures contracts	307	386	1,090	1,052
Unit trust fee income	5,071	5,306	19,437	19,534
Other fee income	4,648	7,302	19,193	18,144
	60,339	41,015	153,042	135,983
(b) Net realised gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	(161)	(1,495)	(5,116)	15
- Financial investments available-for-sale	1,157	-	4,480	16,048
- Financial investments held-to-maturity	-	-	12	-
- Derivative financial instruments	5,573	(7,889)	9,624	(25,996)
	6,569	(9,384)	9,000	(9,933)
(c) Net unrealised gain/(loss) on revaluation of:				
- Financial assets held-for-trading	1,379	(3,484)	3,359	(3,221)
- Derivative financial instruments	(2,925)	1,012	3,128	19,718
	(1,546)	(2,472)	6,487	16,497
(d) Dividend income from:				
- Financial assets held-for-trading	(23)	272	798	2,048
- Financial investments available-for-sale	748	4	2,472	118
	725	276	3,270	2,166
(e) (Loss)/gain on disposal of property and equipment	(2)	15	(1)	55
(f) Gain on liquidation of a subsidiary	-	-	201	-
(g) Foreign exchange (loss)/gain	(2,359)	12,815	(11,571)	15,172
(h) Other income	116	56	835	352
Total non-interest income	63,842	42,321	161,263	160,292

23. Non-interest income (continued)

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Company				
(a) Net realised gain/(loss) arising from sale of:				
- Financial assets held-for-trading	109	-	109	-
- Financial investments available-for-sale	(33)	-	(33)	-
(b) Net unrealised (loss)/gain on revaluation of:				
- Financial assets held-for-trading	(2)	1	(8)	6
- Derivative financial instruments	11,155	(8,867)	8,867	(8,867)
(c) Dividend income from:				
- Financial assets held-for-trading	25	-	77	-
- Financial investments available-for sale	448	-	1,947	-
- Subsidiaries	7,000	46,800	9,133	46,800
(d) Gain on liquidation of a subsidiary	-	-	201	-
(e) Gain on capital reduction of a subsidiary	-	155,063	-	155,063
(f) Other income	(98)	3	194	3
	18,604	193,000	20,487	193,005

24. Overhead expenses

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group				
Personnel costs				
- Salaries, bonuses and allowances	31,998	13,272	63,664	64,523
- Option charge arising from ESOS	(504)	(16)	159	419
- Others	723	3,735	8,479	10,807
	32,217	16,991	72,302	75,749
Establishment costs				
- Depreciation of property and equipment	486	476	2,028	2,322
- Amortisation of intangible assets	165	141	553	665
- Rental of premises	1,543	1,518	6,498	6,293
- Information technology expenses	1,894	1,960	6,459	6,162
- Others	731	345	3,429	3,645
	4,819	4,440	18,967	19,087

24. Overhead expenses (continued)

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group (continued)				
Marketing expenses				
- Advertisement and publicity	268	166	1,068	650
- Entertainment and business improvement	530	225	1,941	1,218
- Others	106	225	658	469
	904	616	3,667	2,337
Administration and general expenses				
- Management fees	1,121	566	3,898	3,584
- Communication expenses	424	443	1,609	1,976
- Property and equipment written off	1	209	1	209
- Intangible assets written off	-	37	-	37
- Auditors' remuneration				
- Statutory audit	69	218	383	438
- Tax compliance fee	13	40	13	40
- Other fees	216	15	249	46
- Legal and professional fees	1,170	(136)	4,015	9,958
- Others	1,549	1,728	7,129	7,269
	4,563	3,120	17,297	23,557
	42,503	25,167	112,233	120,730
The Company				
Personnel costs				
- Salaries, bonuses and allowances	19	40	90	149
- Others	63	126	245	193
	82	166	335	342
Establishment costs				
- Information technology expenses	17	24	28	24
- Others	24	25	74	54
	41	49	102	78
Marketing expenses				
- Advertisement and publicity	2	-	5	35
- Others	5	3	6	5
	7	3	11	40
Administration and general expenses				
- Communication expenses	1	1	9	8
- Auditors' remuneration				
- Statutory audit	18	13	64	63
- Tax compliance fee	4	4	4	4
- Other fees	1	-	12	10
- Legal and professional fees	5	19	8	476
- Others	(24)	91	566	831
	5	128	663	1,392
	135	346	1,111	1,852

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

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
The Group				
Allowance for/(write-back of) losses on impaired loans and advances:				
Individual assessment allowance				
- made during the period/year	-	252	2	252
- written back during the period/year	(1)	-	(60)	-
Collective assessment allowance made/(written back) during the period/year	230	84	569	(99)
Bad debts on loans and advances				
- written off	-	-	-	2
Allowance for losses on clients' and brokers' balances:				
Individual assessment allowance				
- made during the period/year	20	(74)	119	352
- written back during the period/year	4	(27)	(127)	(640)
Collective assessment allowance (written back)/made during the period/year	(14)	22	(18)	(111)
Bad debts on clients' and brokers' balances				
- recovered	(31)	(104)	(57)	(309)
Allowance for losses on other debtors:				
Individual assessment allowance				
- made during the period/year	85	(38)	85	415
- written-back during the period/year	-	(70)	(153)	(70)
Bad debts on other assets				
- written off	-	60	-	453
	293	105	360	245
The Company				
Allowance for impairment on subsidiary	49,939	-	49,939	-
Bad debts on other assets				
- written off	-	40	-	40
	49,939	40	49,939	40

26. Impairment losses on securities

	Current quarter ended 30/06/2014 RM'000	Last year's quarter ended 30/06/2013 RM'000	Current year ended 30/06/2014 RM'000	Last year's ended 30/06/2013 RM'000
Financial investments available-for-sale	-	1,759	-	1,759

27. Commitments and contingencies

	As at 30/06/2014 Principal Amount RM'000	As at 30/06/2013 Principal Amount RM'000
The Group		
Commitments and contingent liabilities		
Direct Credit Substitutes	20,625	50,750
Obligations under underwriting agreement	299,154	-
Other commitments, such as formal standby facilities and credit lines		
- maturity less than one year	23	-
- maturity over one year	-	69
Any commitments that are unconditionally cancelled at any time by the bank without prior notice		
- maturity less than one year	627,233	507,022
Others		
- monies held in trust for stockborking clients	648,976	636,606
	<u>1,596,011</u>	<u>1,194,447</u>
Derivative financial instruments		
Interest rate related contracts:		
- One year or less	724,036	716,412
- Over one year to five years	2,246,000	2,161,706
Foreign exchange related contracts		
- One year or less	1,537,569	2,096,122
Equity related contracts		
- Over one year to five years	11,500	10,000
	<u>4,519,105</u>	<u>4,984,240</u>
	<u>6,115,116</u>	<u>6,178,687</u>
The Company		
Derivative financial instruments		
Equity related contracts		
- One year or less	-	1,429
- Over one year to five years	-	1,429
	<u>-</u>	<u>2,858</u>

28. Fair value of financial instruments

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

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

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

28. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The Group 30.06.2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading	10,533	859,904	-	870,437
- Money market instruments	-	720,067	-	720,067
- Quoted securities	10,533	-	-	10,533
- Unquoted securities	-	139,837	-	139,837
Financial investments available-for-sale	108,703	636,340	245	745,288
- Money market instruments	-	184,973	-	184,973
- Quoted securities	108,703	-	-	108,703
- Unquoted securities	-	451,367	245	451,612
Derivative financial assets	-	23,541	-	23,541
- Money market instruments	-	23,541	-	23,541
	119,236	1,519,785	245	1,639,266
Financial liability				
Derivative financial liabilities	-	24,773	-	24,773
- Money market instruments	-	24,773	-	24,773
30.06.2013				
Financial assets				
Financial assets held-for-trading	13,236	647,628	-	660,864
- Money market instruments	-	389,955	-	389,955
- Quoted securities	13,236	-	-	13,236
- Unquoted securities	-	257,673	-	257,673
Financial investments available-for-sale	695	263,952	686	265,333
- Money market instruments	-	84,996	-	84,996
- Quoted securities	695	-	-	695
- Unquoted securities	-	178,956	686	179,642
Derivative financial assets	-	28,785	-	28,785
- Money market instruments	-	28,785	-	28,785
	13,931	940,365	686	954,982
Financial liability				
Derivative financial liabilities	-	32,773	-	32,773
- Money market instruments	-	32,773	-	32,773

HLCB Q4 (30.06.14)**28. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)

The Company 30.06.2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial asset				
Financial investments available-for-sale				
- Quoted securities	59,975	-	-	59,975
30.06.2013				
Financial asset				
Financial assets held-for-trading				
- Quoted securities	414	-	-	414
Financial liability				
Derivative financial liabilities				
- Money market instruments	-	12,156	-	12,156

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

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

The Group	Financial investments available-for-sale	
	30.06.2014 RM'000	30.06.2013 RM'000
As at 1 July	686	2,445
Redeemed during the year	(441)	-
Impaired during the year	-	(1,759)
As at 30 June	245	686

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29. Capital adequacy

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

	HLIB 30/06/2014	HLIB 30/06/2013
Before deducting proposed dividends:		
Common equity tier 1 ("CET1") capital ratio	20.108%	33.077%
Tier 1 capital ratio	20.108%	33.077%
Total capital ratio	20.259%	33.172%
After deducting proposed dividends:		
CET1 capital ratio	16.401%	29.982%
Tier 1 capital ratio	16.401%	29.982%
Total capital ratio	16.552%	30.076%

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

	HLIB 30/06/2014 RM'000	HLIB 30/06/2013 RM'000
CET1 capital		
Paid-up ordinary share capital	165,000	165,000
Share premium	87,950	87,950
Other reserves	218,692	138,810
	471,642	391,760
Regulatory adjustments:		
- Goodwill and intangibles	(29,978)	(30,040)
- Deferred tax assets	(103,671)	(61,978)
- Other regulatory adjustments	(77)	(525)
Total CET1 capital	337,916	299,217
Tier-1 capital	337,916	299,217
Tier-2 capital		
Redeemable preference shares	1,631	1,631
Collective assessment allowance for losses on loans and advances ⁽¹⁾	1,204	678
Regulatory adjustments:		
- Investment in subsidiaries	(306)	(1,455)
Total Tier 2 capital	2,529	854
Total capital	340,445	300,071

Note:

(1) Excludes collective assessment allowance attributable to loans and advances classified as impaired.

HLCB Q4 (30.06.14)**29. Capital adequacy (continued)**

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

	HLIB 30/06/2014 RM'000	HLIB 30/06/2013 RM'000
Credit risk	896,087	464,961
Market risk	571,557	321,448
Operational risk	212,853	118,189
	<u>1,680,497</u>	<u>904,598</u>

30. Segmental reporting

(a) Segment information by activities for the financial period ended 30 June 2014:

	Investment banking and stockbroking	Fund management and unit trust management	Investment holding and others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2014					
REVENUE & EXPENSES					
Revenue					
Net Interest income	28,854	551	208	-	29,613
Non interest income	164,227	19,440	49,153	(71,557)	161,263
Results					
Profit/(loss) from operations	68,381	3,084	47,996	(41,178)	78,283
Taxation					40,527
Profit after taxation					118,810
30 June 2013					
REVENUE & EXPENSES					
Revenue					
Net Interest income	30,400	729	(754)	-	30,375
Non interest income	151,794	19,531	51,377	(62,410)	160,292
Results					
Profit/(loss) from operations	73,045	1,489	48,333	(54,934)	67,933
Taxation					22,288
Profit after taxation					90,221

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

31. Property and equipment

The valuations of property and equipment have been brought forward without amendment from the financial statements for the financial year ended 30 June 2013.

32. Changes in composition of the Group

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

- (a) Following the completion of the disposal of Promilia Berhad ("Promilia") by HLCB to Hong Leong Bank Berhad on 11 October 2013, Promilia had, on the even day, ceased to be a wholly-owned subsidiary of HLCB.
- (b) SSSB Nominees (Tempatan) Sdn Bhd and SSSB Nominees (Asing) Sdn Bhd (collectively known as "the Companies"), both a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn a wholly-owned subsidiary of HLCB, were dissolved on 12 December 2013.
- (c) HLG Asset Management Sdn Bhd, a wholly-owned subsidiary of HLCB, was dissolved on 30 January 2014.
- (d) On 1 April 2014, HLCB announced that the liquidator of RC Nominees (Tempatan) Sdn Bhd ("RC Nominees"), a wholly-owned subsidiary of Hong Leong Investment Bank Berhad ("HLIB") which in turn a wholly-owned subsidiary of HLCB, had convened the final meeting for RC Nominees to conclude the member's voluntary winding-up of RC Nominees. The Return by Liquidator Relating to Final Meeting of RC Nominees was lodged on 1 April 2014 with the Companies Commission of Malaysia and the Official Receiver, and on the expiration of 3 months after the said lodgement date, RC Nominees will be dissolved. RC Nominees (Tempatan) Sdn Bhd was dissolved on 1 July 2014.
- (e) On 23 April 2014, HLIB placed its wholly-owned subsidiaries, HLG Nominee (Tempatan) Sdn Bhd and HLG Nominee (Asing) Sdn Bhd, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.
- (f) MIMB Nominees (Tempatan) Sendirian Berhad and MIMB Nominees (Asing) Sendirian Berhad, both wholly-owned subsidiaries of HLIB, were dissolved on 19 May 2014.
- (g) On 12 June 2014, HLIB placed its wholly-owned subsidiary, ECS Jaya (1969) Sdn Bhd, under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965.

33. Capital commitments

Capital commitments for the purchase of property and equipment as at 30 June 2014 is RM7.8 million.

34. Changes in contingent liabilities

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

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

The size of the fund was above the minimum of RM1.0 million as at 30 June 2014.

35. Related party transactions

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

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

1. Performance review

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

The group recorded a higher profit before tax ("PBT") of RM28.5 million for the 4th quarter June 2014 as compared to RM21.9 million in the previous year corresponding quarter. This is mainly due to higher contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a higher PBT of RM26.9 million for the 4th quarter June 2014 as compared to previous year corresponding quarter of RM22.2 million mainly due to higher contribution from its Equity Markets division.

Fund management and unit trust management

Fund management and unit trust management recorded a lower PBT of RM0.6 million for the 4th quarter June 2014 as compared to RM3.4 million in previous year corresponding quarter, mainly due to lower net contribution from management fee income in this quarter.

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

The group recorded a higher PBT of RM78.3 million for the financial period ended June 2014 as compared to RM67.9 million in the previous financial period, higher by 15.2%. This is mainly due to higher contribution from Hong Leong Asset Management Bhd ("HLAM") attributed from lower overheads incurred.

Investment banking and stockbroking

The investment banking and stockbroking segment recorded a decrease in PBT by 6.4% as compared to previous year corresponding period of RM73.0 million mainly due to lower contribution from its Investment Banking division. However, the decrease in PBT was partially set off by the higher contribution from its Stockbroking division.

Fund management and unit trust management

Fund management and unit trust management recorded a higher PBT of RM3.1 million for the financial period ended June 2014 as compared to previous year corresponding period of RM1.5 million, mainly due to higher overheads incurred in previous financial period.

HLCB Q4 (30.06.14)

1. Performance review (continued)

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

For the financial quarter ended 30 June 2014, the Group reported a higher PBT of RM28.5 million compared to the PBT of RM14.3 million in the preceding financial quarter. This was mainly due to higher contribution from its investment banking and stockbroking segment.

Investment banking and stockbroking

The investment banking and stock broking segment recorded a higher PBT of RM26.9 million for the 4th quarter June 2014 as compared to preceding financial quarter of RM8.6 million mainly due to higher contribution from its Equity Markets division and Stockbroking division.

Fund management and unit trust management

The fund management and unit trust management segment recorded a higher PBT of RM0.6 million for 4th quarter June 2014 as compared to RM91 thousand in preceding financial quarter. This is mainly due to higher net contribution from management fee income as compared to preceding financial quarter.

2. Prospects for the next financial year

The Group is expected to show satisfactory performance in the financial year ending 30 June 2015 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

	Financial quarter ended		Financial year ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
The Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:				
- Current	20,351	14,071	21,044	19,483
- (Over)/under provision in prior years	(461)	444	(461)	444
Deferred taxation	(40,843)	(52,701)	(61,110)	(42,215)
	<u>(20,953)</u>	<u>(38,186)</u>	<u>(40,527)</u>	<u>(22,288)</u>
The Company				
Malaysian income tax:				
- Current	(172)	10,368	361	10,368
- (Over)/under provision in prior years	36	-	36	-
	<u>(136)</u>	<u>10,368</u>	<u>397</u>	<u>10,368</u>

5. Status of corporate proposals

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

6. Group borrowings

The Group has no borrowings as at 30 June 2014.

7. Off-balance sheet financial instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2014:

The Group	Principal amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000
Interest rate related contracts			
(i) Less than 1 year	724,036	466	(80)
(ii) 1 year to 3 years	1,273,500	3,496	(7,550)
(iii) More than 3 years	972,500	6,491	(10,944)
Foreign exchange related contracts			
(i) Less than 1 year	1,537,569	9,238	(6,199)
Equity related contractes			
(i) 1 year to 3 years	10,000	2,517	-
(ii) More than 3 years	1,500	1,334	-
	4,519,105	23,541	(24,773)

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

Credit risk

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

Market risk

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

Related accounting policies

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

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8. Material litigation

The Group and the Company do not have any material litigation which would materially and adversely affect the financial position of the Group and the Company.

9. Dividends

A final single-tier dividend of 15.0 sen per share has been proposed for the current quarter.

Amount per share:	15.0 sen.
Previous corresponding quarter:	Nil.
Payment date:	To be announced later.
Entitlement date:	To be announced later.

10. 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	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
The Group				
Net profit attributable to equity holders of the Company (RM'000):	49,462	60,063	118,810	90,221
Weighted average number of ordinary shares in issue ('000):	239,493	236,020	237,963	235,104
Basic earnings per share (sen)	20.7	25.4	49.9	38.4
The Company				
Net profit attributable to equity holders of the Company (RM'000):	(31,326)	182,747	(30,790)	176,621
Weighted average number of ordinary shares in issue ('000):	239,500	236,855	238,760	235,312
Basic earnings per share (sen)	(13.1)	77.2	(12.9)	75.1

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

(b) Fully diluted earnings per share

The diluted earnings per share has been calculated by dividing the net profit for the financial year of the Group by the number of shares in issue including the dilutive potential ordinary shares held in respect of ESOS shares for eligible executives.

	Financial quarter ended		Financial period ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
The Group				
Basic weighted average number of shares in issue ('000)	239,493	236,020	237,963	235,104
Number of potential ordinary shares ('000)	1,330	3,710	1,330	3,710
Diluted weighted average number of shares ('000)	240,823	239,730	239,293	238,814
Net profit attributable to shareholders of the Company (RM'000):	49,462	60,063	118,810	90,221
Diluted weighted average number of shares ('000)	240,823	239,730	239,293	238,814
Diluted earnings per share (sen)	20.5	25.1	49.7	37.8
The Company				
Basic weighted average number of shares in issue ('000)	239,500	236,855	238,760	235,312
Number of potential ordinary shares ('000)	1,330	3,710	1,330	3,710
Diluted weighted average number of shares ('000)	240,830	240,565	240,090	239,022
Net profit attributable to shareholders of the Company (RM'000):	(31,326)	182,747	(30,790)	176,621
Diluted weighted average number of shares ('000)	240,830	240,565	240,090	239,022
Diluted earnings per share (sen)	(13.0)	76.0	(12.8)	73.9

11. Realised and unrealised profits/losses

The breakdown of retained profits of the Group and the Bank as at the reporting date, into realised and unrealised profits, as disclosed pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 25 March 2010, is as follows:

	As at 30/06/2014 RM'000	As at 30/06/2013 RM'000
The Group		
Total retained profit		
- Realised	232,928	174,154
- Unrealised		
- in respect of deferred tax recognised in the profit or loss	98,188	56,322
- in respect of other items of income and expense	25,752	36,337
	356,868	266,813
Less : Consolidation adjustment	(90,966)	(93,826)
	265,902	172,987
The Company		
Total retained profit		
- Realised	172,310	200,623
- Unrealised		
- in respect of other items of income and expense	-	14
	172,310	200,637

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 disclosure of realised and unrealised profits or losses above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

Dated this 26 August 2014.